

Opinion on Malaysia's Chairmanship of ASEAN in 2025 – Reality & Peril

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ABSTRACT

As Malaysia assumes the ASEAN chairmanship in 2025, it stands at a pivotal juncture to lead the region toward greater digital integration and inclusive economic growth. This opinion paper, presented by the Chartered Institute of Digital Economy (CIDE) & Malaysia Digital Chamber of Commerce (MDCC), highlights strategic priorities and policy recommendations to advance ASEAN's digital economy agenda. Key focus areas include establishing an ASEAN Digital Startup Fund, fostering a cross-border startup ecosystem, and reducing regulatory barriers for SMEs. Additionally, the paper emphasizes promoting digital trade and e-commerce by adopting regional standardization frameworks, enhancing participation in global digital trade agreements, and strengthening online dispute resolution mechanisms. By addressing these priorities, Malaysia can position ASEAN as a globally competitive and digitally resilient economic bloc.

INTRODUCTION

Malaysia's upcoming chairmanship of ASEAN in 2025 presents a significant opportunity to strengthen regional digital economic cooperation, foster innovation, and drive inclusive economic growth. As digitalization continues to reshape industries, Malaysia is well-positioned to lead ASEAN toward a more integrated and resilient digital economy. The Chartered Institute of Digital Economy (CIDE) and Malaysia Digital Chamber of Commerce (MDCC) presents this opinion paper to outline key areas of focus, challenges, and policy recommendations for Malaysia's chairmanship.

Strategic Priorities for Malaysia's ASEAN Chairmanship

To maximize the impact of its leadership, Malaysia should prioritize the following areas:

necessary resources and tools.

- Establish an ASEAN Digital Startup Fund to provide financing support for innovative technology startups.

- Develop a regional startup ecosystem by fostering cross-border incubation programs, R&D collaborations, and knowledge-sharing initiatives.
- Reduce regulatory barriers that hinder SMEs from expanding their digital businesses across ASEAN markets.

Promoting Digital Trade and E-Commerce Growth

The rise of e-commerce presents an opportunity for ASEAN businesses to reach a wider consumer base.

- Encourage the adoption of a regional e-commerce standardization framework to facilitate ease of trade and logistics.
- Enhance ASEAN's participation in global digital trade agreements, ensuring ASEAN businesses can access global markets competitively.
- Strengthen initiatives such as ASEAN Online Dispute Resolution (ODR) mechanisms to improve consumer protection and trust in e-commerce transactions.

Challenges to Address

Despite the promising opportunities, several challenges must be addressed:

Regulatory Fragmentation

ASEAN countries have different digital policies, data protection laws, and regulatory frameworks, making regional integration difficult. For instance, while Singapore has a well-established data protection law (PDPA), other countries like Cambodia and Myanmar have less developed frameworks. This inconsistency creates hurdles for businesses operating across multiple ASEAN markets, as they must comply with varying rules regarding data sovereignty, cross-border data flows, and digital transactions.

Cybersecurity Threats

The rise in digital transactions, e-commerce, and online services has led to increased cyber threats such as data breaches, ransomware attacks, and phishing scams. ASEAN countries have different levels of cybersecurity readiness, and a lack of standardized security measures can create vulnerabilities across borders. Cooperation among ASEAN nations through frameworks like the ASEAN Cybersecurity Cooperation Strategy is crucial, but enforcement and collaboration remain inconsistent.

Digital Skills Gap

Despite rapid digital adoption, ASEAN faces a significant gap in skilled digital professionals, particularly in areas like AI, cybersecurity, and cloud computing. Many traditional workers need upskilling to adapt to automation and digital transformation. Countries like Indonesia, the Philippines, and Vietnam struggle with workforce digital literacy, which slows down the adoption of new technologies. Governments and private sector initiatives must focus on large-scale training programs to bridge this gap.

Funding and Investment Gaps

While digital transformation offers opportunities, many ASEAN startups and SMEs struggle to access funding for technology adoption, innovation, and market expansion. Financial institutions often have strict lending criteria, and venture capital availability varies across the region. Startups in Singapore and Indonesia may find it easier to secure funding, whereas those in Laos or Brunei face challenges. Government-backed initiatives, fintech solutions, and cross-border investment mechanisms are needed to close these gaps.

Related Work

The development of ASEAN's digital economy has been a focal point of regional cooperation in recent years. Key initiatives such as the ASEAN Digital Masterplan 2025 (ADM 2025) have outlined strategic actions to build a digitally enabled economy that is secure, sustainable, and transformative. Studies by the ASEAN Secretariat and ERIA (Economic Research Institute for ASEAN and East Asia) have emphasized the importance of harmonizing digital regulations and fostering digital innovation to bridge the development gap among member states.

Reports from organizations such as the World Bank and OECD have also highlighted how digital transformation can drive inclusive growth in Southeast Asia, particularly by enabling MSMEs to access regional and global markets. Efforts such as the ASEAN Agreement on Electronic Commerce, signed in 2019, serve as foundational frameworks to promote regulatory coherence and cross-border digital trade.

In addition, thought leadership from regional think tanks and industry bodies—including the ASEAN Business Advisory Council and the Asian Development Bank (ADB)—have underscored the need for public-private partnerships and investment in digital infrastructure to ensure equitable digital development. This finding by CIDE and MDCC builds upon these foundations to offer targeted recommendations for Malaysia's upcoming ASEAN chairmanship, with a special focus on startups, SMEs, and digital trade facilitation.

METHOD

This opinion paper by the Chartered Institute of Digital Economy (CIDE) and Malaysia Digital Chamber of Commerce (MDCC) adopts a qualitative, policy-oriented research approach to identify strategic priorities and formulate recommendations for Malaysia's ASEAN chairmanship in 2025. The methodology involved the following steps:

Literature Review: A comprehensive review of existing ASEAN digital economy frameworks, including the ASEAN Digital Masterplan 2025, the ASEAN Agreement on Electronic Commerce, and various reports from the ASEAN Secretariat, ERIA, World Bank, and OECD, was conducted to establish a contextual foundation.

Stakeholder Consultations: CIDE & MDCC engaged with a broad range of stakeholders across the digital economy ecosystem, including technology startups, SMEs, industry associations, digital trade experts, and policy makers. Feedback was collected through roundtable discussions, interviews, and industry dialogues to identify current challenges and emerging opportunities in the ASEAN digital landscape.

Comparative Analysis: The paper examined successful digital policies and best practices from other ASEAN member states and comparable regions to assess potential applicability and scalability within the ASEAN context under Malaysia's leadership.

Synthesis and Policy Formulation: Insights from the literature, consultations, and case studies were synthesized to outline practical and actionable recommendations. These focus on strengthening the digital startup ecosystem, facilitating cross-border e-commerce, and enhancing digital regulatory harmonization.

This methodology ensures that the paper's recommendations are grounded in real-world challenges and opportunities, reflecting both the aspirations and practical needs of ASEAN's digital economy stakeholders.

RESULTS AND DISCUSSION

We dive into the frequently asked questions on how Malaysia can perform well as the Chair of ASEAN in 2025. Excerpts of 12 questions along with the response as below:

Q1. As the Chair of ASEAN, how can Malaysia leverage this opportunity to strengthen its position as a digital hub in the ASEAN region?

As Chair of ASEAN, Malaysia can leverage its leadership role to strengthen its position as a regional digital

hub by spearheading the ASEAN Digital Economy Framework Agreement (DEFA), harmonizing digital regulations, and promoting regional collaboration in technologies like 5G, AI, and blockchain. By positioning itself as a key destination for digital investments through initiatives like Malaysia Digital (MD), enhancing digital infrastructure and connectivity, and expanding support for startups and innovation, Malaysia can foster a thriving tech ecosystem. Furthermore, initiatives such as cross-border digital payment integration, streamlined e-commerce policies, and ASEAN-wide talent development programs will help Malaysia align its digital economy with regional and global markets, thereby solidifying its status as a competitive digital leader in Southeast Asia.

Q2. What is Malaysia's role in leading ASEAN countries towards a more inclusive and competitive digital economy, particularly through initiatives such as DEFA?

As Chair of ASEAN, Malaysia can play a pivotal role in shaping an inclusive and competitive regional digital economy through the effective implementation of the ASEAN Digital Economy Framework Agreement (DEFA). By driving digital economic integration, harmonizing regulations, and facilitating cross-border digital trade, Malaysia can position itself as a key facilitator. It can also help bridge the digital divide by supporting less digitally advanced ASEAN nations through infrastructure development, training, and startup support. Additionally, Malaysia can lead initiatives to enhance digital infrastructure, establish ASEAN as a global innovation hub, and strengthen regional cybersecurity through unified frameworks and alliances. These efforts will collectively enable ASEAN to build a resilient, integrated, and forward-looking digital economy.

Q3. How Can Malaysia Strengthen the ASEAN Regional Digital Ecosystem Given Its Position as a Leader in Technology and Innovation?

Malaysia can strengthen the ASEAN regional digital ecosystem by adopting a comprehensive strategy centered on infrastructure development, digital talent cultivation, pro-business policies, and regional collaboration. By accelerating 5G, IoT, and data center infrastructure, and enhancing cybersecurity and blockchain systems, Malaysia can position itself as a regional tech hub. Expanding STEM and TVET programs, fostering university-industry partnerships, and incentivizing digital workforce development will build a future-ready talent pool. Business-friendly policies such as startup tax incentives, digital sandboxes, and flexible regulations can attract global investments. Malaysia can also drive regional collaboration through DEFA, cross-border e-commerce, and the establishment of a digital innovation hub. Moreover, promoting digital adoption in traditional industries—such as SMEs, agriculture, and manufacturing—will ensure inclusive growth, making Malaysia a central player in ASEAN's digital transformation.

Q4. In the Context of Malaysia's ASEAN Chairmanship, What is the Role of the ASEAN Digital Economy Framework Agreement (DEFA) in Bridging the Digital Divide Among ASEAN Member States?

As Chair of ASEAN, Malaysia can leverage the ASEAN Digital Economy Framework Agreement (DEFA) to bridge the digital divide among member states by promoting equitable access to digital infrastructure, enhancing digital literacy, and supporting SMEs in less developed nations. Through initiatives like the ASEAN Digital Connectivity Initiative and ASEAN Digital Talent Exchange, Malaysia can drive infrastructure investment and skill development across the region. By standardizing e-commerce regulations and implementing a unified payment system, DEFA can help SMEs access regional markets. Malaysia can further lead efforts in innovation support through an ASEAN Digital Innovation Hub and enhance regional cybersecurity through a proposed ASEAN Cybersecurity Alliance. With strategic leadership, Malaysia can ensure DEFA fosters inclusive and sustainable digital growth across ASEAN.

Q5. How Can Malaysia Ensure That the Benefits of DEFA Are Enjoyed by Various Segments of Society, Including SMEs, in Creating Wider Digital Opportunities?

To ensure the ASEAN Digital Economy Framework Agreement (DEFA) benefits all segments of society, Malaysia must adopt a comprehensive strategy that supports SME digitalization, financing, talent development, and awareness. This includes providing digitalization grants and tax incentives, establishing

regional e-commerce platforms, and enhancing access to microfinance and digital credit through fintech solutions. Malaysia should also invest in digital training for entrepreneurs and workers, promote collaboration between SMEs and tech firms, and integrate SMEs into the ASEAN digital supply chain through compliance support and automation adoption. By launching awareness campaigns, offering legal support, and simplifying digital processes, Malaysia can ensure that SMEs are empowered to thrive in the ASEAN digital economy, thus broadening economic opportunities and promoting inclusive growth across society.

Q6. What steps should Malaysia take to ensure that the country becomes a digital innovation hub that attracts foreign investment, particularly in the high-tech sector?

To position itself as a leading digital innovation hub and attract high-tech foreign investment, Malaysia must implement a multifaceted strategy focused on enhancing digital infrastructure, fostering a vibrant innovation ecosystem, offering competitive investment incentives, and developing a skilled tech workforce. Key actions include accelerating 5G and broadband deployment, establishing data centers, supporting startups through incubators and funding, and introducing initiatives like the ASEAN AI & Cloud Computing Hub and Tech Pioneer Visa. Malaysia must also strengthen cybersecurity frameworks, promote international tech collaborations, and invest in training and talent exchange programs. By executing these comprehensive measures, Malaysia can become Asia's premier destination for digital innovation and global high-tech investment.

Q7. Malaysia's Key Focus in Promoting Regional Cooperation through DEFA to Enhance ASEAN's Digital Economy Resilience

As ASEAN Chair, Malaysia has a strategic opportunity to leverage the ASEAN Digital Economy Framework Agreement (DEFA) to strengthen the region's digital economic resilience by promoting integration, innovation, and inclusivity. By aligning digital regulations, facilitating cross-border e-commerce and payments, and proposing initiatives like the ASEAN Digital Single Market and Digital Payment Framework, Malaysia can eliminate regulatory barriers and boost regional competitiveness. Through enhanced 5G, cloud, and AI infrastructure, digital support for SMEs, and dedicated innovation and R&D hubs, Malaysia can drive digital transformation and inclusivity across all ASEAN nations. Additionally, by leading cybersecurity and data protection efforts, Malaysia ensures a secure and stable digital environment, positioning itself as a key driver of ASEAN's integrated and future-ready digital economy.

Q8. How Can Malaysia Play a Bigger Role in Accelerating the Adoption of New Technologies like Artificial Intelligence (AI) and the Internet of Things (IoT) to Strengthen ASEAN's Digital Economy?

Malaysia can play a leading role in advancing ASEAN's digital economy by accelerating the adoption of Artificial Intelligence (AI) and the Internet of Things (IoT) through strategic initiatives focused on infrastructure, talent development, innovation-friendly policies, regional collaboration, and technology commercialization. By positioning itself as a regional AI and data hub, promoting smart industries and cities, and establishing dedicated training centers and upskilling programs, Malaysia can build a future-ready workforce. Progressive policies such as tax incentives, regulatory sandboxes, and simplified patent processes will foster innovation, while regional collaboration and investment in startups will strengthen ASEAN-wide AI and IoT ecosystems. Commercializing these technologies across sectors like agriculture, manufacturing, fintech, and healthcare will ensure inclusive economic benefits and elevate Malaysia as a digital leader in the region.

Q9. Key Challenges Faced by Malaysia in Implementing DEFA and Strategies to Overcome Them

As ASEAN Chair, Malaysia has a critical opportunity to lead the implementation of the ASEAN Digital Economy Framework Agreement (DEFA), but must first address key challenges such as regional digital infrastructure disparities, regulatory fragmentation, digital talent shortages, cybersecurity risks, investment competitiveness, and uneven SME digitalization. To overcome these hurdles, Malaysia can propose initiatives like an ASEAN Digital Connectivity Fund, Digital Single Market Framework, and Cybersecurity Alliance, while also establishing regional training centers and offering incentives to attract global tech firms. By

harmonizing digital policies, expanding high-speed connectivity, enhancing cybersecurity, developing skilled talent, and supporting SME transformation, Malaysia can ensure DEFA's successful implementation and strengthen ASEAN's position as a competitive and inclusive digital economic powerhouse.

Q10. Looking at Malaysia's Advantages in the Technology Sector, What Role Do Local Companies Play in Accelerating Malaysia's Integration as ASEAN's Digital Hub through the Implementation of DEFA?

Local Malaysian companies play a vital role in advancing the country's position as ASEAN's digital hub through the implementation of the ASEAN Digital Economy Framework Agreement (DEFA). With strengths in AI, IoT, cloud computing, fintech, and digital platforms, companies like Aerodyne, Fusionex, TM One, and Touch 'n Go are driving innovation, supporting SME digitalization, and enhancing regional digital infrastructure. They also contribute to digital payment integration, blockchain applications, and SaaS solutions that benefit ASEAN's digital supply chains. By collaborating with the government on policy development and providing digital solutions for public services and education, local firms are pivotal in accelerating regional digital integration, fostering innovation, and strengthening Malaysia's leadership in the ASEAN digital economy.

Q11. Malaysia's Expectations for ASEAN Cooperation in Developing an Inclusive Digital Framework through DEFA

As ASEAN Chair, Malaysia envisions the ASEAN Digital Economy Framework Agreement (DEFA) as a catalyst for building an inclusive, integrated, and competitive regional digital economy. Malaysia aims to harmonize digital regulations, establish a unified ASEAN digital market, and bridge the digital divide by investing in infrastructure and expanding access to advanced technologies in less developed member states. Key expectations include empowering SMEs through digital support and financing, strengthening regional cybersecurity through shared standards and cooperation, and positioning ASEAN as a global leader in innovation by attracting high-tech investments and fostering R&D. Additionally, Malaysia seeks to streamline ASEAN's fragmented digital payment systems for seamless cross-border transactions. Through DEFA, Malaysia believes ASEAN can collectively achieve sustainable digital growth and global competitiveness.

Q12. The Future Vision of Malaysia's Digital Economy in a Global Context

Malaysia has the potential to emerge as a leading digital economy in ASEAN and a key global tech player by leveraging its strategic location, evolving infrastructure, and growing digital ecosystem. Over the next 10 to 20 years, Malaysia envisions itself as a hub for AI, IoT, fintech, e-commerce, data centers, and the digital gig economy. To realize this vision, the country must accelerate 5G and cloud infrastructure, invest in AI and digital talent development, support SME digitalization, and foster a thriving fintech ecosystem. Innovation-friendly policies, international tech partnerships, and leadership in regional initiatives like the ASEAN Digital Economy Framework Agreement (DEFA) will be essential. With strategic investments and collaborative efforts, Malaysia can position itself as a competitive, inclusive, and future-ready digital leader on the global stage.

CONCLUSION

Policy Recommendations

To ensure a successful chairmanship, Malaysia should:

1. **Advocate for Policy Alignment** – Work towards aligning ASEAN's digital economy policies to create a cohesive and interoperable digital ecosystem.
2. **Enhance Regional Cybersecurity Collaboration** – Establish an ASEAN Cybersecurity Task Force to improve response mechanisms against cyber threats.
3. **Strengthen Public-Private Partnerships** – Foster greater collaboration between governments, tech companies, and financial institutions to drive digital adoption.

4. **Develop ASEAN Digital Talent Programs** – Invest in regional training initiatives to equip ASEAN's workforce with future-ready digital skills.
5. **Encourage Cross-Border Fintech Integration** – Promote financial technology solutions that enhance digital payments and financial inclusion across ASEAN.

Malaysia's upcoming chairmanship of ASEAN in 2025 represents a timely and strategic opportunity to accelerate the region's digital transformation. By prioritizing the development of a vibrant digital startup ecosystem, enhancing cross-border digital trade, and fostering greater regulatory harmonization, Malaysia can lead ASEAN toward a more integrated, innovative, and inclusive digital economy. The recommendations outlined in this paper are grounded in regional priorities, global best practices, and stakeholder insights, aiming to create a resilient digital foundation that benefits businesses of all sizes—particularly SMEs and startups. Through proactive leadership and collaborative policymaking, Malaysia can play a pivotal role in positioning ASEAN as a global digital powerhouse. CIDE and MDCC urges Malaysia to take bold steps in fostering regional cooperation, innovation, and inclusive economic growth during its leadership tenure.

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