



**REWIRING ASEAN'S AGENCY:
DIGITAL TRUST AND CLEAN ENERGY
AS ENGINES OF ECONOMIC
SOVEREIGNTY**

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Photo: The skyline of Kuala Lumpur, the host of the 38th Asia-Pacific Roundtable and the 46th ASEAN Summit, symbolizes ASEAN's ambition to bridge regional digital and green infrastructure development. Credit: Samsul Said, Bloomberg

ASEAN's Strategic Recalibration

At the 38th Asia-Pacific Roundtable in Kuala Lumpur, a recurring theme emerged beneath the debates over minilateralism, deterrence, and great power rivalry: Southeast Asia is tired of being treated as a geopolitical prize. ASEAN is focusing

on economic development rather than choosing sides. This quiet shift marks a profound recalibration in ASEAN's strategic identity: one that prioritizes digital infrastructure and clean energy investments as tools of economic sovereignty, not just foreign policy alignment. This article argues that ASEAN's most impactful strategic pivot lies not in diplomatic hedging but in accelerating investment-led development. Specifically, the region's long-term agency will be shaped by its ability to foster trust-based digital economies and inclusive energy transitions. Yet without cohesive governance frameworks and interoperable investment ecosystems, this development-first vision risks falling short.

The Digital Trust Gap: Infrastructure Without Rules

While digital infrastructure projects are [multiplying](#) across ASEAN, from submarine cables to 5G towers and cross-border payment systems, the region lacks a unifying governance framework to ensure digital trust. As highlighted in several APR sessions, this institutional gap leaves Southeast Asia vulnerable to technological fragmentation, regulatory capture, and strategic dependence. ASEAN's current digital ecosystem is defined by uneven standards, ad hoc bilateral agreements, and competing external influences. Data localization laws, cybersecurity frameworks, and digital taxation policies differ widely across the region. Without harmonization, these disparities create friction for regional tech startups, reduce investor confidence, and limit the scalability of cross-border platforms.

To address this, Track 2 institutions and ASEAN policymakers should co-develop a soft-law agreement to promote interoperability, inclusive standards, and cross-border data governance. Drawing on lessons from the EU's General Data Protection Regulation (GDPR) and the APEC Cross-Border Privacy Rules (CBPR), this agreement could serve as a regional anchor in the contested digital economy. It would not replace national digital strategies but align them around shared principles: transparency, user rights, platform accountability, and trusted data flows. Recent efforts by ASEAN under Malaysia's chairmanship in 2025 [underscore](#) the bloc's

growing commitment to digital, finance, energy, and smart city infrastructure integration. As the ASEAN Secretariat noted, the initiative seeks to [improve](#) project readiness and bankability through the Initial Pipeline of ASEAN Infrastructure Projects, part of the Master Plan on ASEAN Connectivity 2025. This kind of proactive, investment-focused coordination should be matched by digital governance tools that enable seamless cross-border deployment of technology and capital.

Indeed, the ASEAN Digital Masterplan 2025 lays out a clear vision to transform ASEAN into a leading digital community and economic bloc. Unlike the current wave of techno-nationalism, a policy stance that views technological development as integral to national security and seeks to protect or advance domestic tech sectors through state intervention, and de-globalization sweeping parts of the U.S. and Europe, which is a [trend](#) exemplified by U.S. President Donald Trump's push for tech protectionism and reshoring, ASEAN is embracing regional digital cooperation. This strategy is underpinned by the region's relatively aligned economic ambitions, cultural affinities, shared social development levels, and geographical proximity. These commonalities offer a strong foundation for harmonized digital governance that can simultaneously support innovation, investment, and regional identity. ASEAN Secretary-General Dr. Kao Kim Hourn recently [emphasized](#) this point, noting that the region is moving "from fragmentation to integration" through the ASEAN Digital Economy Framework Agreement. His message reflects a strategic optimism about digital regionalism. Yet it also raises a compelling question: Is ASEAN's pro-integration stance a product of its current development trajectory, which is still benefiting from globalization, and might it eventually follow the same anti-globalization path seen in the U.S. and parts of Europe? For now, ASEAN's relative cohesion, economic interdependence, and regional ambition place it in a unique position to forge a new model of inclusive digital integration.

Energy Transition as Economic Strategy

Parallel to digital transformation, the clean energy transition offers ASEAN countries a generational

opportunity to decouple development from carbon-intensive growth. From Vietnam's offshore wind potential, with estimates suggesting it could harness up to [1,068 GW](#) of offshore wind power, to Indonesia's distributed solar initiatives, including private sector partnerships like the [acquisition](#) of Indonesia's Xurya by Japan's Mitsui & Co., the region is brimming with opportunity, but also risk. Energy access is still uneven, particularly in rural and remote island communities. Investment gaps persist, with most renewable energy projects still concentrated in middle-income ASEAN countries. Meanwhile, global capital continues to perceive Southeast Asia as a "frontier" region. And it often prices in political and currency risk that deters long-term climate finance.

Rather than treating energy transition as a climate obligation imposed by foreign donors, ASEAN countries are increasingly framing it as an economic opportunity. Clean energy infrastructure can boost regional manufacturing competitiveness, create jobs, and reduce dependence on imported fossil fuels. Yet unlocking these benefits will require more than national climate pledges. Regional mechanisms must de-risk investment through harmonized policies, credit guarantees, and blended finance platforms. A collective green taxonomy, as explored by the ASEAN Taxonomy Board, is a promising step toward standardizing project quality and attracting institutional capital. The latest ASEAN Taxonomy [provides](#) detailed technical screening criteria and a traffic-light classification system, which helps to [distinguish](#) between green, amber, and red economic activities. This level of clarity is crucial to building investor confidence and aligning ASEAN projects with global ESG standards. The ASEAN taxonomy would [provide](#) consistent guidance for sustainable finance in the region. Initiatives such as the Just Energy Transition Partnership in Indonesia also offer test cases for how multilaterals and private investors can [collaborate](#). For example, the Green Energy Buyers Dialogue connects global and domestic corporate buyers with clean energy suppliers to help scale renewable procurement and boost demand signals for project developers. However, more localized and smaller-scale financing models, such as ones for mini-grids or storage systems, are still needed to ensure equity and access at the community level. The infrastructure workshop in Kuala Lumpur also

pointed to [ASEAN's intent](#) to strengthen financing ecosystems across sectors. For energy transition to scale effectively, these ecosystems must include not only sovereign guarantees and Multilateral Development Bank financing but also improved [regional cooperation](#) in energy market design, such as common power purchase agreements and shared renewable targets.

Investing in Interoperability: The Real Diplomacy

What links the digital and energy domains is a simple truth: infrastructure alone is not enough. Without interoperable standards, credible institutions, and regional trust, physical and digital investments can create fragmentation rather than overcome it. ASEAN's real strategic challenge is not infrastructure delivery, but infrastructure governance. The path forward is not to replicate Cold War-style blocs or engage in race-to-the-bottom investment competition. Instead, ASEAN should position itself as a global leader in "interoperability diplomacy," which builds bridges between divergent systems through technical alignment and institutional innovation. To guide this agenda, three pillars would address a distinct but interrelated constraint to ASEAN's development-focused strategic autonomy.

First, digital trade interoperability is needed to ensure that cross-border digital commerce flows smoothly and securely across ASEAN. Without it, fragmented standards in data privacy, e-payments, and platform regulations would continue to limit scale, reduce consumer trust, and deter digital investment. While ASEAN is [progressing](#) toward regional digital integration through the ASEAN Digital Economy Framework Agreement (DEFA), further work is needed to operationalize and enforce the agreement's aspirations. Specifically, ASEAN should develop shared certification for e-commerce platforms, establish functional cross-border dispute resolution protocols, and implement secure data transfer mechanisms that are interoperable with both regional and global frameworks. These steps would help ensure DEFA translates into real, trusted digital trade outcomes across the region.

Second, green investment standards are essential for channeling capital efficiently into the region's sustainable infrastructure pipeline. [Frameworks](#) like the ASEAN Green Bond Standards exist, but deeper alignment with regional taxonomies and performance metrics is required to avoid greenwashing and build long-term investor confidence. Advancing a common ASEAN green taxonomy with clear, enforceable metrics that are compatible with both Chinese and Western ESG standards is needed. Existing initiatives are aligned with the International Capital Market Association (ICMA)'s Green Bond Principles, and these frameworks largely [address](#) the issuance side of sustainable finance. What remains lacking is a comprehensive integration of these standards with taxonomy-aligned project pipelines, investor reporting obligations, and post-issuance verification mechanisms. Strengthening these components would help ensure that green finance in ASEAN not only mobilizes capital but also delivers measurable, regionally relevant outcomes.

Third, energy market integration would enable ASEAN to unlock economies of scale in renewable generation, manage variable supply across borders, and attract private investment in transmission and storage. Without deeper integration, each country's energy transition would be more expensive, isolated, and vulnerable to external shocks. ASEAN has already laid the groundwork for energy market integration through initiatives like the ASEAN Power Grid ([APG](#)) and multilateral electricity trading pilots. However, further progress requires strengthening cross-border grid planning, harmonizing technical standards, and expanding regulatory cooperation to include pricing frameworks and risk-sharing mechanisms. These measures are critical to facilitating large-scale renewable energy trade and attracting sustained private sector investment.

From Buffer Zone to Builder

These initiatives can be promoted by Track 1.5 and 2 forums, multilateral banks, and forward-leaning ASEAN members. Rather than choosing between the U.S. and China, ASEAN can choose interoperability as its strategic identity. At a time when global narratives paint ASEAN as a geopolitical buffer or swing state, the region is

quietly crafting a different future. It is one grounded in economic development, institutional trust, and strategic self-determination in the global superpower competition. By investing in digital trust and clean energy ecosystems, Southeast Asia is not only advancing its developmental agenda but redefining the very nature of regional power. The world would do well to listen.

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