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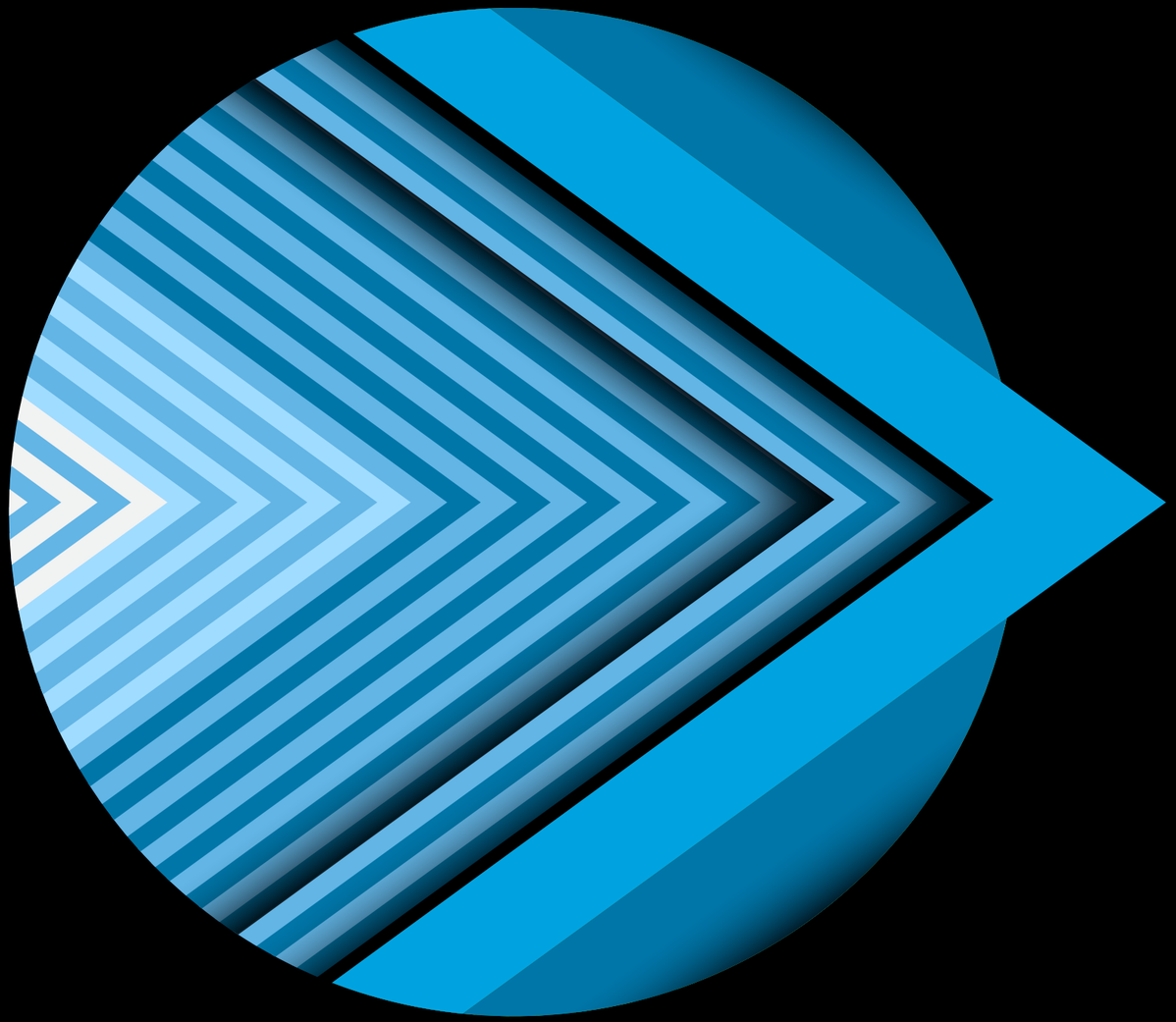

Innovation-enabling regulation for the digital economy

Meta | 2026

Deloitte
Access Economics

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The challenge

In an environment of increasing regulatory complexity, an innovation-enabling framework is one that tries to preserve regulatory objectives while unlocking productivity.

3,000

policy interventions across six policy domains in APAC (region-wide) since 2020

For every two digital policies put in place since 2020, another is currently under consideration

Policy domains	Opportunities for an innovation-enabling policy environment
Data & privacy	Reform data localization, reduce barriers to allow safe cross-border data flow
Cross-border & digital trade	Easier market and payment system access
Competition policy	Improved quality of law, applied to the digital economy
Platform governance & moderation	Cooperative, with clearly assigned obligations and functional definitions
E-commerce	Ecosystem supporting and business model-proportionate
AI governance	Cooperative, risk-proportionate, and outcomes-based

The objectives of regulation are much broader than economics – seeking to protect consumers, preserve competition, safeguard privacy and maintain stability. An innovation-enabling approach preserves these foundations while unlocking opportunities to drive productivity.

Pillars of innovation-enabling regulation

- **Principled and evidence-based**
- **Collaborative and adaptive**
- **International best practices, however reflecting local market context**

The opportunity

Innovation enabling digital policy has the potential to unlock a $63 billion economic opportunity across just three APAC countries.

Digital policy that enables innovation can boost productivity and trade gains, which improves economic outcomes.

Employment, wages and income

Innovation enabling policy is expected to create jobs and increase wages and national income across three focus countries (South Korea, Indonesia, and Malaysia).[a]

Real wages

+0.9%
real wages on average in 2035

Employment

+970k
total FTEs in 2035

National income

+$529
per household on average in 2035

Economic opportunity

Innovation-enabling policies could generate a $63 billion boost to GDP (average 1% GDP increase) across just three countries (South Korea, Indonesia, and Malaysia)[a] by 2035.

+$63 billion
1% GDP increase on average

This is a significant economic opportunity, equivalent to one quarter of the APAC average economic growth of 4% in 2024. By comparison, the OECD estimated a 0.1% and 0.2% increase in economic output associated with broad reductions in tariff barriers and foreign direct investment restrictions, respectively.

(a) These markets were chosen based on having recent digital policy developments. It is recognised that comparisons to other markets might not be appropriate due to differences in local economic structures and institutions.

Executive summary

The digital policy landscape is becoming more complex and uncertain

Digital technologies, from mobile phones to data centers, continue to proliferate at an increasing rate. In Asia-Pacific (APAC), the mobile economy is set to reach $1 trillion by 2030,[1] while data center capacity is set to double by 2028.[2]

With the growth of innovative technologies comes an array of new regulations, reflecting a view that updated or additional measures may be required to keep pace with digital developments, mitigate emerging risks, enhance user protections, and support responsible use. Since 2020, over 3,000 new digital policy interventions have been introduced in the APAC region.[3] In addition, for every two policies introduced over this period, another is under development.[4] For businesses, this means an increasingly complex and challenging regulatory landscape that can create barriers, increase costs, and embed uncertainty.

It is against this backdrop that Meta commissioned Deloitte Access Economics to assess the opportunities for reform in the digital market, develop a framework for assessing principles of innovation-enabling policy, and quantify the potential economic impacts of innovation-enabling policy environments. It focuses on three markets in APAC: Indonesia, Malaysia and South Korea. These markets were chosen based on having recent and dynamic digital policy developments. It is recognized that direct comparisons to other markets might not be appropriate due to differences in local economic structures and institutions.

This report assesses digital policy across six key domains: data and privacy, cross-border and digital trade, competition policy, platform governance and moderation, e-commerce, and AI governance.

Defining innovation-enabling regulation

In considering movements towards innovation-enabling digital policy, this report sets out a framework for assessing the effectiveness of digital policy, considering three key principles. These key principles have been formed through evidence-based research and expert guidance from international organizations and economic organizations that are proponents of innovation-first approaches to digital technology, including the APEC Committee on Trade and Investment,[5] the Data Free Flow with Trust (DFFT) framework,[6] and the WTO Global Digital Trade Rules.[7] The principles from these organizations are based on research and consultation with industry.

These principles state that digital policy should be:

01

Principled and evidence-based

Established and clear principles that are grounded in evidence and adopt a future-focused position.

02

Collaborative and adaptive

Promoting a collaborative approach by engaging with industry and encouraging iterative policy design and experimentation where appropriate.

03

International best practices, however reflecting local market context

Aligned with suitable overseas best practices to facilitate pro-innovation policy goals, however implemented in a way that accounts for specific market contexts and development agendas.

Importantly, it is noted that the purpose of regulation is not solely aimed at maximizing economic outcomes. It also serves other purposes, such as protecting consumers or safeguarding data. The innovation-enabling framework seeks to achieve better economic outcomes through a pro-innovation mandate, while simultaneously preserving regulatory intent.

Innovation-enabling regulation impacts the economy

This report identifies several mechanisms through which innovation-enabling regulation can materially impact economies.

First, innovation-enabling regulation can lead to a reduction in data management costs, as less restrictive regulation allows businesses to manage, transfer, and store their data in a cheaper and more efficient way while safeguarding trust.

Second, it can lower trade costs by removing barriers to international digital trade, thereby helping businesses reach new markets and reduce prices for consumers.

Finally, it can improve productivity by making it easier for businesses to access and use digital platforms, or by enhancing governance of emerging technologies like AI. These changes have positive productivity effects because it allows businesses to create more value for each additional dollar they spend.

Innovation-enabling regulation has the potential to unlock $63 billion in benefits across three markets

By considering the current state of regulation in each market and possible improvements over a ten-year period, this report estimates the economic opportunity of moving to an innovation-enabling regulatory framework.

The regulatory changes modelled in this report lead to a substantial uplift in Gross Domestic Product (GDP), more jobs, and higher real wages. Each country covered within this report stands to benefit, with Indonesia generating an additional $32.7 billion in GDP, South Korea $23.8 billion, and Malaysia $6.1 billion.

Given its broad scope across multiple policy areas and its impact on both digital platforms and the businesses that depend on them, innovation-enabling digital policy represents a significant economy-wide opportunity. Combined, the GDP of the three countries could be $63 billion higher by 2035 (equivalent to their combined defense budgets in 2026)[1], supporting over 970,000 extra jobs. This movement to an innovation-enabling framework reflects an economic opportunity of 1.0% in GDP, on average – or equivalent to one quarter of the APAC[(a)] average 4% economic growth in 2024.[2] This is a significant opportunity; by comparison, the OECD estimated a 0.1% and 0.2% increase in output associated with broad reductions in tariff barriers and foreign direct investment restrictions, respectively.[3]

Not only are innovation-enabling policies expected to create more employment, but economy-wide jobs are expected to pay more, with an average real wage increase of 0.9% by 2035.

At a policy level, reforming data localization requirements has the biggest potential gain for South Korea and Indonesia. Gains from innovation-enabling regulation in this domain alone represent 53% and 38% of the total potential uplift for Indonesia and South Korea, respectively. In Malaysia, regulations around platform governance and content moderation have the largest potential benefits, accounting for 40% of the total. AI governance can also add considerable value, as it could boost GDP by 0.2% in all focus countries, while promoting a dynamic, future-facing economy.

Steps to realizing the opportunity

While some policy domains represent a larger opportunity than others, economic impact alone should not serve as a basis for decision-making when considering policy change. Ultimately, policymakers should aim to move to an innovation-enabling framework across all domains – as it serves to retain the objectives of regulation while simultaneously creating a more dynamic and innovative economy.

Key opportunities to facilitate innovation-enabling digital policy include:

- Minimizing the constraints on data flows while protecting personal data and consumer privacy
- Facilitating improved access to markets and payment systems for cross-border operators
- Adopting consistent and proportionate e-commerce policies to boost digital platform use
- Improving the transparent and collaborative nature of platform governance and content moderation policies
- Ensuring AI policy encourages industry-government collaboration and promotes technology adoption
- Addressing harms to consumer welfare through effective competition regulation in digital markets while incentivizing innovation

Importantly, the design of policy is just one dimension of innovation-enabling regulation. Another is how that policy is implemented – for example, the clarity of regulatory guidance and the consistency and proportionality of enforcement. Implementation can be equally as important to determining the efficacy of digital policy frameworks.

As the pace of digital innovation continues to accelerate, ensuring the regulatory landscape supports adoption and provides business certainty while also protecting users will be paramount to enabling an effective and adaptive digital economy.

(a) In this report, APAC is defined as countries in East Asia, Southeast Asia and Oceania, but not South Asia (sometimes included in broader definitions of APAC).

1 Introduction

Balancing innovation and risk in APAC's digital policy landscape

The APAC region is witnessing an unprecedented surge in digital complexity, driven by advancements in AI, data analytics, and the proliferation of digital platforms. APAC's digital transformation market was estimated to be worth $0.9 trillion in 2025.[1, (a)]

With the proliferation of technological advancements comes emerging concerns around data sovereignty, digital ethics, and user trust. As such, regulators across APAC have introduced several policies, reflecting a view that additional regulatory measures may be required to address potential harms. In total, over 3,000 policy interventions have been introduced in APAC since 2020 (Chart 1.1), across the six policy domains considered in this report (Figure 1.1).

Policymakers are debating appropriate response to the pace of innovation, with concerns that it may either outstrip regulatory adaptation or prompt the premature introduction of additional regulation,[2] resulting in regulatory environments that risk being costly to manage for digital industries and governments alike, and limiting to the pace and scale of innovation.[3]

Conversely, well-designed policy environments – those which are evidence-based, collaborative, and internationally-aligned but cognizant of market needs – can serve to encourage investment, productivity, and trade. These can involve the application of appropriate existing regulation to emerging risks, or the adaptation of policy to balance regulatory need with economic outcomes. As digital markets continue to mature, the APAC region stands before a significant opportunity to pursue such innovation-enabling digital policy.

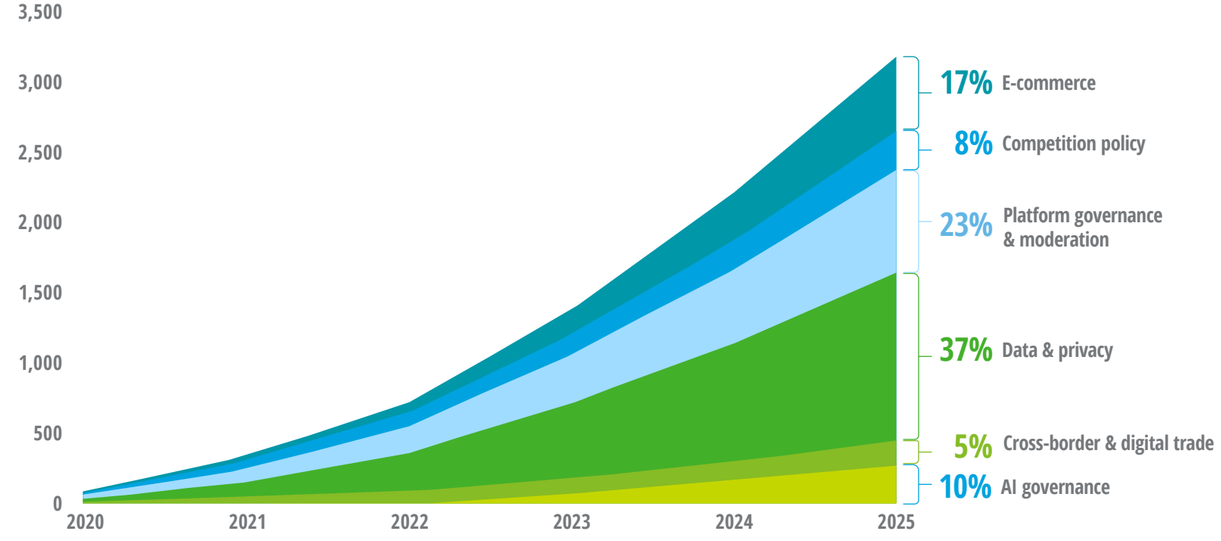
This report

This report was commissioned by Meta to demonstrate the benefits of policy design that facilitates innovation while maintaining the security and effectiveness of digital technologies, in addition to providing insights into how such policy design can be achieved.

This report provides an opportunity for decision-makers to consider the potential economic opportunities of a balanced and adaptive innovation-enabling approach to regulation. It establishes the importance of innovation-enabling technology before undertaking a deep dive into policy layouts and economic opportunities for three APAC markets: Indonesia, Malaysia and South Korea.

Figure 1.1 | The six domains of digital policy

Chart 1.2 | Cumulative number of digital policy interventions since January 2020 across APAC, by current status



Note: Sum may not add to 100% due to rounding. APAC is defined, consistently with this report, as countries in East Asia, Southeast Asia and Oceania, but not South Asia (sometimes included in broader definitions of APAC).
Source: Deloitte Access Economics (2026) based on Digital Policy Alert (2025)

(a) All figures in this report are presented in US dollars and in real terms (2025 base year), unless otherwise specified.

Navigating growing complexity in digital policy

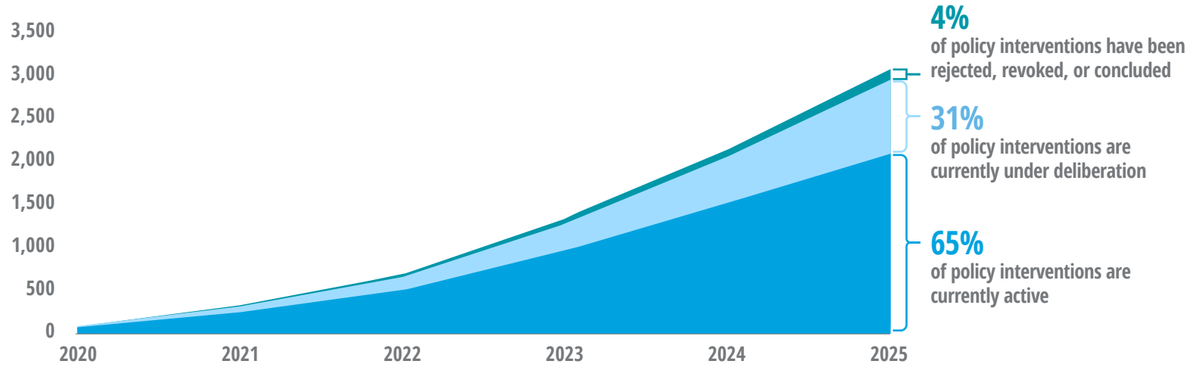
Digital policy interventions are expanding at a rapid pace (Chart 1.2). For every two digital policies implemented since 2020 in the APAC region,[a] another policy is currently under consideration. In this environment, well-designed, principle-based policies can provide certainty and support business planning and investment. Conversely, overlapping, ambiguous, or frequently changing policies risk creating uncertainty that undermines confidence and deters investment. As an example, the defamation provisions within Indonesia's Law on Electronic Information and Transactions have faced concerns relating to potential overlap with the existing Criminal Code and ambiguities in its application, which have in part led to an increase in online defamation cases.[1] As these consequences have emerged, the provisions have faced multiple amendments such as not to deter online activity.

While the ICT sector itself accounts for around 10% of GDP across APAC focus countries (Chart 1.3), the share of micro, small and medium enterprise (MSME) revenue dependent on digital platforms is far higher, averaging 66%.

Digital regulation complexity has become a central compliance challenge, with cybersecurity and data protection and privacy cited as the leading areas of focus across businesses globally.[2] More than 90% of businesses report that rising compliance complexity negatively affects their ability to implement IT systems, highlighting the economic risks of poorly coordinated digital regulation.[3]

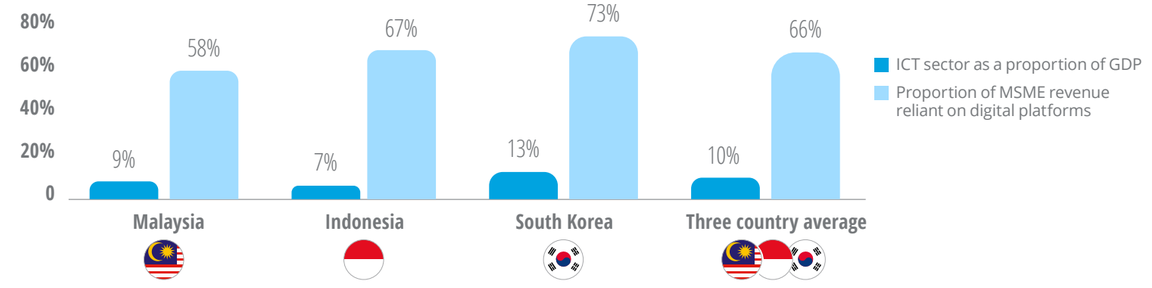
Further, as regulated domains such as data and AI become embedded across the economy, the impacts of digital regulation are increasingly broad-based rather than confined to digital platforms alone. This breadth of impact heightens the stakes of policy design, underscoring the need for digital regulation that is coherent, proportionate, and innovation-enabling, to support the economic opportunities of economy-wide adoption of digital technologies.

Chart 1.2 | Cumulative number of digital policy interventions since January 2020 across APAC, by current status



Source: Deloitte Access Economics (2026) based on Digital Policy Alert (2025)
Note: Data reflects the time period of 1 January 2020 – 1 December 2025

Chart 1.3 | ICT sector versus digitally-reliant economy (as % of GDP), focus countries



Source: Deloitte Access Economics (2026). AI for Business: APAC trends in AI platform adoption & Google, Temasek, and Bain (2025). e-Conomy SEA 2025.
Note: The 'ICT sector' is measured as the sum of ICT business gross value added (GVA). The 'proportion of MSME revenue reliant on digital platforms' captures digital platform use across all aspects of business (e.g., sales, advertising, social media, business messaging). As South Korea is not captured by the AI for Business survey, its reliance of MSME revenue on digital platforms has been proxied through use of the average internet users, compared to the average of countries studied.

(a) In this report, APAC is defined as countries in East Asia, Southeast Asia and Oceania, but not South Asia (sometimes included in broader definitions of APAC).

The key principles for innovation-enabling digital policy

In considering movements towards innovation-enabling digital policy, this report sets out a framework for assessing the effectiveness of digital policy, considering three key principles as illustrated in Figure 1.2. These key principles have been formed through evidence-based research and expert guidance from international organizations and economic organizations that are proponents of innovation-first approaches to digital technology, including the APEC Committee on Trade and Investment,[1] the Data Free Flow with Trust (DFFT) framework,[2] and the WTO Global Digital Trade Rules.[3] The principles from these organizations are based on research and consultation with industry.

First, digital policy should be principled and evidence-based. Policies should be grounded in established regulatory principles and empirical evidence, providing the clarity and proportionality necessary to build trust while supporting the growth and scaling of digital markets across APAC. The DFFT framework, for example, frames cross-border data flows around shared, internationally-recognized principles of privacy, and protection of intellectual property through the imposition of interoperable, evidence-based policy frameworks rather than ad hoc or fragmented domestic rules.[4] This approach ensures the durability and future resilience of the policy, regardless of new technology developments.

Second, policy should incentivise collaboration and agility among the private sector. This requires fostering strong public-private sector collaboration and, where possible, designing policies iteratively so they can evolve alongside ongoing digital developments. For example, the OECD AI Principles suggest the implementation of an agile policy environment that supports transitioning from research and development stage to deployment for AI systems, for example through using experimentation to provide a controlled environment in which AI can be tested.[5]

Third, digital policy should be aligned to international best practices while reflecting market contexts. This is about being consistent with best-practice, as guided by institutions such as APEC, the OECD, and the WTO, but also mindful of local market structures and how markets in APAC differ from those in other regions. Digital policies are most effective when they account for this local market context. For example, digital trade policies need to account for differences in how integrated digital services exports are in the broader local economy, such as how digital service exports in the Philippines are largely dependent on overseas demand.[6] In this case, policies that restrict digital services exports would most likely impact domestic firms in the Philippines more significantly than in other international markets.

Principled and evidence-based

Policy can avoid unintended consequences on innovation through being founded on clear principles and evidence of what works. Under this principle, policy should:

- Be based on established and evidenced principles applied to the digital landscape
- Be clear without being overly prescriptive
- Maintain a future-focused positioning
- Provide regulatory certainty through clear standards and, where appropriate, harmonization with global standards
- Apply proportional risk-based frameworks to avoid constraining lower-risk innovations

Collaborative and adaptive

Policy can directly support innovators through promoting a collaborative and iterative approach that engages industry. Under this principle, policy should:

- Engage industry and innovators to produce collaborative problem-solving approaches
- Where appropriate, use Iterative policy design (agile regulation)
- Enable experimentation (e.g., through regulatory sandboxes)

International best practices, however reflecting local market context

Policy should be aligned with international best-practice, however accounting for the specific needs of local markets in implementation. These needs can include:

- Specific market features (e.g., trade links, consumer behaviours, digital penetration)
- Existing regulations and institutions that can apply to the digital space

The overarching objective of this report is to highlight the potential economic opportunities of a balanced and adaptive innovation-enabling approach to digital policy

This report provides a broad assessment of innovation-enabling digital policy and its economic impacts, in addition to an overview of opportunities for policymakers. Importantly, digital policy is wide-ranging, and it is not possible to capture every policy issue affecting digital businesses. Thus, this report examines best-practice innovation-enabling approaches holistically rather than focusing on individual policies. This report focuses on six broad areas of digital policy:

Data & privacy
The collection, use, storage, sharing, and protection of personal and non-personal data.

Cross-border & digital trade
The flow of data, digital services, and transfers across nations and jurisdictions.

Platform governance & content moderation
The responsibilities, accountability, and conduct of digital platforms in managing users, markets, and information.

E-commerce
Regulating online commercial transactions, including digital marketplaces and electronic payments.

Competition policy
Promoting competitive market outcomes and preventing anti-competitive practices in digital markets.

AI governance
The development, deployment, and use of artificial intelligence.

The economic opportunities of an innovation-enabling approach to digital regulation are quantified in this report for three focus APAC countries through economic modelling.

The rest of this report is structured as follows:

Chapter 2 | Modelling the economic impacts of innovation-enabling digital policy

Chapter 3 | Market spotlights

Chapter 4 | Opportunities for digital policy in APAC

These findings are supported by Appendix: Modelling methodology.

Considerations

This report provides an overview of the economic opportunity of innovation-enabling digital policy in APAC. While it focuses on economic outcomes, it is recognized that regulation affects consumers and businesses in broader ways, including by protecting individuals' privacy or ensuring that markets remain competitive. These impacts may not always align with economic outcomes, and policymakers should consider this when evaluating potential policy reforms. While broader social costs are not directly included in the analysis underlying this report, the innovation-enabling framework is designed to achieve these goals simultaneously. As such, the policies considered in this report support economic growth without undermining the intent of regulation, by creating conditions that foster innovation and investment.

In addition, digital policy is always evolving. The sources used to analyze and model digital policy were collected in late-2025, and reflect a point in time assessment of the current state of policy and economic impacts across countries. Results should be interpreted in this context.

Who is impacted by digital policy: defining the 'digital economy'

As the scope of digitally impacted sectors have broadened in recent years, it is increasingly challenging to define the 'digital economy'.[1] This report considers two definitions.

A narrow definition considers the digital economy limited to economic activities that directly produce or are crucially reliant on digital inputs. To this end, this report considers digitally-delivered services and e-commerce, consistent with reporting by Google, Temasek, and Bain.[2] For this report, we refer to this definition as the 'digital economy'. These estimates may differ from national statistics, which can include a wider definition encompassing a broader ICT sector or consumer spending on digital equipment.

An alternative, broader definition extends to cover all economic activity enabled by digital inputs. This accounts for widespread digitalization across economies, including the adoption of digital services such as AI and digital platforms by non-ICT businesses. For this report, we refer to this definition as the 'digital-reliant economy'.

2 Modelling the economic impacts of innovation-enabling digital policy

Approach to modelling economic impacts of innovation-enabling digital policy

The purpose of the analysis is to calculate the opportunity of innovation-enabling digital policy through modelling the economy-wide impacts of innovation-enabling regulation in three focus markets. The modelling estimates the upper-bound economic impacts of adopting innovation-enabling digital policy, assuming policy changes are implemented effectively within a 10-year horizon, concordant with evidence from previous policy changes.[1]

This modelling uses productivity and trade as the primary mechanisms through which policy impacts are transmitted. Innovation-enabling regulation increases the effectiveness of labour and capital, reduces compliance and trade costs, and accelerates technology adoption. While such productivity gains can reduce input requirements in the short run, lower prices and higher returns to labour and capital can stimulate demand, leading to higher output and net employment gains over time. Productivity growth additionally supports higher real wages and shifts labour demand from lower-value occupations (e.g. admin roles) toward higher-value occupations, such as technology and digital roles in ICT firms (see Figure 2.1).

The modelling applies an evidence-based framework that links digital policy reforms to changes in trade costs, compliance costs, and technology adoption, as set out in Figure 2.2. Further detail on the methodology can be found in the Appendix.

Figure 2.2 | Outline of modelling methodology

01 Impact parameters are sourced from literature

02 Current digital policy settings in each APAC focus market are assessed using 'innovation-enabling' indexes constructed based on secondary data

03 Direct effects of policy reform are modelled by-country based on innovation-enabling indexes estimated through variables sourced from the literature

04 Economy-wide impacts on GDP and employment are estimated through inputting direct effects into a Computable General Equilibrium model (DAE-RGEM).

Modelling limitations

Modelling is based on measurable economic impacts of a full transition to innovation-enabling digital policy, modelled over 10 years. Results are sensitive to these assumptions:

- Timing and extent of policy change: It is assumed that full policy changes can be achieved within 10 years. If policy adoption were to take longer than 10 years, the magnitude of impacts would be smaller, or conversely larger if policy change is expedited.
- Economic outcomes: The analysis focuses on measurable economic outcomes, including GDP and employment. These metrics may understate full economic impacts for countries with large informal economies. Further, analysis is taken through an economic lens; the impacts of other policy goals such as social harm prevention are not assessed.

Figure 2.1 | How policy reform improves economic outcomes

Source: Deloitte Access Economics (2026).

How does innovation-enabling digital policy impact economic outcomes?

As shown in Figure 2.3, innovation-enabling digital policies can trigger a range of immediate impacts that lead to long-term growth in trade and productivity.

Figure 2.3 | Short and long-term impacts of policy reform by area

Reduced restrictions from:	Modelled changes	Short-term impacts	Long-term impacts
Lower data storage and flow barriers Reform data localization and reduced barriers to safe data flows	A reduction in trade costs and an improvement of the productivity of data use as an input into other industries.	Reduced compliance (costs of data storage) and trade costs	Increased trade, leading to investment, innovation, and SME/start-up growth. Also increased productivity from lower costs of data storage.
Lower digital trade barriers Easier market and payment access	A reduction in digital trade costs enabled by the removal of current cross-border market access and payment system access barriers.	Reduced trade costs from lower restrictions to access markets	Increased trade, leading to investment, innovation, and SME/start-up growth
Lower barriers to digital platform use Proportionate e-commerce and content moderation regulation	The productivity benefits of increasing digital platform adoption by eliminating regulatory barriers to adoption.	Increased digital platform adoption among downstream business users	Digital platform use encourages innovation, broader market access, leading to increased productivity
Improved competition policy Improved quality of law	The productivity benefits of improving the quality of competition law for the digital economy through consideration of standard of proof for potential abuses of power and efficiency clauses for mergers.	Faster model deployment, efficiency gains, increased rate of AI innovation	Accelerated AI adoption and access to frontier technology unlocks ongoing productivity growth for users (e.g., automation of routine tasks, innovation).
Improved AI governance Cooperative, risk-proportionate, and outcomes-based	The productivity benefits unlocked by improvement in regulatory frameworks which enable countries to better adopt AI	Improved quality of law allows for better economic outcomes (e.g., investment, market operation) from decision making	Productivity growth from more competitive and efficient digital and downstream markets

Source: Deloitte Access Economics (2026).

3 Market spotlights

Summary - Innovation-enabling digital policy opportunities in Indonesia

A $32.7 billion economic opportunity

With a potential $32.7 billion (1.1%) economic opportunity (uplift in GDP) by 2035 from innovation-enabling policy implementation, Indonesia has much to gain from innovation-enabling digital policy. For context, this uplift is equivalent in size to Indonesia's telecommunications market in 2025.[1] Conversely, this figure also represents the potential cost of inaction if the current regulatory settings remain unchanged. Beyond GDP growth, movements to innovation-enabling policy can also create more and higher value jobs within the local economy, generating a potential 1.2% increase on real wages and creating up to 870,000 additional full-time equivalent (FTE) jobs. While the estimated economic impacts provide a useful indication of potential gains, they should not be the sole determinant of reform priorities. Policymakers need to consider a broader set of criteria, including feasibility, urgency, regulatory clarity, or strategic importance, when determining which reforms to progress to support an innovation-enabling regulatory landscape.

Economic opportunities across the six policy domains

DATA & PRIVACY

Innovation-enabling data and privacy policy represents a $17 billion economic opportunity by 2035. While the government has not signaled intent to amend current policies, maintaining and strengthening international best practices of facilitating cross border data flows in lieu of data localization will continue to be impactful, due to its influence on economy-wide costs related to data storage and increase in digital trade, unlocking significant productivity dividends.

+$17.3b
(+0.6%) GDP impact in 2035

PLATFORM GOVERNANCE & MODERATION

Innovation-enabling policy that clarifies proportionate content moderation responsibilities, avoids extractive or mandated local partnerships by fostering a healthy B2B ecosystem, promotes safe digital usage by youth, aligns rules with platform operations, and proportionately defines digital platforms could reduce barriers to platform adoption and thus drive productivity for businesses. Alongside e-commerce reform, this represents a $7.1 billion potential economic opportunity by 2035.

+$7.1b
(+0.2%) GDP impact in 2035

E-COMMERCE

Indonesia currently has broad requirements for e-commerce including social media platforms and foreign e-commerce platforms. Introducing innovation-enabling e-commerce regulation that is proportionate supports the growth of varied business models and could boost digital platform use and contribute to a $7.1 billion economic opportunity by 2035.

AI GOVERNANCE

AI represents a substantial $6 billion economic opportunity by 2035. AI readiness in Indonesia is in development; adopting outcomes-based governance that harmonizes compliance across local institutions, shifting from data ownership to stewardship, and implementing sandboxes, could accelerate responsible innovation and strengthen public–private collaboration. Through enabling adoption, international AI providers can play a role in enhancing innovation and additional use cases across sectors, driving a substantial economic opportunity.

+$6.0b
(+0.2%) GDP impact in 2035

CROSS-BORDER & DIGITAL TRADE

Innovation-friendly changes to cross-border and digital trade policy represent a $1 billion potential economic opportunity by 2035. Introducing reforms that reduce complex market access barriers (including for e-commerce and subsea cable operators, see overleaf) could lower digitally-delivered services trade costs for Indonesian businesses, supporting greater participation in cross-border markets.

+$1.0b
(+0.03%) GDP impact in 2035

COMPETITION POLICY

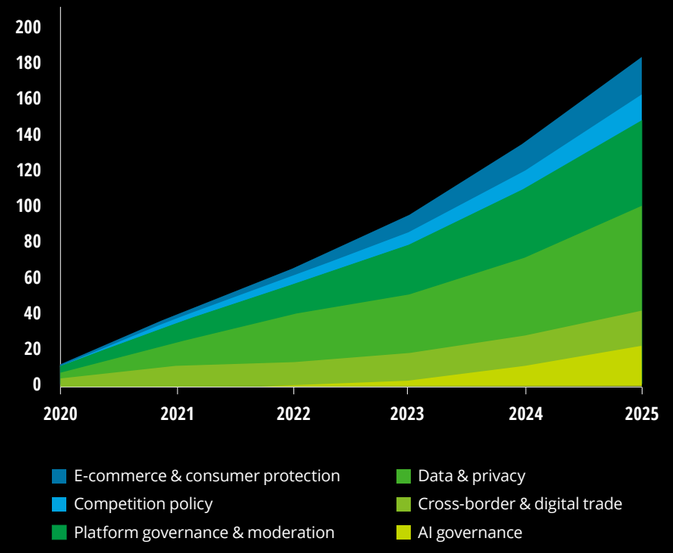
Applying a disciplined, proportionate approach to competition policy to digital markets in Indonesia would improve market efficiency and competition, delivering economy-wide productivity gains and an estimated $1.4 billion increase in GDP by 2035.

+$1.4b
(+0.1%) GDP impact in 2035

Current Indonesia digital policy

While Indonesia has had innovation-enabling developments in AI guidance and competition policy based on strong evidence standards, significant market access barriers can push foreign platforms away, lessening competition and innovation in digital markets. The left hand side shows the cumulative number of digital policy interventions across the six domains, while the right hand side highlights both recent innovation-friendly developments and emerging barriers that may hinder innovation and growth.

Cumulative digital policy interventions: 187 since 2020[1]



Note: Digital policy interventions refer to regulations in development, those that have been rejected or revoked, and competition policy related decisions. E.g. 120 policies in 2024 should be interpreted as 120 policy interventions introduced between 2020-2024.

Source: Deloitte Access Economics (2026) based on Digital Policy Alert (2025), data from January 2020 until December 2025.

Innovation-friendly developments in Indonesia's digital policy

AI guidance is developing at a national level but more comprehensive regulations are being considered: Indonesia's National AI Roadmap White Paper informs its overall AI strategy including collaborative action plans for the development and financing of AI involving business and government cooperation.[2] While the government issued a circular letter outlining AI ethical principles, it plans to draft more comprehensive regulations,[3] establishing accountability through liability provisions for harm caused by AI.[4] Nonetheless, while cooperative processes to governance are developing in Indonesia, analysis of existing regulatory sandbox implementation in the country has highlighted challenges including the favoring of 'protype' firms with limitations on broader participation and insufficient resources, skills, and expertise within regulatory bodies.[5]

Competition policy is evidence-based: Indonesia has a general use rule-of-reason doctrine and has begun understanding the role of digital market-specific factors such as temporal analysis and network effects. However, the integration of these factors in decision-making is still emerging, and regulators need to continue refining enforcement priorities to ensure that actions are effects-based and effective.

Risks to an innovation-enabling regulatory framework

Moderate barriers to data flows: Indonesia maintains targeted data localisation requirements for certain public sector and regulated electronic systems.[7] However, cross-border data transfers are generally permitted subject to safeguards, and recent policy developments – including as-yet-unimplemented data liberalization measures under the ASEAN-Australia-New Zealand Free Trade Agreement and work towards recognizing the US as providing adequate data protection under Indonesian law, can improve flows.[8]

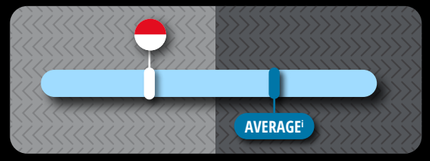
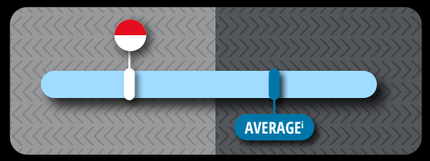
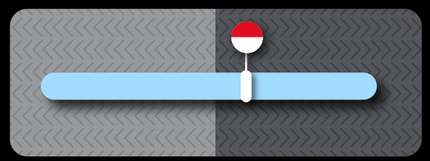
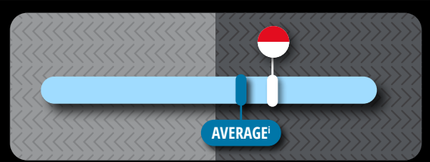
International platforms face complex market access barriers: Foreign e-commerce platforms are required to establish a representative office in the country, while there is a minimum price of US$100 for certain foreign goods purchased from Indonesian sellers on e-commerce platforms.[9] Further, local content requirements in some sectors may constrain investment; for instance, foreign subsea cable operators must partner with a local company with five years experience and 5% ownership to land their own cable in Indonesia, limiting potential local partners significantly.[10]

Indonesia currently has stringent requirements for e-commerce: Indonesia banned consumer-to-consumer e-commerce transactions on social media platforms under the Ministry of Trade Regulation No. 31 of 2023, with only advertising being permitted.[11]

Platform governance regulations impose burdens: Platform governance regulations impose burdens by setting a strict turnaround time of four hours for content moderation in urgent cases, and imposing significant penalties including fines and access blocks for non-compliance.12 Implementation uncertainty may also arise where definitions of harmful or prohibited content remain evolving or subject to interpretation. In addition, foreign Electronic System Operators (ESOs) may be required to provide access to systems and data upon request by KOMDIGI and law enforcement agencies for supervision and monitoring purposes, which may increase compliance complexity and influence system design choices, potentially constraining innovation and market participation.[13]

Indonesia's digital policy performance

Indonesia has a burgeoning digital economy and high reliance on digital platforms, with movements to innovation-enabling digital policy potentially unlocking significant economic opportunities. The table below shows the difference between current policy performance and innovation-enabling policy for each domain, based on literature-derived indices. These direct outcomes on the right-hand side represent each domain's immediate contribution to the economy, which are then inputted into the economy-wide CGE model. The results of the CGE model are shown on the next slide. Platform governance and e-commerce are combined into a single domain, as both are modelled through their influence on digital platform uptake.

	Why effective digital policy is important	Current policy performance	Direct outcomes of policy changes
DATA & PRIVACY	The Indonesia data centre storage market was worth $0.9 billion in 2025.[1]		**14%** Reduction in data management costs **10%** Reduction in all trade costs from reducing barriers to data flows
CROSS-BORDER & DIGITAL TRADE	Digitally delivered services exports in Indonesia totalled $10.9b in 2024 or 28% of total services exports.[2]		**9%** Reduction in services trade costs from removing market access barriers
COMPETITION POLICY	The digital economyii comprises 7% of GDP, with effective competition policy in digital markets having wide-ranging economy-wide efficiency dividends.[3]		**0.03pp** Increase in economy-wide productivity
PLATFORM GOVERNANCE & MODERATION / E-COMMERCE	E-commerce accounts for 5% of total retail trade in Indonesia, of which 78% is through apps and 64% is mobile commerce.[4]		**0.13pp** Increase in economy-wide productivity
AI GOVERNANCE	Indonesia ranks 8th in its share of global ChatGPT traffic,[5] with 80% of employees using AI in their work[6]		**0.12pp** Increase in economy-wide productivity, primarily impacting professional services

INNOVATION RESTRICTIVE

INNOVATION ENABLING

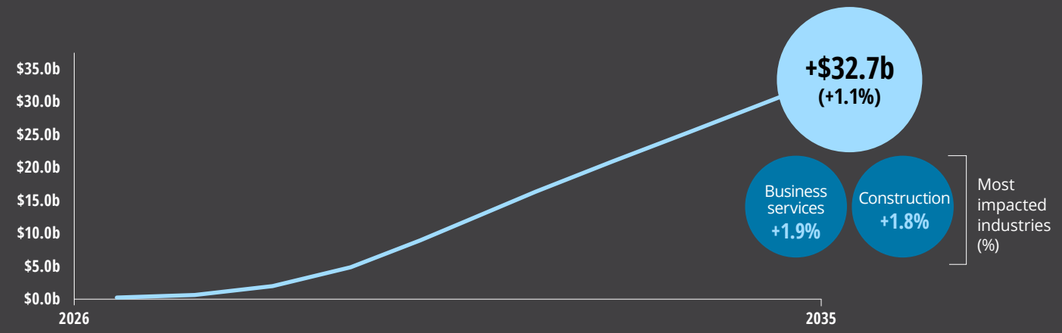
Note: Policy performance indexes are based on a range of secondary sources covering different indicators of policy performance for each policy domain. See 'Appendix A: Modelling stages 1 through 3' for further information.
i. The 'Average' is defined as the average of all APAC countries where available. For platform governance/e-commerce, the average includes the countries that are analyzed in Deloitte's AI for Business Report.
ii. While measures of the 'digital economy' vary widely, for this modelling exercise it is defined conservatively as digitally-delivered services and E-Commerce (proxied by the ICT sector where an estimate is not available). See page 11 for further information.
Source: Deloitte Access Economics (2026)

The economic impacts of innovation-enabling digital policy in Indonesia

Innovation-enabling regulation can lift India's GDP to $131.1 billion (1.3%) above baseline by 2035

Total economic impacts

GDP uplift (change from baseline)



For context, mobile technologies and services contributed to 5.6% APAC's GDP in 2024,[1] while AI is projected to increase Indonesia's GDP by 2.9% in 2034.[2]

Real wages

+1.2%
real wages in 2035

Employment

+870k
FTEs in 2035

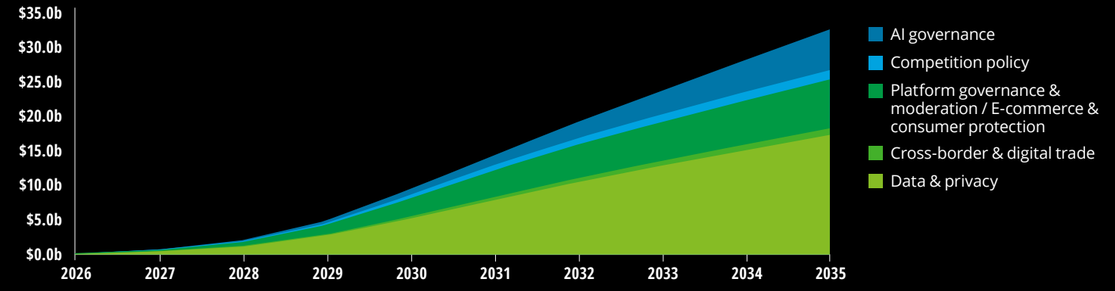
National income

+$221
per household in 2035

Innovation-enabling regulation creates opportunities for higher-value jobs, increasing demand for skilled labor and supporting transitions into higher-paying, higher-productivity roles.

Policy impacts

GDP uplift by policy



1

DATA & PRIVACY

14% less in data management costs and 10% less in trade costs could generate:

+$17.3b (+0.6%)
higher GDP in 2035

+0.8%
higher real wages in 2035

2

PLATFORM GOVERNANCE & MODERATION / E-COMMERCE

0.13pp increase in productivity could generate:

+$7.1b (+0.2%)
higher GDP in 2035

+0.2%
higher real wages in 2035

3

AI GOVERNANCE

0.12pp increase in productivity primarily impacting services could generate:

+$6.06b (+0.2%)
higher GDP in 2035

+0.1%
higher real wages in 2035

Summary - Innovation-enabling digital policy opportunities in Malaysia

A $6.1 billion economic opportunity

Malaysia stands to gain significantly from innovation-enabling digital policy, with implementation potentially unlocking $6.1 billion (0.7%) economic opportunity (uplift in GDP) by 2035. For context, this uplift is roughly equivalent to Malaysia's annual R&D expenditure.[1] Conversely, if Malaysia does not change its current regulatory settings, this figure also equally represents the potential cost of inaction. Beyond GDP growth, movements to innovation-enabling policy can also create more and higher value jobs within the local economy, generating a potential 0.8% increase on real wages and creating up to 40,000 additional full-time equivalent (FTE) jobs. While the estimated economic impacts provide a useful indication of potential gains, they should not be the sole determinant of reform priorities. Policymakers need to consider a broader set of criteria, including such as feasibility, urgency, regulatory clarity, or strategic importance, when determining which reforms to progress to support an innovation-enabling regulatory landscape.

Economic opportunities across the six policy domains

DATA & PRIVACY

Data is a critical area for Malaysia, with innovation-enabling policy driving a $1.5 billion economic opportunity by 2035. While Malaysia's data policy is already aimed at minimizing data restrictions, further economic opportunity can be unlocked through minimizing data transfer costs and streamlining regulatory requirements, thus unlocking greater economic efficiencies.

+$1.5b
(+0.2%) GDP impact in 2035

PLATFORM GOVERNANCE & MODERATION

Rules on digital platform use in Malaysia are becoming increasingly complex. Innovation-friendly policy that is clear on platform responsibilities, reflects platform realities, and adopts a functional definition of digital platforms could reduce legal uncertainty and facilitate platform uptake by businesses. Alongside e-commerce, this represents an economic opportunity of $2.4 billion by 2035.

+$2.4b
(+0.3%) GDP impact in 2035

E-COMMERCE

Malaysia's e-commerce regulations are complex, creating compliance burdens for platforms and businesses that rely on them. Introducing innovation-enabling e-commerce regulation that is proportionate to different business models and enables ecosystem growth could lower barriers to digital platform use for businesses, improve market access, and generate a $2.4 billion increase to GDP by 2035 together with platform governance.

+$1.5b
(+0.2%) GDP impact in 2035

AI GOVERNANCE

AI represents a substantial economic opportunity for Malaysia, with innovation-enabling regulation estimated to deliver a $1.5 billion increase to GDP by 2035. Adopting outcomes-based governance that harmonizes compliance across local institutions, shifting from data ownership to stewardship, and implementing sandboxes that encourage experimentation could result in efficiency gains and ongoing productivity growth.

+$0.4b
(+0.04%) GDP impact in 2035

CROSS-BORDER & DIGITAL TRADE

Digital trade barriers in Malaysia are currently low, limiting the economic upside to further innovation-enabling changes to $0.4 billion by 2035. Nonetheless, reforms to limit remaining market access barriers and address double taxation concerns could further lower digitally-delivered services trade costs for Malaysian businesses and support greater participation in cross-border digital markets.

+$0.3b
(+0.03%) GDP impact in 2035

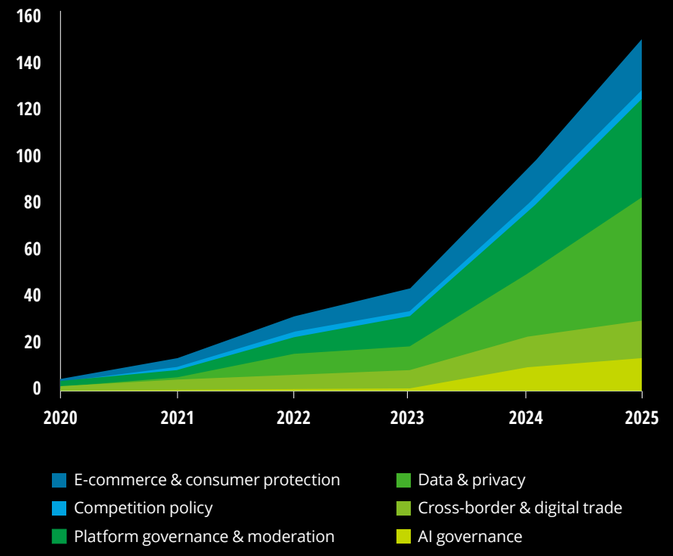
COMPETITION POLICY

Applying a disciplined, proportionate approach to competition policy to digital markets in Malaysia can improve efficiency, innovation, and competition. In turn, this could deliver economy-wide productivity gains, supporting a projected $1.4 billion increase in GDP by 2035.

Current Malaysia digital policy

Malaysia's digital policies stimulate innovation in many domains, including through an open stance to cross-border data flows and digital trade and appropriate standards of proof for competition policy interventions. Nonetheless, regulatory barriers remain, including complex e-commerce and platform governance regulations which can stifle further digital investment and innovation. The left hand side shows the cumulative number of digital policy interventions across the six domains, while the right hand side highlights both recent innovation-friendly developments and emerging barriers that may hinder innovation and growth.

Cumulative digital policy interventions: 153 since 2020[1]



Note: Digital policy interventions refer to regulations in development, those that have been rejected or revoked, and competition policy related decisions. E.g. 120 policies in 2024 should be interpreted as 120 policy interventions introduced between 2020-2024.

Source: Deloitte Access Economics (2026) based on Digital Policy Alert (2025), data from January 2020 until December 2025.

Innovation-friendly developments in Malaysia's digital policy

Data storage policies are innovation-friendly: Malaysia does not have any regulations on the types of data that can be stored by ordinary commercial entities in other territories, provided the Personal Data Protection Act's provisions on cross-border data flows are met, although data for certain sectors such as banking, telecommunications, and critical public sector organizations must be approved for overseas hosting.[2] While cross-border flows policy is quite open, there is concern that new Transfer Impact Assessment requirements for firms transferring data may drive compliance costs due to challenges in the clarity and application of this process.[3]

Competition policy is evidence-based: Despite uncertainty on the outcome of Malaysian Competition Commission's "Market Review on the Digital Economy Ecosystem", the current competition regime centers on effects-based prohibitions which require demonstrated consumer harms to establish illegality. This approach provides a strong foundation to preserve appropriate standards of proof while applying competition law to digital markets.[4]

AI guidance is pro-innovation and collaborative: While Malaysia is considering an AI Governance Bill, thus far the market has refrained from introducing legally-binding AI regulations, instead establishing voluntary guidelines on ethical AI use. The government's AI Governance and Ethics (AIGE) Framework involves collaboration between different government departments, together with industry engagement.[5]

Market access barriers for foreign platform operators are low: Malaysia does not have discriminatory conditions for e-commerce licenses or local presence requirements for firms providing cross-border services, with the Digital Services Trade Restrictiveness Index being lower than several of its APAC peers.[6]

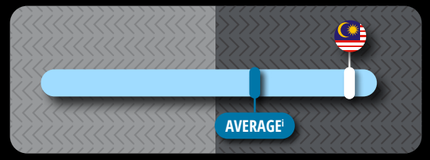
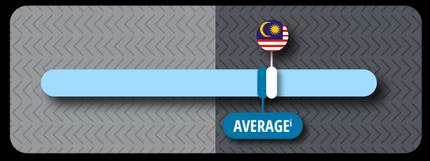
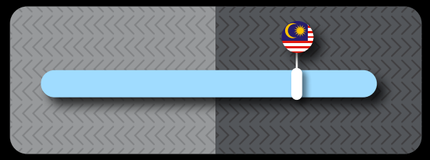
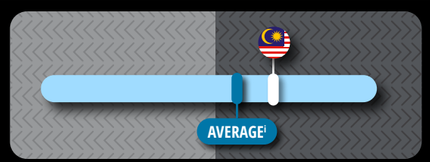
Risks to an innovation-enabling regulatory framework

Regulations governing e-commerce are complex and burdensome for platforms: Under the Consumer Protection (Electronic Trade Transactions) Regulations 2024, online market operators must ensure that marketplace suppliers and sellers provide mandatory information before permitting any electronic trade transactions.[7]

Rules on digital platform use are becoming increasingly complex: Recent regulation introduced by the Malaysian Communications and Multimedia Commission (MCMC) mandates duties of licensed applications and content service providers to reduce risks associated with harmful content.8 While intending to strengthen protection of vulnerable groups, there are concerns that the duties outlined in the Act are broad and beyond international norms, with challenges for service providers including requirements to establish locally incorporated entities and local moderation teams.9 There are emerging concerns about the recent Online Safety Act (2025) placing burdens on small e-commerce businesses to stay across regulatory changes, in addition to risks of duplication with the existing Communications and Multimedia Act.[10]

Malaysia's digital policy performance

Malaysia's digital economy is experiencing significant growth, driven in part by supportive digital trade and competition policy. Through actions such as reducing barriers to digital platform and e-commerce use, innovation-enabling digital policy can stimulate further economic growth in the country. The table below shows the difference between current policy performance and innovation-enabling policy for each domain, based on literature-derived indices. These direct outcomes on the right hand side represent each domain's immediate contribution to the economy, which are then inputted into the economy-wide CGE model. The results of the CGE model are shown on the next slide. Platform governance and e-commerce are combined into a single domain, as both are modelled through their influence on digital platform uptake.

	Why effective digital policy is important	Current policy performance	Direct outcomes of policy changes
DATA & PRIVACY	The Malaysia data centre storage market was worth $0.9 billion in 2025.[1]		**7%** Reduction in data management costs
CROSS-BORDER & DIGITAL TRADE	Digitally delivered services exports in Malaysia totalled $15.4b in 2024 or 29% of total services exports.[2]		**5%** Reduction in services trade costs from removing market access barriers
COMPETITION POLICY	The digital economyii comprises 9% of GDP, with effective competition policy for digital markets having wide-ranging economy-wide efficiency dividends.[3]		**0.02pp** Increase in economy-wide productivity
PLATFORM GOVERNANCE & MODERATION / E-COMMERCE	E-commerce accounts for 10% of total retail trade in Malaysia, of which 63% of all transactions occur through a mobile app, reflecting the importance of digital platforms.[4]		**0.18pp** Increase in economy-wide productivity
AI GOVERNANCE	Malaysia ranks 25th in its share of global ChatGPT traffic,[5] with 65% of employees using AI in their work.[6]		**0.11pp** Increase in economy-wide productivity, primarily impacting professional services

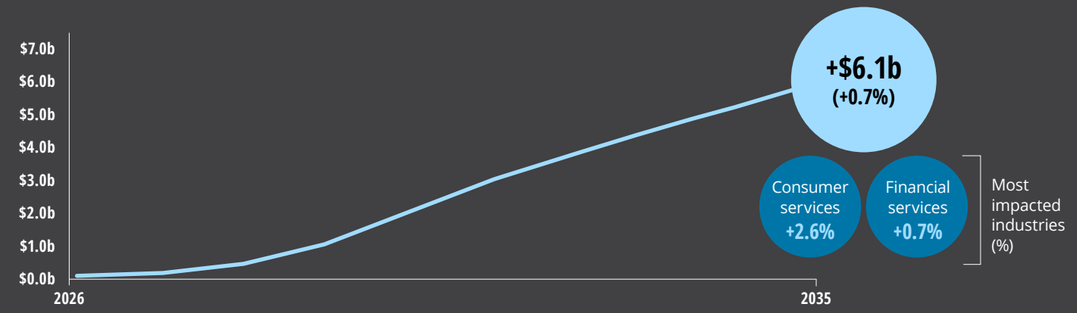
Note: Policy performance indexes are based on a range of secondary sources covering different indicators of policy performance for each policy domain. See 'Appendix A: Modelling stages 1 through 3' for further information.
i. The 'Average' is defined as the average of all APAC countries where available. For platform governance/e-commerce, the average includes the countries that are analyzed in Deloitte's AI for Business Report.
ii. While measures of the 'digital economy' vary widely, for this modelling exercise it is defined conservatively as digitally-delivered services and E-Commerce (proxied by the ICT sector where an estimate is not available). See page 11 for further information.
Source: Deloitte Access Economics (2026)

The economic impacts of innovation-enabling digital policy in Malaysia

Innovation-enabling regulation can lift Malaysia's GDP to $6.1 billion (0.7%) above baseline by 2035

Total economic impacts

GDP uplift (change from baseline)



For context, mobile technologies and services contributed 5.6% of APAC's GDP in 2024,[1] while AI is projected to increase Malaysia's GDP by 2.4% in 2034.[2]

Real wages

+0.8%
real wages in 2035

Employment

+40k
FTEs in 2035

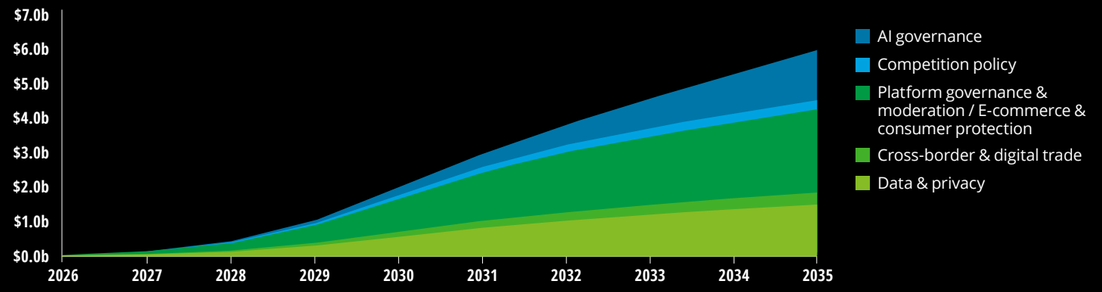
National income

+$472
per household in 2035

Innovation-enabling regulation creates opportunities for higher-value jobs, increasing demand for skilled labor and supporting transitions into higher-paying, higher-productivity roles.

Policy impacts

GDP uplift by policy



1

PLATFORM GOVERNANCE & MODERATION / E-COMMERCE

0.18pp increase in productivity could generate:

+$2.4b (+0.3%)
higher GDP in 2035

+0.2%
higher real wages in 2035

2

DATA AND PRIVACY

8% reduction in data management costs could generate:

+$1.5b (+0.2%)
higher GDP in 2035

+0.2%
higher real wages in 2035

3

AI GOVERNANCE

0.11pp increase in productivity primarily impacting services could generate:

+$1.5b (+0.2%)
higher GDP in 2035

+0.1%
higher real wages in 2035

Summary - Innovation-enabling digital policy opportunities in South Korea

A $23.8 billion economic opportunity

South Korea faces a potential $23.8 billion (0.8%) economic opportunity (uplift in GDP) by 2035 from innovation-enabling policy implementation, almost equivalent to the nation's 1.0% GDP growth in 2025.[1] While South Korea has much to gain from innovation-enabling digital policy, this figure also represents the potential cost of inaction if the current regulatory settings remain unchanged. Movements to innovation-enabling policy can also create more and higher value jobs within the local economy, generating a potential 0.7% increase on real wages and creating up to 60,000 additional full-time equivalent (FTE) jobs. While the estimated economic impacts provide a useful indication of potential gains, they should not be the sole determinant of reform priorities. Policymakers need to consider a broader set of criteria, including such as feasibility, urgency, regulatory clarity, or strategic importance, when determining which reforms to progress to support an innovation-enabling regulatory landscape.

Economic opportunities across the six policy domains

DATA & PRIVACY

Given South Korea's significant local data storage policies and stringent approach towards privacy including restrictions on data access and utilization, innovation-enabling data policy is the largest digital policy opportunity for South Korea, with a projected $9 billion increase to GDP by 2035. Reforming data localization and privacy policies could reduce economy-wide data costs, unlocking substantial productivity gains and supporting broader economic growth.

+$9.2b
(+0.4%) GDP impact in 2035

PLATFORM GOVERNANCE & MODERATION

Innovation-enabling policy that codifies content moderation obligations, aligns regulatory requirements with platform operational processes, and clearly defines the scope of digital platforms could reduce legal uncertainty, improve compliance consistency, and support broader platform adoption. This, alongside improvements to e-commerce, represent a nearly $6 billion potential economic opportunity by 2035.

+$5.9b
(+0.2%) GDP impact in 2035

E-COMMERCE

Together with platform governance, innovation-friendly e-commerce policy that is proportionate and clear could contribute to a $6 billion increase to GDP by 2035. South Korea's e-commerce regulations are largely innovation-friendly, thus changes in this policy domain have a relatively smaller impact compared with reforms to platform governance and moderation.

AI GOVERNANCE

AI represents a significant economic opportunity for South Korea, with innovation-enabling regulation estimated to deliver a $6 billion increase to GDP by 2035. South Korea has the potential to become a global leader in AI, Adopting outcomes-based governance that harmonizes compliance across local institutions, shifting from data ownership to stewardship, and implementing sandboxes that encourage experimentation could accelerate adoption and unlock sustained productivity growth.

+$6.0b
(+0.2%) GDP impact in 2035

CROSS-BORDER & DIGITAL TRADE

South Korea's open digital economy and low market access barriers limit the economic upside of digital trade reform to $0.5 billion by 2035. Targeted reforms that further reduce trade costs for digitally delivered services, remove double taxation and remove discriminatory conditions on access to payment systems can enable greater participation in cross-border digital markets.

+$0.5b
(+0.02%) GDP impact in 2035

COMPETITION POLICY

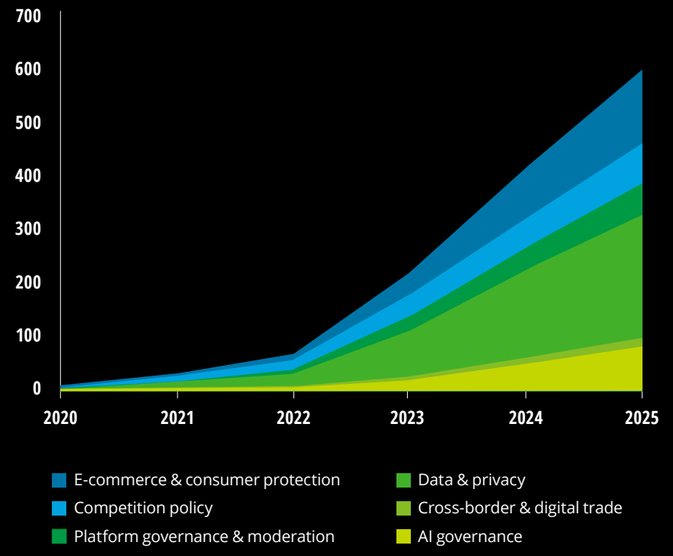
Given South Korea's significant digital economy, applying a sound, proportionate approach to competition policy in digital markets can represent a substantial economic opportunity, delivering an estimated $2 billion increase in GDP by 2035.

+$2.3b
(+0.1%) GDP impact in 2035

Current South Korea digital policy

South Korea's digital economy is highly developed, partly through effective digital regulations that maintain market access for foreign platforms. However, complex and duplicative regulations in some policy domains such as competition and platform governance could dampen digital trade and innovation. The left hand side shows the cumulative number of digital policy interventions across the six domains, while the right hand side highlights both recent innovation-friendly developments and emerging barriers that may hinder innovation and growth.

Cumulative digital policy interventions: 603 since 2020[1]



Note: Digital policy interventions refer to regulations in development, those that have been rejected or revoked, and competition policy related decisions. E.g. 120 policies in 2024 should be interpreted as 120 policy interventions introduced between 2020-2024.

Source: Deloitte Access Economics (2026) based on Digital Policy Alert (2025), data from January 2020 until December 2025.

Innovation-friendly developments in South Korea's digital policy

Cross-border data flows regulations are generally innovation-enabling: South Korea takes an open safeguards approach. Specifically, under some circumstances, if data is being transferred to a country with data protection levels that satisfy the Personal Information Protection Act, data transfers may not require consent.[2] Nonetheless, there are still strong requirements for local data storage in the country including cloud services.[3]

Market access for foreign platforms is open and innovation-friendly: Foreign digital service providers are charged a 10% VAT after their first domestic sale but are not charged any other unilateral digital taxes.[4] Market access barriers for foreign platforms are relatively low with no discriminatory conditions for foreign licenses to engage in e-commerce and no requirements for commercial presence to provide cross-border services.[5]

E-commerce regulations are prescriptive, with a recent crackdown on deceptive practices: South Korea has historically been at the forefront of innovation-friendly developments to ensure a thriving e-commerce industry, including in providing credibility to electronic documents and signatures.[6] More recently, policy has focused on targeted regulation to crackdown on specific harms such as dark patterns and other deceptive practices.[7]

The South Korean government is very supportive of enabling growth in AI capability: Private sector AI use has grown with the help of a supportive national AI strategy focusing on enabling greater use of AI in all industries.[8] The country's new AI Framework Act 2025 has introduced targeted regulation for high-impact AI applications but remains focused on public support for private sector AI development[9] and integrating AI regulatory sandbox approaches.[10] However, restrictions on data access remain a barrier to digital innovation, through stringent privacy laws.

Risks to an innovation-enabling regulatory framework

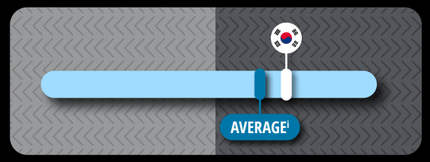
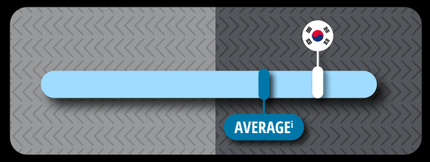
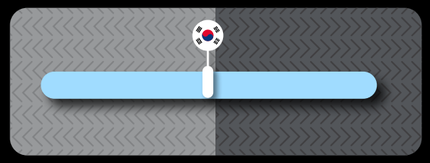
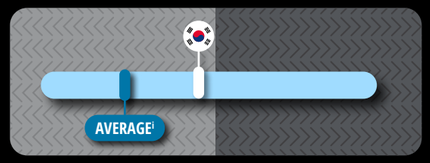
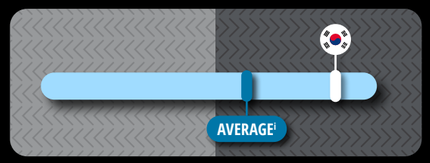
Competition policy is not always evidence-based: Broadly framed regulatory proposals may not adequately reflect the competitive dynamics of South Korea's digital markets.[11] Given the competitiveness of the country's digital ecosystem, the impacts of these measures should be carefully assessed within the local context. Regulatory analysis should account for the benefits of innovation, efficiencies, and network effects, while ensuring clear evidentiary standards and consistency in evaluating competitive behaviour.[12]

South Korea has amended proposed platform governance regulations to avoid enacting new legislation, although there are concerns that incoming platform governance regulations may have significant compliance costs: South Korea has shifted its platform governance regulatory strategy a few times since 2020 initially proposing a new act and then supporting increased platform self-regulation. Most recently in 2024, the KFTC proposed amendments to existing competition law to cover digital platforms.[13] While not enacted yet, a series of "fairness" bills designed to regulate platform intermediation services have been criticized for proposing unreasonably short payment processing windows and timeframes to provide notice in advance of contractual modifications.[14] Further, legal experts have raised concerns that the revised Information and Communications Network Act provisions may lack clarity, creating ambiguity in balancing free expression and misinformation.[15]

Privacy laws in South Korea are stringent,[16] including restrictions on data access and utilization, which risks undermining South Korea's digital ambitions. In a recent survey, 71% of Korean AI startups found the Personal Information Protection Act (PIPA) restrictive for data use.[17] An important way to deliver on South Korea's digital potential while safeguarding trust is to enable organizations to process data for clearly legitimate purposes, supported by strong security, transparency, and accountability measures.

South Korea's digital policy performance

South Korea has a highly-advanced digital economy, comprising 13% of GDP, with a large proportion of retail trade occurring through e-commerce and significant digitally-delivered services exports. The scale of South Korea's digital economy highlights the importance of innovation-enabling digital policy in delivering further economic opportunities for the country. The table below shows the difference between current policy performance and innovation-enabling policy for each domain, based on literature-derived indices. These direct outcomes on the right hand side represent each domain's immediate contribution to the economy, which are then inputted into the economy-wide CGE model. The results of the CGE model are shown on the next slide. Platform governance and e-commerce are combined into a single domain, as both are modelled through their influence on digital platform uptake.

	Why effective digital policy is important	Current policy performance	Direct outcomes of policy changes
DATA & PRIVACY	The South Korea data centre storage market was worth $1.2 billion in 2025.[1]		**14%** Reduction in data management costs
CROSS-BORDER & DIGITAL TRADE	Digitally delivered services exports in South Korea totalled $67.9b in 2024 or 49% of total services exports.[2]		**4%** Reduction in services trade costs from removing market access barriers
COMPETITION POLICY	The digital economyii comprises 13% of GDP, with effective competition policy in digital markets having wide-ranging economy-wide efficiency dividends.[3]		**0.05pp** Increase in economy-wide productivity
PLATFORM GOVERNANCE & MODERATION / E-COMMERCE	E-commerce accounts for 18% of total retail trade in South Korea, of which 70% is mobile commerce, with an average of 4-6 e-commerce apps installed by South Koreans.[4]		**0.12pp** Increase in economy-wide productivity
AI GOVERNANCE	South Korea ranks 9th in its share of global ChatGPT traffic,[5] with 62% of employees using AI in their work[6]		**0.11pp** Increase in economy-wide productivity, primarily impacting professional services

INNOVATION RESTRICTIVE

INNOVATION ENABLING

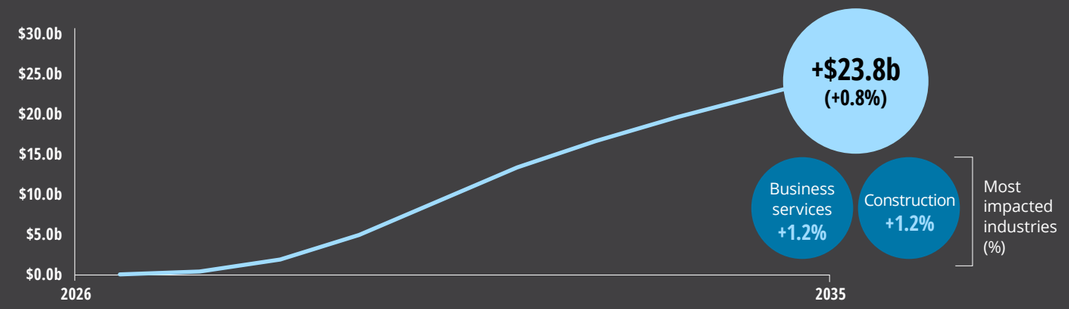
Note: Policy performance indexes are based on a range of secondary sources covering different indicators of policy performance for each policy domain. See 'Appendix A: Modelling stages 1 through 3' for further information.
i. The 'Average' is defined as the average of all APAC countries where available. For platform governance/e-commerce, the average includes the countries that are analyzed in Deloitte's AI for Business Report.
ii. While measures of the 'digital economy' vary widely, for this modelling exercise it is defined conservatively as digitally-delivered services and E-Commerce (proxied by the ICT sector where an estimate is not available). See page 11 for further information.
Source: Deloitte Access Economics (2026)

The economic impacts of innovation-enabling digital policy in South Korea

Innovation-enabling regulation can lift South Korea's GDP to $23.8 billion (0.8%) above baseline by 2035

Total economic impacts

GDP uplift (change from baseline)



For context, mobile technologies and services contributed 5.6% of APAC's GDP in 2024,[1] while AI is projected to boost South Korea's GDP by 4.2% in the long run.[2]

Real wages

+0.7%
real wages in 2035

Employment

+60k
FTEs in 2035

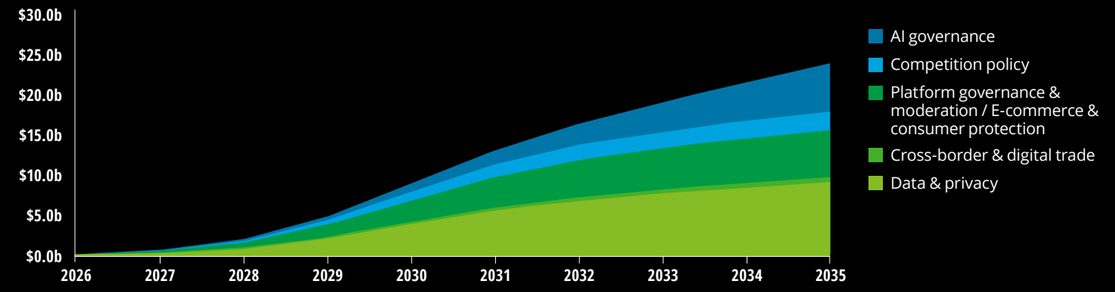
National income

+$893
per household in 2035

Innovation-enabling regulation creates opportunities for higher-value jobs, increasing demand for skilled labor and supporting transitions into higher-paying, higher-productivity roles.

Policy impacts

GDP uplift by policy



1

DATA AND PRIVACY

4% reduction in data management costs could generate:

+$9.2b (+0.4%)
higher GDP in 2035

+0.3%
higher real wages in 2035

2

AI GOVERNANCE

0.10pp increase in productivity primarily impacting services could generate:

+$6.0b (+0.2%)
higher GDP in 2035

+0.1%
higher real wages in 2035

3

PLATFORM GOVERNANCE & MODERATION / E-COMMERCE

0.12pp increase in productivity could generate:

+$5.9b (+0.2%)
higher GDP in 2035

+0.1%
higher real wages in 2035

4 Opportunities for digital policy

Innovation-enabling policy | An opportunity for digital policy in APAC

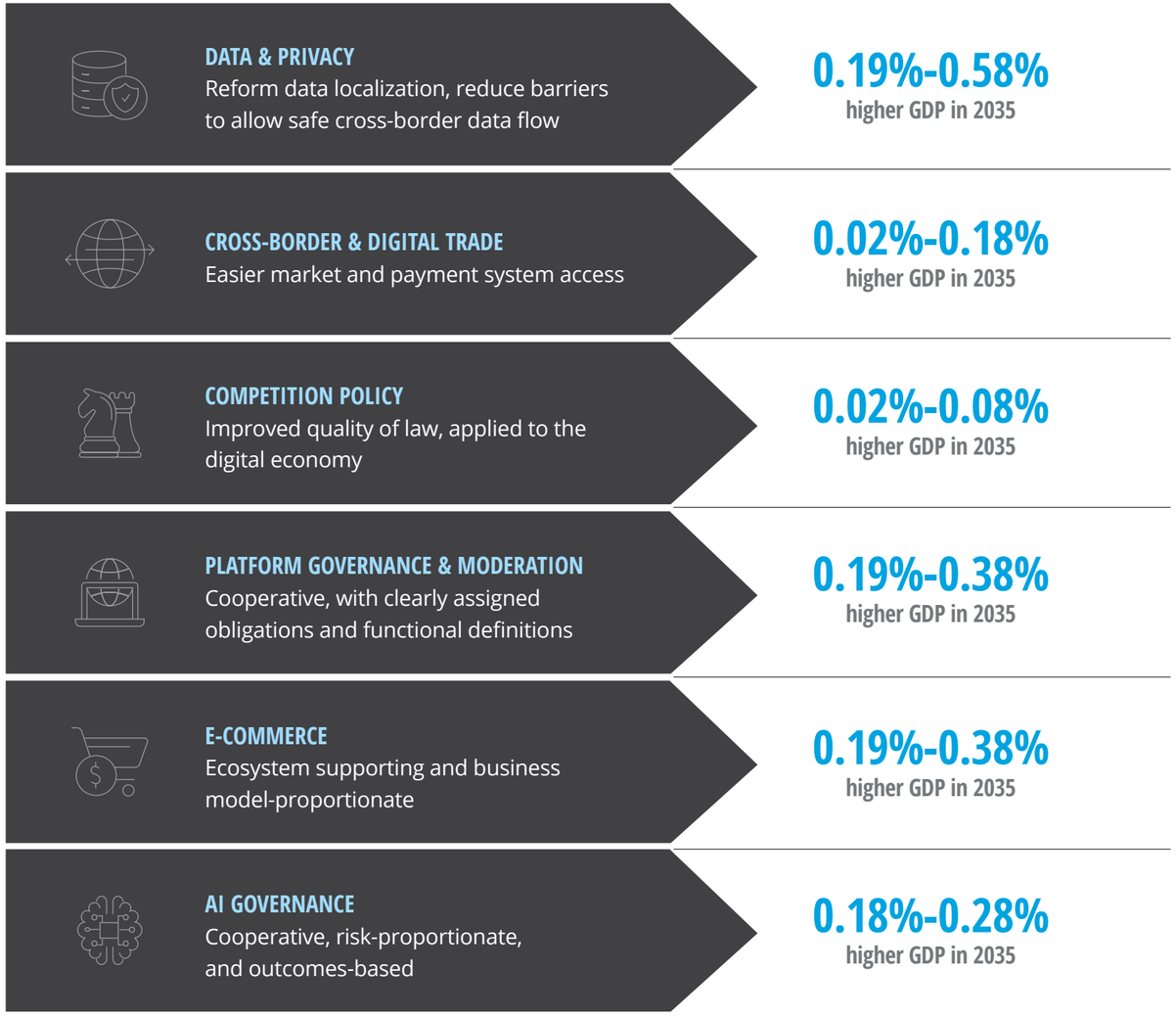
This section discusses both the economic dividends of innovation-enabling digital policy and the steps that policymakers can take to realize the opportunity. It is important to note that this report conducted modelling of economic impacts of innovation-enabling policy within each policy domain (Figure 3.1) and not a cost-benefit analysis of implementing such policy.

An assessment of the opportunities of moving towards an innovation-enabling digital policy framework requires a consideration of not just economic impacts, but also how the policy is implemented. This includes, for example, the cost of compliance and regulatory clarity.

Additionally, it is noted that the purpose of regulation is not solely aimed at maximizing economic outcomes. It also serves other purposes, such as protecting consumers or safeguarding data. The innovation-enabling framework seeks to achieve better economic outcomes without requiring trade-offs against the regulation's core objective. As such, all modelled changes in this report are recommended to maximise benefits.

It should be noted that the policies presented are not intended to be exhaustive. Rather, they were selected to highlight key challenges that the industry currently faces and illustrate clear opportunities across a set of well-defined policy areas. These opportunities are supported by a comprehensive literature review as well as bespoke development of policy indices. While these opportunities exist across APAC, the region is heterogeneous and each country needs to consider its unique circumstances and will interpret, implement and adjust to reforms differently.

Figure 3.1 | Summary of economic impacts for all markets by policy domain



Source: Deloitte Access Economics (2026).

Opportunities | Data and privacy

Rationale and expected impact

For many APAC countries, data & privacy presents a significant economic opportunity for innovation-enabling digital policy. This reflects the central role of data access in enabling economic activity across industries, and the substantial gains that can arise from reducing barriers to data access, use and movement. Data restrictions can relate to both international flows and the use of data within countries, with a recent concern being protectionist access barriers for data use,[1] even when effective safeguards or de-identification processes are in place.

The current modelling focuses on easing international data flow restrictions – namely, localization and cross-border restrictions – and the significant benefits that this could create for digitally reliant businesses, including reductions in data management costs of up to 14 per cent and trade costs of up to 10 per cent across focus countries. These cost reductions are projected to support higher productivity, investment, and innovation, contributing to a 0.37% increase in GDP across focus countries by 2035.

These findings align with a growing body of literature highlighting the economic benefits of data liberalization,[2] reflecting the importance of data as a critical traded input in modern economies. Moreover, innovation-enabling data policy is relatively accessible for many countries, supported by well-established Data Free Flow with Trust (DFFT) guidance from international institutions such as the OECD,[3] the Global CBPR, [4] and WEF.[5] Elements of these frameworks have already been implemented in numerous APAC countries, including Japan,[6] Malaysia[7] and Singapore.[8]

Implementing an innovation-enabling DFFT framework requires countries with broad or restrictive data regimes to undertake targeted regulatory reforms to ensure that any remaining restrictions are risk-proportionate and evidence-based, with mechanisms created to facilitate trusted data flows. It also encourages countries to pursue interoperability arrangements or agreements with jurisdictions that have comparable privacy protections to facilitate trusted data flows. While data liberalization is sometimes viewed as involving trade-offs with user privacy and security, recent OECD analysis suggests that most businesses do not consider localization measures to be effective in achieving these objectives.[9] Well-designed DFFT reforms show that strong privacy and security protections can be maintained while still delivering significant economic gains, making data policy reform a compelling and low-regret priority for APAC governments.

Moving towards innovation-enabling regulation

Data & privacy underpins economic activity across the APAC region, with evidence-based, risk-proportionate and cooperative policy unlocking economic growth.

Risk-proportionate barriers to data trade

While there is broad recognition that data localization requirements may be justified for highly sensitive situations, primarily for national security concerns, many countries have applied broad restrictions or used loosely defined categories such as “important” or “critical” data.[10] Such approaches risk imposing unnecessary barriers to data trade. By contrast, Malaysia and Singapore demonstrate a more balanced and risk-proportionate approach.[11]

Evidence-based data restrictions

Evidence-based data flow policy focuses on enabling cross-border transfers of personal data where appropriate safeguards are in place, rather than relying on case-by-case approval. This approach can significantly reduce data storage costs while maintaining trust in its handling. An example is the outcome-based safeguards used in Malaysia, where transfer is allowed to destinations with substantially similar privacy laws.[12]

Cooperative data flow policy

While multilateral policies account for only 19% of new data and privacy interventions since January 2020,[13] there is growing recognition of the benefits these policies can bring for data trade. A common mechanism is to allow cross-border transfers between countries with comparable privacy and data protection standards. Notable APAC examples include the APEC Cross-Border Privacy Rules (CBPR) system, adopted by countries including Singapore, Japan, and South Korea, which is now known as the Global CBPR system to reflect its broadened coverage.[14]

Opportunities | Cross-border and digital trade

Rationale and expected impact

Global digital trade has experienced significant growth over the past two decades, with exports of digitally-delivered services more than tripling between 2005 and 2022,[1] outpacing export growth of both non-digital goods and services. In the APAC region, digital trade accounts for a substantial proportion of total services exports, including for Indonesia (28%), Malaysia (29%) and South Korea (49%).

Digital trade policies significantly influence total international trade costs. The OECD estimated that an increase of 0.1 points in its Digital Services Trade Restrictiveness Index (DSTRI), a measure of digital services trade barriers, can increase international trade costs by over 15%, with a larger increase in costs for emerging economies (9.6%) as opposed to developed economies (5.2%).[2] Digital services trade barriers refer to those that restrict trade of digitally-enabled services, such as local presence requirements for cross-border service providers.

Therefore, reducing barriers to cross-border and digital trade through innovation-enabling policy has the potential to deliver large economic dividends. Based on modelling for this report, removing market access barriers in each of the three APAC focus markets can yield potential reductions in services trade costs of between 4% and 9%.

Moving towards innovation-enabling regulation

Cross-border and digital trade policies deliver maximum impact when informed by local market contexts and informed by robust evidence and principles, while collaboration between countries can further support digital innovation.

Cross-border digital trade that create an even playing field

Cross-border digital trade policies can facilitate increased innovation and competition by creating an even playing field for both domestic and foreign market participants. This includes removing discriminatory conditions for access to payment solutions, such as bans on foreign solutions and restrictions on domestic businesses using overseas payment settlement methods.[3] Policymakers can also remove digital trade barriers that restrict their ability to operate within certain markets. For example, policies requiring foreign firms to have a local presence or local representative offices act as regulatory bottlenecks that can reduce the competitiveness of foreign firms.[4]

Cross-border trade policies that avoid double taxation

Double taxation, when the same income is taxed twice by different countries, can significantly hamper investment.[5] Therefore, providing tax certainty and removing double taxation is one of the key pillars of the OECD/G20's Base Erosion and Profit Shifting (BEPS) Project.[6] Unilaterally-imposed digital taxes, such as Malaysia's Service Tax on Digital Services (SToDS),[7] raise double taxation concerns for digital platforms as they do not account for taxes platforms are charged in other countries. Such taxes impose considerable costs on businesses and can deter them from undertaking investments.

Opportunities | E-commerce

Rationale and expected impact

E-commerce plays an increasingly central role in economic growth, consumer choice, and cross-border trade. The APAC region has experienced accelerated e-commerce growth over the last decade, making digital platforms essential for market participation. As these digital platforms play an essential role in connecting businesses to wider markets, reducing operational frictions, and supporting scalable business models, productivity gains from e-commerce are modelled through increased platform use.

If businesses increased their use of e-commerce platforms because of innovation-enabling e-commerce policies, APAC countries could see a 0.29% uplift in total factor productivity (TFP) growth. The three markets of interest in this report, South Korea, Indonesia and Malaysia, could potentially see between a 0.12% and 0.18% increase in TFP growth.

In addition to TFP growth, increased use of e-commerce platforms by businesses can generate several other economic benefits. E-commerce can help to improve market access for SMEs and thus increase competition in digital markets.[1] It can also enable faster and more convenient domestic and cross-border trade for both businesses and consumers.

The realization of e-commerce benefits requires the right policy settings. In countries with a large SME ecosystem such as Indonesia, millions of smaller sellers rely on digital platforms to increase business visibility and scale at low cost. Barriers to use, including Indonesia's restrictions on social commerce, can be heavily disruptive to these businesses and create unintended consequences for the local economy. Businesses will be more likely to leverage digital platforms if regulation is well-designed and innovation-enabling. E-commerce policies should be interoperable, and proportionate to risk.

Moving towards innovation-enabling regulation

Policy makers can foster a dynamic and competitive digital commerce ecosystem by adopting policy approaches that are interoperable and encourage integration between different channels.

Ecosystem-supporting e-commerce provisions

Policymakers can support innovation by ensuring e-commerce rules support the larger growth of the digital economy and e-commerce ecosystem across data, payments, and platform regulation.[2] Regulatory fragmentation can increase compliance burdens and create legal uncertainty, especially for cross-border digital businesses. Given that APAC accounts for nearly 40% of global cross-border e-commerce activity, ecosystem growth is particularly critical to support regional digital trade.[3]

Proportionality for different business models in e-commerce

With a growing diversity of business models now becoming the norm, regulation that imposes one-size-fits-all obligations for all businesses, such as treating social commerce and e-commerce the same or mandating that businesses implement the same solutions or business models, can create compliance complexity and risk constraining innovation, in addition to introducing unintended consequences for business access to the digital economy.[4] In response, proportionate regulations that are adaptive to different business models can allow businesses to continue innovating according to the role that they play in the e-commerce value chain, while protecting consumers from potential harms.

Case study | Platform governance and moderation

Digital platforms have grown rapidly

Rising digital platform use, both in the APAC region and globally, has increased significantly in the past decade. On average, 91% of small to medium enterprises (SME) use at least one digital platform, with 57% of SME revenues being dependent on these platforms.[1] The growing popularity of digital platforms can be attributed to their ability to connect SMEs to a larger consumer base,[2] assisting with business growth, scale, and customer acquisition.

Digital platforms can provide a range of broader economic benefits. One study by the OECD highlighted a significant positive relationship between digital platform use and productivity, with a one standard deviation increase in use resulting in an approximately 5.3 percentage point increase in firm-level labor productivity growth.[3] Digital platforms can also help to enhance customer engagement via personalized advertising, and the ability to scale through network effects, whereby growth in the user base drives further engagement and increases overall value.[4] Further, through providing easy-to-implement business solutions, digital platforms play an important role in narrowing the productivity gap between large businesses and SMEs.[5]

With the rapid diffusion of digital platforms, consumers and policymakers are becoming increasingly cognizant of the potential social harms that can arise from their use. These can include harmful user-generated content, and the use of digital platforms by certain at-risk demographics.

Current policy approaches

Policymakers are concerned with ensuring that platform governance and content moderation procedures are adequately protecting consumers from potential harms. To this end, several APAC countries have sought to introduce laws which enforce activities such as monitoring and reviewing content. Examples include Malaysia, which has introduced regulations for platforms to implement content moderation measures to counter misinformation and cyberbullying,[6] as well as a proposed ban on unsolicited electronic messages for commercial purposes to prevent identity theft and malware.[7] Similarly, South Korea has proposed obligations for platforms to restrict misleading and potentially defamatory content by implementing response procedures to user complaints, removing offensive content, and monitoring both illegal content and “false or manipulated information”.[8]

In addition to enforcing moderation, identity-based verification regulations are also widespread throughout the APAC region. While intended to prevent potential social harms to minors, these can create significant duplicated compliance requirements for digital platforms. In such cases, careful consultation and planning with industry can play an important role in identifying more ecosystem wide, innovation-enabling solutions that are cognisant of existing practices.

Emerging challenges

While ensuring the adequate protection of users on digital platforms is imperative, the implementation of platform governance and content moderation policies in APAC has been challenging. Such policies often have significant and varied unintended consequences for digital platforms themselves, for the businesses that rely on them, and for consumer welfare more broadly.

The transparency of government requirements has been a key issue in policy implementation, with many APAC policies unintentionally restricting the fair use of digital platforms due to vaguely defined key terms or measures (see box overleaf). In response to the consumer welfare implications of such challenges, UNESCO has recommended that regulations protect freedom of speech by guaranteeing digital platform users’ rights to free access to information and freedom of expression, and ensure that regulatory authorities tasked with regulating platforms are independent of political interests.[9]

Further, a lack of transparency can result in unintended compliance costs for digital businesses and regulators alike, with risks of deterring business investments in digital platform services and causing adverse economy-wide effects for domestic businesses that rely on digital platforms.[10]

Finding the balance between self-regulation and added legal responsibilities for digital platforms has been another challenge for policymakers. Private sector platforms have their own governance obligation to ensure that content on their platforms is safe given the reputational risks associated with allowing harmful content, and have introduced their own content moderation policies such as through imposing terms of use.[11] In such cases, legal obligations can risk placing additional administrative costs on businesses or limit the usability of platforms without driving commensurate increases in social harm protection.

Policy complexity has also been a challenge in APAC, with policymakers increasingly considering broad and structured new regulatory frameworks aimed at the overall conduct of platforms as opposed to content-specific obligations.[12] While this approach seeks to capture all potential harms, there is a risk that grouping all harm types within a single regulation could increase the complexity and dilute the effectiveness of such regulations, and risk duplication with existing regulations and practices. As an example, Thailand’s government recently paused its proposed Platform Economy Act amongst concerns of overlap with existing regulations and concerns around whether policy, largely based on that in the EU, would be adequate for the country’s local context.[13]

In response to such challenges, commentators have recommended that market studies are undertaken to understand the platform landscape of specific markets and ensure policy is proportionate and context-appropriate.[14] Further, public-private sector collaboration has a role in ensuring that policies are appropriately targeted to gaps in existing practices rather than introduce unnecessary duplication with existing policy or industry practices. Further, collaborative policy design can help APAC economies harness the benefits of digital platforms, with UNESCO noting that access to information as enabled through digital platforms is crucial to facilitating transactions and exchanges conducted, recommending that digital platform policies to help close data gaps in the digital economy.[15]

Examples of unintended consequences in platform governance policies

Platform governance and moderation policies can often have complex and varied unintended consequences, as highlighted through the following APAC examples:

Indonesia – Law on Electronic Information and Transactions 2008

Indonesia's electronic information / defamation provisions were amended after strong public and industry pushback. Courts and advocates have also pushed limits on criminal defamation uses. The law was amended because of concerns it was being used to chill speech and harm digital activity, with a 2022 survey finding that around 63% of Indonesians were afraid of openly expressing their opinions.[16]

Thailand – Act on Computer Crime 2007

Thailand's Act on Computer Crime regulates unlawful activity on computer systems (such as hacking or viruses) and data (such as unauthorized access), as well as spreading false information. This act has been amended on several occasions due to concerns of a lack of clarity both from civil-society and business groups, which created legal uncertainty for users and platforms.[17] This ambiguity can discourage platform use, with potential implications for innovation and productivity.

Opportunities | Platform governance & moderation

Rationale and expected impact

Digital platforms are now core components of the APAC digital economy, and usage of these platforms has potentially significant productivity benefits in reducing transaction costs, expanding market access, and enabling firms to operate at a greater scale.

If businesses increased their use of digital platforms, APAC countries could experience up to a 0.29% uplift in TFP growth. While South Korea and Indonesia could see a 0.12% and 0.13% uplift in TFP growth respectively, Malaysia has the potential to experience a 0.18% uplift resulting from businesses increasing the intensity of their digital platform use.

Beyond productivity, increased platform use can generate broader economic benefits, including improved market access for SMEs, greater competition, and more efficient participation in domestic and cross-border trade.

However, policy and regulatory settings are a key determinant of whether this opportunity is realized. Businesses will be more likely to leverage digital platforms if regulation is well-designed, innovation-enabling, and cognizant of local market structures and needs. Furthermore, when designing platform governance policies, policymakers should consider the practicalities of regulations including how easily they can be understood by businesses, a key factor in breaking down regulatory barriers. Platform governance and moderation should look to protect consumers and businesses using digital platforms, while not impeding on their freedom of speech and ability to conduct exchanges. Policies should also be transparent and clear about the types of content that should be restricted, as well as the role of platforms in moderating user-generated content.

Moving towards innovation-enabling regulation

Policymakers can support digital platform innovation by ensuring that policies are transparent and incorporate industry input into policy decisions and regulatory design.

Clearly defined assignment of content moderation obligations

Regulation should clearly define the scope and limits of digital platform operators' content moderation responsibilities to ensure it addresses the key problem the government aims to solve and does not have unintended impacts.[1] In Indonesia, the use of broadly defined terms such as "public disorder" in takedown obligations has created uncertainty for service providers. Similarly, concerns have been raised in Malaysia that vague terms like "grossly offensive content" in regulation makes compliance difficult, and may lead to undue censorship.[2]

Collaborative design of platform governance and moderation rules

Beyond assigning responsibilities, policymakers should ensure that implementation requirements are operationally realistic and proportionate. Obligations such as rapid content takedown requirements may be difficult to implement effectively if they do not account for platform scale or internal moderation processes. This has been the case in Indonesia.[3] Public-private sector collaboration with platforms will assist policymakers to design policies that complement rather than conflict with platforms' own moderation or data and privacy policies.[4]

Functional definition of digital platforms

The adoption of a clear and functional definition of "digital platform" can ensure that obligations are applicable to all platforms while at the same time being proportionate and appropriately tailored to different services, such as social media, marketplaces, and messaging platforms. By being cognizant of different digital market features, and tailoring regulations to the different services offered by platforms, this approach can avoid uncertainty associated with broad or overlapping regulatory scopes that are ambiguous as to which services fall within scope, as has previously caused concern in markets such as Indonesia and Malaysia.[5]

Case study | AI

The growth of AI in APAC

Generative AI (GenAI) adoption in the APAC region has grown rapidly, with 67% of APAC employees already using GenAI for work purposes as of 2024, with particularly high adoption in Southeast Asia (75%).[1] More recently, a World Bank study found that APAC countries were avid users of AI chatbots, with Indonesia 9th and South Korea 10th in global traffic share, and the share of global chatbot use outweighing the share of global Google search engine use (a proxy for traditional internet use) for most APAC countries.[2]

Importantly, GenAI adoption can have significant productivity impacts through automating time-consuming tasks, fostering skill development among workers by providing easy access to information and training resources, and improving the efficiency of key business functions such as assisting with supply chain management.[3] Overall, under a 'medium adoption' scenario, the OECD expects AI to increase labour productivity in G7 countries by 0.5 to 1.0 pp per year over the next 10 years.[4]

The productivity benefits of AI can be particularly significant for small businesses as it provides an accessible way of improving business efficiencies. SMEs recognize this benefit of AI, with 73% of surveyed SMEs agreeing that AI helps to level the playing field with larger businesses and thus lower barriers to entry.

The current AI policy landscape in APAC

While many organizations in APAC are already using AI tools, there remains a considerable gap between its current use and full adoption, in addition to the intensity of their use within organizations. This can be attributed to several key barriers including data privacy concerns (47%), a lack of skills or expertise (30%), and internet connectivity issues (27%).[5] Moreover, 22% of surveyed businesses in the same study highlighted local regulations as a key barrier to wider digital platform use.

Countries are grappling with how to efficiently and effectively regulate AI in a way that balances its innovative potential with the mitigation of potential harms such as around its fair and ethical use, data privacy, safety, transparency,[6] and copyright infringements.[7]

While some have introduced new regulations, others rely on existing regulations and tailoring them to AI, as well as providing guidance on AI best practices. For countries using existing regulations, laws covering issues such as personal data protection are often updated to account for AI use, such as Indonesia's Law No. 27 of 2002.[8] Many countries also rely on industry self-regulation and voluntary guidelines to instruct industry how to safely and effectively use AI, with such policies in place in countries such as Malaysia and Indonesia.[9]

On the other hand, some countries introduced broad AI regulations in recent years. For example, China has introduced legal obligations for AI users and providers as well as penalties for non-compliance that apply to most AI applications.[10] Several other countries are in the process of developing laws specific to AI to directly influence how AI is developed and used.[11]

A third approach is to apply risk-proportionate regulation to AI, as is the case in South Korea. This approach involves classifying the risk level of different AI applications, and then implementing regulations designed to mitigate risks specifically of high-risk uses. This approach, alongside using existing regulation to govern lower-risk uses, can avoid overburdening AI users and providers. Therefore, risk-based regulatory approaches can be more efficient for both the public and private sectors by enabling tailored regulations and reducing compliance costs.[12] This innovation-friendly regulatory approach in South Korea has been complemented by the South Korean Government's focus on developing its AI industry, resulting in increased economic productivity and global competitiveness through AI use.

Challenges in implementing innovation-enabling AI policy

There are various challenges associated with implementing AI policy. For example, some pre-existing regulations may not be fit-for-purpose when addressing AI regulatory issues, while excessively burdensome regulation can adversely affect AI adoption and investment.

Innovation can be hampered by overly-restrictive or prescriptive regulation. For instance, the European Union (EU) scaled back some of the provisions under its AI law after European technology companies voiced concerns that previous iterations of the regulations were harming their international competitiveness.[13] Private sector input in regulatory design is valuable as it can help to avoid the traps of overly-prescriptive regulation. This is especially the case for AI, where its use its evolving rapidly. Moreover, many in the private sector would have a degree of first-hand experience with and knowledge of AI's benefits and risks.[14]

There is also a risk of duplication when new regulations are introduced, given many AI-associated concerns can be largely addressed by existing regulations. For example, specific data privacy and security laws are already in place in most countries. With the introduction of new AI-specific laws associated with data, this risks the duplication of such laws,[15] risking significant additional administrative obligations for businesses.

Nonetheless, while there are concerns of regulatory overreach in AI in some contexts, collaborative forms of governance in AI have been recognized to actively facilitate adoption. Other examples include Singapore's AI Verify programme, developed alongside industry, which provides a practical tool for businesses to implement to support responsible AI use without imposing excessive compliance costs.[16]

In addition, regulatory sandbox initiatives, such as that of South Korea, provide businesses with the opportunity to experiment with new AI applications without being subject to full regulatory obligations. These initiatives can incentivize early AI adoption among businesses, while also allowing regulators to assess the effectiveness of proposed policies.[17]

South Korea's AI legislation

In 2025, South Korea passed the first comprehensive AI legislation in APAC due to take effect in early 2026. The Framework Act on Artificial Intelligence Development and Establishment of a Foundation for Trustworthiness (Framework Act) is risk-proportionate and targeted, concentrating regulatory attention on "high-impact" AI systems in critical sectors such as healthcare and public services. Operators of high-impact AI must meet obligations such as labelling requirements for AI-generated content,[18] establishing risk management plans and maintaining human oversight of AI applications.[19] However, there are concerns that some of these requirements may disproportionately burden early-stage startups.[20]

The Framework Act is largely perceived as being collaborative due to its provisions that support private sector AI development. These include government initiatives to produce, manage and distribute AI training data to the private sector while the Act also promotes government funding and support for the construction and operation of data centres for data training AI development.

Sovereign AI

As AI investment and adoption accelerate globally, policymakers are increasingly turning their attention towards sovereign AI, a broad term used to describe a country's ability to operate and control AI within its own borders, and powered by that country's own compute and talent.[21] This includes both physical infrastructure and data infrastructure such as globally-developed open-source models that are trained and fine-tuned using datasets from the home country to reflect local language, cultures, and value systems.

Sovereign AI capabilities are increasingly important for countries, including those in the APAC region. These capabilities are also of high value to businesses, with a 2025 survey finding that 79% of surveyed industry leaders believe AI sovereignty is valuable and strategically important, at both the national (66%) and organizational (47%) levels.[22]

AI sovereignty provides countries with greater control over the use and storage of metadata, including datasets in critical and high-value areas from health to agriculture. However, it does not require a country to build its own chips or miss out on the opportunities from international trade and investment. Indeed, there is a benefit in collaboration between countries in AI development to produce mutually beneficial outcomes. Furthermore, attempting to develop an entirely-domestic AI ecosystem can be prohibitively expensive. As a global example, India recently scaled back its ambitions to establish an integrated semiconductor industry to produce AI chips domestically to instead specialize in developing large language models (LLMs) with local Indian languages.[23]

AI sovereignty is therefore about having the capability for independent development and modification of AI component systems and governance structures in a rapidly-evolving ecosystem, rather than creating a completely domestic AI ecosystem and supply chain. Ultimately, there is a risk that sovereign AI is a name given to protectionist policies that may reduce access to frontier AI models and slow innovation.[24] Some of the initiatives in Indonesia, Malaysia and South Korea demonstrate how countries can build up sovereign AI capabilities.

Figure 3.2 | Sovereign AI developments in focus markets

As part of Indonesia's national AI roadmap, the government proposed a sovereign AI fund managed by its sovereign wealth fund, Danantara Indonesia, designed to fund the development of Indonesia as a regional AI hub.[25]

As part of the 2026 budget, the Malaysian Government announced plans to spend RM2 billion to construct a government-controlled sovereign AI cloud, to keep national data and computing power within the country's borders.[26] It would also give Malaysia control over local data and algorithms, while preserving strategic decision-making autonomy.

SK Telecom (SKT) released a sovereign AI foundation model, A.X K1, for Korean-based tasks, mathematics and coding. This was achieved after the Ministry of Science and ICT initiated its Sovereign AI Foundation Model project, appointing an SKT-led consortium to develop the model. It also involves localizing the AI value chain, including AI chips, data centers and models and services.[27]

Source: Deloitte Access Economics (2026).

Opportunities | AI governance

Rationale and expected impact

With AI subject to rapid development, innovation-enabling policy has a key role to play in enabling APAC countries to reap the rewards of widespread AI adoption. As an emerging technology, AI is poised to drive an estimated 3.3% increase in cumulative productivity gains across industries in APAC focus countries to 2035.[i]

Effective policy that supports AI adoption is key to enabling this productivity dividend, with innovation-enabling AI policy driving an average 0.19% increase in GDP across APAC focus countries by 2035. For professional services industries, particularly exposed to the benefits of AI, industry output increases by an average of 0.22% from effective AI policy.

Moreover, innovation-enabling AI policy can drive high-skill employment. As a productivity-enhancing technology, AI use can improve the effectiveness of workers, leading to an increased demand from businesses that drives overall wage growth and the proliferation of higher-skill jobs as routine tasks are automated. Overall, it is estimated that policy that supports AI adoption can drive wage increases averaging 0.14% across APAC focus countries.

While effective AI policy can be difficult to implement given the fast-paced nature of changes to the role of AI in the economy, future-focused AI policy can have immense economic impacts. Although investing in local AI capabilities can be beneficial, policymakers should also be cognizant of overly-burdensome regulations designed to achieve AI sovereignty such as those requiring local data ownership.

Given the significant economic potential of the technology, innovation-enabling AI policy should be facilitative of AI development and adoption. On one hand, policymakers have a role to play in ensuring that regulatory restrictions in AI are risk-proportionate to avoid unnecessary constraints on businesses and AI users. Moreover, policymakers have a role in fostering public-private sector collaboration, actively facilitating the diffusion of AI-based technologies within local markets.

Moving towards innovation-enabling regulation

To realize AI's potential, policymakers must ensure governance is evidence-based and appropriately targeted. Regulation should address specific harms without restricting underlying technology and apply equally across industry. Equally important are policies that remove barriers to innovation and support research and adoption, including through public-private and multilateral collaboration.

Outcomes-based AI governance policies

Policies that are focused on achieving set results as opposed to specific actions or procedures can help to avoid overly-prescriptive regulation.[1] Furthermore, governance-based approaches that provide tailored industry guidance on AI governance are particularly important for organisations in the process of adopting AI.[2] Where possible, harmonizing AI regulations across local institutions should complement a guidance-first approach by policymakers.

Risk-proportionate restrictions on AI applications

Risk-proportionate AI-specific regulations should focus on mitigating issues from the development and use of high-risk AI applications.[3] Prescriptive requirements for lower-risk uses, however, can create excessive compliance burdens and discourage experimentation. One way in which policymakers can ensure adequate data protection while allowing AI models to access data is by establishing neutral, independent data trusts, whereby repurposed data is permitted to be used only in ways which respect the rights of subjects.[4] Recognizing the important economic opportunity of AI innovation, some APAC jurisdictions, including Singapore[5] and Japan,[6] have proposed allowing data processing for AI development subject to transparency and accountability standards.

Public-private sector cooperation in AI policy development

Public-private sector partnerships actively involve businesses in the AI policy development process, ensuring that industry perspectives are integrated into regulatory decisions and frameworks.[7] Moreover, some APAC economies such as South Korea have recently introduced regulatory sandbox initiatives in which businesses can test and experiment with emerging technologies under less prescriptive regulatory conditions.[8] These environments in which businesses are encouraged to experiment without fear of sanction not only foster innovation but can also provide policymakers with valuable insights on emerging technologies to inform future policy design.

Case study | Competition policy in digital markets

The nature of digital markets

Rapid digitization has created new digital platform markets; facilitating new business models and transforming industries across advertising, e-commerce, delivery and more.[1]

Some of the distinctive features that drive competitive dynamics in digital markets include:

DISRUPTIVE INNOVATION
Rapid disruption of existing industries as digital products introduce new business models that reduce transaction costs.

STRONG NETWORK EFFECTS
Digital platforms are often multi-sided markets exhibiting network effects, where their value grows along with their ability to connect users.

ECONOMIES OF SCALE AND SCOPE
Digital markets typically feature high fixed cost and low variable cost, incentivizing scale and expansion to adjacent markets.

RELIANCE ON VAST AMOUNTS OF USER DATA
Digital products often have data-reliant business models which enable low or zero-price services.

Some of these features of digital markets can contribute to potential competitive concerns. For example, the cost structures of digital markets and network effects could explain the tendency for digital platforms to become large or vertically integrated in certain sectors.[2]

Additionally, the structures of some platforms may allow for them to engage in self-preferencing, whereby on-platform search results promote their own products.[3]

While digital platforms' significant user bases may raise questions about competitiveness at the surface level, importantly they are not inherently signals of anti-competitive conduct.[4] For example, behavior from large platforms can have pro-competitive effects such as introducing novel business models to a market, or leveraging technologies and data to increase the pace of innovation.[5] Further, behaviors like self-preferencing can also be pro-consumer when they align with users' preferences on engaging with platforms.[6]

Regulators have encountered some challenges in using existing competition policy tools to tackle the increased complexity and rapid disruption in digital markets.[7] However, there is no consensus on how best to address the novel dynamics of digital markets. A small number of jurisdictions have turned away from traditional effects-based analysis and introduced sweeping and structured regulation to regulate competition in digital markets, most notably the European Union's Digital Markets Act (DMA), which imposes obligations on designated digital platforms ("gatekeepers") such as ensuring interoperability, data portability and prohibiting behaviors such as self-preferencing. While multiple competition regulators have considered similar broad proposals, several outside Europe (such as Brazil[8] and Thailand[9]) have ultimately decided not to enact such proposals following consideration of local market needs. Further, jurisdictions such as the US have not adopted specific digital competition laws, deeming instead that existing effects-based approaches through antitrust enforcement were sufficient to maintain competitive digital markets.[10]

Current policy landscape in APAC

Policy responses in APAC reflect diverse approaches. Given the proliferation of digital markets, many APAC jurisdictions have considered the implications of digital markets on their existing competition regimes.

- Japan has introduced regulation with a similar structure but significantly narrower scope than broad regulations such as the DMA, focused on smartphone services (see box overleaf).
- Korea has proposed similar laws, however these have not been implemented yet due to concerns that they may undermine domestic platforms' competitiveness and innovation and strain international trade.[11]
- Malaysia is currently reviewing possible policy responses including a mixture of antitrust and additional regulations.[12]
- Meanwhile, the Philippines, Indonesia and Taiwan have ruled out new broad and structural regulations in favor of adapting existing antitrust frameworks to address the characteristics of digital platforms.[13]

The wide-ranging approaches across APAC demonstrates the challenges for competition policymakers to promote the contestability of digital markets while not stifling innovation or economic growth.

Challenges in implementing innovation-enabling competition policy for the digital economy

Competition policy in the digital economy should promote competitive markets while preserving firms' incentive to innovate. The fast-moving and complex nature of digital markets, along with the analytical and resource constraints of competition authorities, makes this challenging in practice.[14]

While the recent development of new broad and structured regulations for digital markets may simplify enforcement in comparison to traditional standards of proof, local context must be considered to assess potential impacts of this regulation on competition.[15] In markets with significant competition such as South Korea, such policies could distort the competitive landscape. Further, there are risks that activities with nuanced actual competitive effects (e.g., self-preferencing) are not fully considered under a lower standard of proof.[16] Imposing broad regulatory responsibilities on firms can also lead to high opportunity costs as businesses divert resources from innovation enabling R&D activities. In addition, the costs of these regulations can impact not only digital platforms, but also user sectors, particularly in service sectors such as accommodation and retail. Indeed, while the European Commission estimated compliance costs to total up to $2.3 million[(a)] (adjusted for inflation) per year for each digital platform impacted by the DMA,[17] lost revenue for European service sectors has been estimated at a significantly higher $130 billion,[(a)] or $1,300[(a)] in revenue losses per worker.[18] This is due to reduced efficiency in digital marketing, online sales, and customer acquisition. Thus, it is important for policymakers to weigh up such costs against the expected benefits of introducing such broad and structured regulation as an alternative to existing approaches that rely on high standards on proof.

Regulatory approaches that leverage existing antitrust laws have in many markets developed and adapted to apply to complex situations where conduct often has ambiguous competitive effects. These established approaches, reliant on a high standard of proof, are important for the analysis of digital markets.[19] This can be challenging in digital markets; for example, a recent case against NAVER Shopping in South Korea was overturned in the Supreme Court due to insufficient evidence of the actual or potential anticompetitive effects of self-preferencing, in contrast to an EU case against Google Shopping.[20] Competition authorities are wary of ignoring potentially anti-competitive conduct; however, not fully considering pro-competitive effects or evaluating anti-competitive effects can risk over-regulating. South Korea's experience underscores the need to consider local contexts in antitrust enforcement, and the lack of a one-size-fits-all approach.

Japan's Act on promotion of competition for specified smartphone software (Smartphone Act)

Japan's Smartphone Act was enacted in 2024 and has been in effect since December 2025, applying to large firms (Apple and Google) in smartphone operating systems, app stores, browsers and search engines. The Act imposes obligations such as interoperability and allowing alternative on-platform app stores or payment systems, while prohibiting acts such as anti-steering and self-preferencing.[21]

Although the design of the Act resembles the design of policies such as the DMA, its scope is considerably smaller, reflecting a more proportionate focus to specifically address enforcement gaps in particular digital markets rather than using wide-reaching legislation to replace antitrust frameworks.[22] The Act addresses the resource and time challenges to investigate issues within the complex smartphone ecosystem markets, with a transition from an effects standard in antitrust law to an ex-ante regime being seen as an appropriate compromise to ensure timely intervention and regulatory certainty within these digital markets.[23] Due to the narrow scope, compliance of the Act implicates few parties. Nuance and pragmatism is also evident in the consideration of exceptions on cybersecurity, privacy or related grounds.[24, 25]

Interoperability can be a crucial boost enabling the next generation of innovation to thrive. The JFTC has an opportunity to enforce the Smartphone Act as written and ensure a level playing field, which will empower Japanese and foreign companies to compete and ensure Japanese consumers have more choices and improved experiences.

However, critics have noted that the enforcement of the act has been slow. Requirements for dominant mobile operating systems to allow access to proprietary technology for potential third-party companies such as competitors risks stifling innovation instead of improving competition and consumer interests.[26]

The Smartphone Act reflects the hybrid approach taken by the JFTC to increase the efficiency and effectiveness of competition policy against the complexity of the digital economy.[27] Strong enforcement is needed, however, to ensure nuance and care is taken in the implementation of the Act.

(a) Values have been converted from Euros to USD and adjusted for inflation.

Opportunities | Competition policy

Rationale and expected impact

The digital economy is growing rapidly; in South-East Asia alone, the digital economy has grown 15% year-on-year since 2023.[1] Across APAC countries, the information and communications (ICT) sector contributes between 6% and 25% of national gross value added (GVA).[2] Beyond its direct contribution, the digital economy also underpins a wide range of businesses across sectors.[3] As a result, moving towards innovation-enabling competition policy for the digital economy not only facilitates the already dynamic pace of innovation in the digital economy, but also unlocks broader economic benefits for the wider economy.

Effective competition policy that protects consumer welfare while preserving incentives to innovate can boost efficiency and unlock significant productivity gains.[4] Improving the quality of competition policy can unlock total factor productivity gains of 0.3% – 0.4% in APAC focus markets. This translates to an average of 0.5% GDP growth across APAC focus markets by 2035.

Many APAC countries already have well-established competition frameworks. However, new market dynamics introduced by the digital economy create challenges in delivering timely, effective and accurate enforcement.[5]

Jurisdictions around the world have or are considering ways to address competition issues in the digital economy. Although there are challenges presented by the diversity of institutional capacity and market conditions across the region, competition authorities can draw on global experience while ensuring approaches are aligned to local contexts. A steady, evidence-based evolution of competition policy can help unlock the productivity and efficiency dividends of robust, innovation-enabling competition policy for the digital economy.

Moving towards innovation-enabling regulation

While competition policy in digital markets is a complex area, policymakers can ensure that competition authorities are best placed to support innovation through incremental changes that ensure a high quality of law, as outlined below.

Evidence-based restrictions on digital competition

A standard of proof, grounded in rigorous economic analysis, should form part of the competition authority's decision-making process.[6] This includes assessing competitive effects dynamically over time and considering the role of network effects in digital markets. Regulatory approaches should preserve the value of network effects and support growth and innovation, while mitigating anti-competitive risks.[7]

Disciplined competition regulations that minimise administrative costs

Narrow and proportionate interventions aimed at addressing clearly defined sources of potential harm in specific markets can allow competition authorities to prioritise limited resources to enforce areas of acute risk.[8] At the same time, it minimizes firms' compliance burden, which would otherwise divert resources away from research and innovation. This approach has been adopted through Japan's Smartphone Act, which specifically addresses enforcement challenges within the smartphone ecosystem (see page 40).

Competition policies internationally-aligned and aware of market needs

Given APAC's diverse regulatory environments, levels of competition and the strength of network effects in digital markets can vary significantly across jurisdictions. Local competitors can enhance market contestability, highlighting the need for policy design that is informed by international experience and cognisant of local market conditions and institutional contexts.[9] South Korea's NAVER Shopping case illustrates the risk of adapting overseas practices without adapting to the different competitive dynamics of local markets (see page 39).[10]

Appendix: Modelling methodology

Overview of modelling methodology

Summary of approach to modelling

Using an evidence-based approach, we apply researched impacts of effective innovation-enabling digital policy to each policy domain. These are either based on estimated impacts of direct changes in digital policy to either reducing trade costs, reducing compliance costs, or increasing technology adoption. Modelling occurs in four steps (as provided in Figure A.1 on the right):

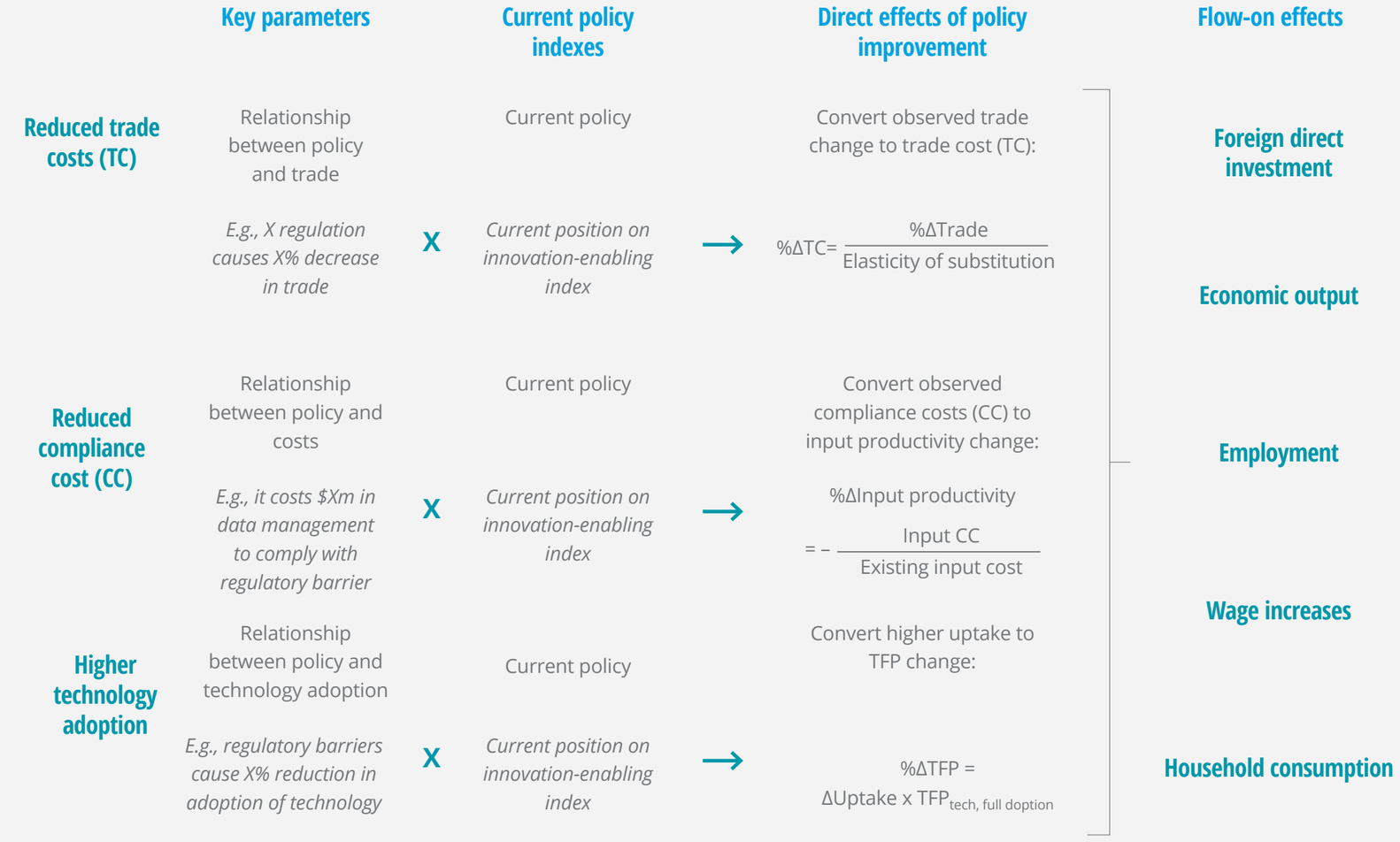
In stage 1, for each policy domain, key parameters are sourced from the literature for the influence of current policy settings to either trade, compliance costs, or the rate of technology adoption.

In stage 2, the current policy settings of each APAC focus market are evaluated to determine the gap between current policy and innovation-enabling policy. This is achieved through the construction of indexes, each based on secondary data sources that proxy progress towards innovation-enabling digital policy in each policy domain.

In stage 3, we model the direct effects of changes towards innovation-enabling digital policy, combining information on current policy settings and key parameters. Each modelled policy change will drive a different set of direct effects and will have heterogenous impacts across each country based on their current distance from innovation-enabling digital policy.

In stage 4, calculated direct effects are passed through a Computable General Equilibrium (CGE) model to simulate the flow-on effects of digital policy improvement on key economic outcomes such as gross domestic product (GDP) and employment. For this exercise, we use Deloitte Access Economics' Regional General Equilibrium Model (DAE-RGEM).

Figure A.1: General modelling methodology



Modelling stages 1 through 3: Application of the modelling framework to each policy domain

Table A.1 below provides a summary of how the general modelling framework is applied to each policy domain. Modelling for each policy domain is detailed further in the following pages.

Table A.1: Modelling framework for each policy domain

Policy domains	Summary	Step 1: Key parameters	Step 2: Current policy indexes	Step 3: Direct effects of policy improvement
 Data & privacy	We model the reduction in trade costs and data management productivity improvements unlocked through enabling smoother cross-border transfer of data while maintaining trust.	We leverage OECD modelling that finds the relationship between data flow policies within the Digital Services Trade Restrictiveness Index (DSTRI) and trade costs, in addition to an estimated 16% change in data management costs to comply with local data storage policy.[1]	The current state of each country is found through current OECD data on the DSTRI by-country for data flow policies.[2]	Trade cost changes use the OECD modelled relationship between DSTRI changes and trade costs, while data management costs are converted into an equivalent input productivity shock for use of Information Media and Telecommunications (IMT) sector inputs through considering data management share of costs.
 Cross-border & digital trade	We model the reduction in digital trade costs enabled by the removal of current cross-border market access and payment system access barriers.	As per data & privacy, we leverage OECD modelling that finds the relationship between data flow policies within the Digital Services Trade Restrictiveness Index (DSTRI) and trade costs.	As per data and privacy, the current state of each country is found through OECD data on the DSTRI for market and payment system access policies.	As per data and privacy, trade cost changes are calculated through use of the OECD modelled relationship between DSTRI changes and trade costs. For this policy domain, only digitally delivered services are impacted, measured using IMF estimates.[3]
 Platform governance & moderation / e-commerce	We use survey data to estimate the current extent of the gap in digital platform adoption by business explainable by regulatory barriers and the productivity benefits of closing this gap.	We use the relationship between digital platform use and total factor productivity (TFP) modelled by the OECD to find an average productivity effect associated with the use of digital platforms.[4]	We measure the relative importance of local regulation barriers to digital platform use as a proportion of all barriers through use of a previous Deloitte survey of APAC countries.[5]	Considering local regulation's share as a proportion of the gap between current and full use of digital platforms, we find that a reduction in regulatory barriers by half from the current average* can increase digital platform use by 2.2%, converted to TFP gain through use of the OECD modelled relationship (see 'key parameters' column).
 Competition policy	We model the productivity benefits of improvement in the quality of competition law for the digital economy through consideration of standard of proof for potential abuses of power and efficiency clauses for mergers.	We apply an elasticity found by Buccirossi et al. between an index of the institutional features of competition policy and total factor productivity (TFP).6 We focus on the change caused by one index feature – the quality of law – which is improved through innovation-enabling policy.	We recreate the index used by Buccirossi et al.[7] through a bottom-up application for competition policy within the 'digital economy' of our focus APAC countries.	The 0.07 elasticity between Buccirossi et al.'s institutional competition policy index and TFP is applied to determine a TFP impact from moving to innovation-enabling digital policy. This TFP impact is applied for the share of the economy determined to be the 'digital economy', as per measurement done by Google, Temasek, and Bain.[8]
 AI governance	We model the productivity benefits unlocked by improvement in regulatory frameworks which enable countries to better adopt AI.	We use the AI TFP multiplier defined by the IMF as a function of 'AI preparedness' and 'AI exposure' to calculate both base TFP growth and that which is unlocked via 'regulation and ethics' improvements that impact a country's 'AI preparedness' index.[9]	The current state of each country is its current 'regulation and ethics' sub-index within the 'AI preparedness' index. Movement to innovation-enabling policy is proxied by the maximum of this sub-index.[10]	For any country, the TFP shock caused by AI is defined as a function of the OECD's estimate for G7 countries[11] and a ratio or AI preparedness and AI exposure for each focus country, calculated both before and after innovation-enabling policy improvement.

Source: Deloitte Access Economics (2026).

Modelling stages 1 through 3: Detailed

Data & privacy

The mwethodology employed to model innovation-enabling data and privacy policy is based on OECD modelling on the economic implications of data regulation1. This modelling estimates the economic impact of moving towards the Data Free Flow with Trust (DFFT) Framework, including open safeguards policies for data flows and the minimisation of local data storage barriers.

1. Mapping focus countries to the Digital Services Trade Restrictiveness Index (DSTRI).

To replicate the OECD methodology, we begin by mapping the focus countries to the Digital Services Trade Restrictiveness index (DSTRI), developed by the OECD. The DSTRI is an index that measures the restrictiveness of digital trade based on components of the DFFT Framework, such as requirements for local data storage and restrictions on cross-border data flows. For each country, we assess the current regulatory landscape, the changes that are required to fully implement the DFFT, and the associated change in the DSTRI. The different policy settings include:

- Whether data transfer is possible when private sector safeguards are met (-0.04 if not), whether certain transfers require case-by-case approval by authorities (-0.04), or outright data flow bans (-0.04) exist. Indonesia and India have more case-by-case systems that do not allow for data transfer under safeguards, while Indonesia also has case-by-case approval policy.
- Whether a country allows the transfer of data even to countries with similar privacy protection laws (-0.04 if it does not). This is not the case in any of the focus countries.
- Whether a country requires local storage of certain types of data (-0.04). All focus countries except Malaysia have conditions of this nature in place.

The weightings allocated to each of the above policy settings are determined within the OECD DSTRI.[2] Table A.2 shows the mapping of each focus country to the DSTRI, with the resulting weights suggesting more room for regulatory improvement in Indonesia, and less in Malaysia.

2. Calculating direct effects from DSTRI changes

The second step in our approach is to calculate the direct effects of policy change from the relationship between DSTRI and certain key indicators. Specifically, 2 indicators were singled out for analysis from the OECD literature – trade costs for data flow policy changes, and data management costs for data storage policy changes.

Trade costs

One of the primary benefits of open regulation around data and privacy requirements is a reduction in trade costs for businesses that store, transfer and use data in their operations. Using an OECD econometric estimation of the relationship between the DSTRI and export costs, as represented by ad-valorem equivalents (AVE)[3] of non-tariff measures, we calculate the economic impact on trade of movement to the DFFT framework for data flow policy. The AVEs we calculate are then adjusted in each industry by the share of revenue dependent on digital platforms. These are shown in chart A.1.

How to interpret ad-valorem equivalents (AVEs) of non-tariff regulation

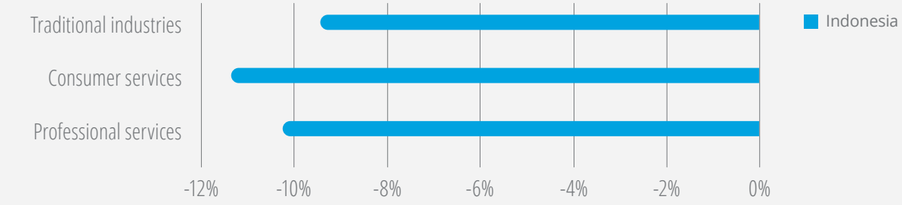
An AVE is a measure used to quantify the impact of non-tariff policies or regulations that affect trade in goods or services. It expresses value as a percentage tariff equivalent. For example, if a given non-tariff regulation has an AVE of 10%, it means that its effect on the economy is equivalent to a 10% tariff imposed on the relevant industry.

Table A.2: Change in DSTRI from adoption of DFFT framework, by focus country

	Indonesia	Malaysia	South Korea
Data flow policy	-0.08	0	0
Data storage policy	-0.04	0	-0.04

Source: Deloitte Access Economics (2026) and OECD (2025).

Chart A.1: AVEs of changes in trade (export) costs from implementing DFFT framework



Source: Deloitte Access Economics (2026).

Data management costs

The second key indicator used to model direct effects is data management costs. Consistent with trade costs, the OECD approach is used to assume an economy-wide 14% reduction in data management costs for the countries that have local data storage requirements.[1] This includes Indonesia and South Korea. While Malaysia is not assessed by the OECD as having restrictive local storage requirements, we assume that the country could still benefit from implementing innovation-enabling reforms that favour openness and collaboration between industry and government. For example, statutes like the Personal Data Protection Act 2025 and associated regulations can impose a significant administrative, procedural and financial burden on businesses.[2] As a result, to reflect the potential for improvement in our modelling, we conservatively assume that any productivity gains would be halved compared to the other focus countries.

Cross-Border & Digital Trade

For this policy domain, the same OECD-based approach was followed as for data & privacy.

1. Mapping focus countries to the DSTRI

It was assessed that the following 12 DSTRI components relate to innovation-enabling cross-border and digital trade (either through reflecting market or payment system access barriers):

- Whether discriminatory licensing conditions for e-commerce exist
- Whether online tax registration and declaration is available to non-resident foreign providers
- Whether national contract rule for cross-border transaction deviate from international standardised rules
- Whether laws or regulations provide electronic signature with the equivalent legal validity with hand-written signature
- Whether dispute settlement mechanism exist to resolve disputes arising from cross-border digital trade
- Whether discriminatory access to payment settlement methods prevails
- Whether foreign firms are discriminated against on trademark protection
- Whether there is discriminatory treatment of foreigners for the protection of copyrights and related rights
- Whether performance requirements affect cross-border digital trade
- Whether commercial presence is required in order to provide cross-border services
- Whether local presence is required in order to provide cross-border services
- Other restrictions on digitally enabled services
- Mapping these components, and adopting the weightings given by the OECD, yields the values shown in table A.3.

Table A.3: Change in DSTRI from adoption of DFFT framework, by focus country

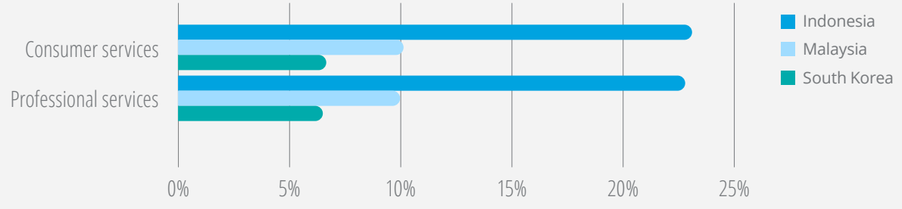
Indonesia	Malaysia	South Korea
-0.17	-0.09	-0.08

Source: Deloitte Access Economics (2026) and OECD (2025).

1. Calculating direct effects from DSTRI changes

For this policy domain, the estimation approach used to calculate trade cost changes for the data & privacy policy domain was used. The key difference is the industry breakdown. In this case, it is assumed that only services sectors are affected by policy changes, and thus the AVEs in each industry are adjusted by the share of digitally-delivered exports, as defined by the IMF.[3]

Chart A.2: AVEs of changes in trade (export) costs from implementing policy changes



Source: Deloitte Access Economics (2026).

Platform governance & moderation and e-commerce

The impacts of innovation-enabling digital policy for both platform governance & moderation and e-commerce are estimated using a common key variable reflecting the level of regulatory barriers in a focus market to digital platform use. Ultimately, policy under both domains can have unintended consequences on the use of digital platforms; Platform governance policy can restrict the ability of digital platforms to operate, while e-commerce policy can restrict the ability of downstream businesses to use digital platforms (e.g., for communication, marketing, and facilitating sales).

It is recognized that these policies deliver important benefits, such as consumer protection, and as such, the analysis does not consider the removal or reduction to any associated compliance costs. Instead, it considers a reduction to observed barriers to platform adoption, which focuses instead on how policies can be designed to avoid impeding digital platform use.

Productivity effect

1. Estimating digital platform use

The analysis draws on business survey evidence from a previous Meta-commissioned report, AI for Business: APAC trends in AI platform adoption.[1]

For the two focus countries covered in the AI for Business survey, Indonesia and Malaysia, we use country-level data on digital platform use by businesses. The current level of digital platform use is calculated as a product of the share of businesses that use digital platforms and the share of employees that use digital platforms within those businesses (a proxy for intensity of use). For South Korea, adoption levels are estimated through benchmarking APAC e-commerce penetration rates against the intensity of digital platform use in surveyed countries.[2] A linear regression is used to model this relationship, which is then applied to estimate adoption in these two markets.

From this process, an adoption gap is then defined as the difference between current adoption and full adoption (100%).

Table A.4: Estimated current adoption of digital platforms by businesses

Indonesia	Malaysia	South Korea
58%	49%	52%

Source: Deloitte Access Economics (2026).

2. Calculating the impact of regulatory barriers on use

We use a similar method to estimate the role of regulation in limiting digital platform use. For Indonesia and Malaysia, survey data from AI for Business is used to determine the share of total barriers to adoption attributable to local regulations and policies. Regulation as a barrier for South Korea is calculated through benchmarking APAC E-Participation Index rates against the regulatory share of total barriers observed in surveyed countries.[3]

Table A.5: Regulatory barriers as a share of all barriers to digital platform adoption

Indonesia	Malaysia	South Korea
10.5%	11.2%	8.1%

Source: Deloitte Access Economics (2026).

Conservatively it is assumed that innovation-enabling policy can only reduce the regulatory barriers to digital platform adoption by 50%.

3. Estimating the productivity impact of increased use

To estimate the productivity impact of innovation-enabling digital regulation (see Table A.6), we translate the change in platform use to a total factor productivity (TFP) impact using regression coefficients from an OECD study on the influence of platform use on productivity.[4]

Table A.6: TFP impact (pp) from reducing barriers to digital platform adoption by 50%

Malaysia	Indonesia	South Korea
0.2	0.1	0.1

Source: Deloitte Access Economics (2026) and OECD (2021).

While there are expected to be compliance costs related to current policy in this area, and these have been estimated for significant platform moderation regulation such as the as costing $750 million per year,5 it is understood that compliance costs reflect a trade-off between ensuring social outcomes are met and costs for business and so this trade-off has not been quantified.

Competition policy

The methodology used to quantify the productivity impacts of competition policy is based on two papers from Buccirossi et al.1,2, which estimated an econometric relationship between the quality of competition policy and total factor productivity (TFP).

Mapping focus countries to a competition institution index

We replicate Buccirossi's construction of a competition policy 'institution index' for each focus country, capturing an assessed 'quality of law' for antitrust infringements on abuse of dominance and other agreements, and merger controls. This is tailored to the digital economy through focusing on competition policy targeted at digital platforms and services.

For mergers, two criterion (both equally weighted) are considered:

- Whether there is an obligation to notify a competition authority and if the obligation is a threshold such as market share or turnover.
- Whether an efficiency defence is considered in merger applications, recognising the role of digital platforms and services in promoting efficiency across markets.

For abuse of dominance and other agreements, one criterion is considered:

- Whether there is a high standard of proof (a rule of reason standard) that focuses on the dynamic effects of competition and purely considers economic impacts.

Table A.7: Modelled Competition Policy Index for Digital Markets

Malaysia	Indonesia	South Korea
0.75	0.625	0.625

Source: Deloitte Access Economics modelling based on Buccirossi et al. (2013)

2. Calculating impacts to TFP growth

The paper's linear regression model estimated an elasticity of 0.0705 between the Institutional Competition Policy Index and TFP growth. That is, every 1% increase in the index is associated with an additional 0.0705% in total factor productivity growth.

Given only the quality of law aspects of competition policy are considered in the modelled Competition Policy Index for Digital Markets, we assume other aspects of competition policy institutions (e.g. enforcement capacity, independence of competition authorities) remains unchanged. Thus, in applying the TFP shock, the average index scores are taken from the paper for all other factors of competition policy. Thus, for each focus country, we model the percentage increase in the index caused by moving from the current state to a scenario where each country would score fully for quality of law, and apply the elasticity given in the paper to this index change. This yields the TFP impact below:

Table A.8: TFP impact on the digital economy (pp) from innovation-enabling competition policy

Malaysia	Indonesia	South Korea
0.24	0.36	0.36

Source: Deloitte Access Economics. (2025) and Buccirossi et al (2013).

The TFP growth impact is applied to the digital economy only, given the index has been constructed to model only competition policy settings within the digital economy.

AI governance

We model productivity improvements arising from increased AI use enabled by effective self-regulatory governance arrangements that balance trust and usability. The methodology from the IMF paper The Global Impact of AI is applied to derive country-specific TFP growth inputs, both under current and innovation-enabling digital policy (assumed to change a country's 'AI Preparedness').3 The paper uses the following equation to simulate the TFP growth expected from generative AI adoption across economic sectors, where b denotes a benchmark country, t time, and i the country of interest.

Figure A.2: Relationship between TFP growth and observed factors

$$\text{TFP shock}_{i,t} = \frac{AI\ preparedness_i \times AI\ exposure_i}{AI\ preparedness_b \times AI\ exposure_b} \times \text{AI Access}_i = \times \text{TFP shock}_{b,t} \quad (1)$$

Source: IMF (2025).

1. Calculating gap in AI preparedness

The impacts of innovation-enabling digital policy are simulated through changes to the IMF's AI Preparedness Index.[1] Within this index, the sub-index 'Regulation and Ethics' captures AI legal, regulatory and governance readiness for each focus country. To reflect changes to innovation-enabling digital policy, we conservatively simulate a closing of 50% of the gap between a country's current and full score for 'Regulation and Ethics'. This causes the following changes to the AI Preparedness Index:

Table A.9: Modelled change in the AI Preparedness Index from innovation-enabling AI policy

Malaysia	Indonesia	South Korea
0.04	0.05	0.03

Source: Deloitte Access Economics. (2025) and IMF (2025).

2. Calculating TFP growth increase

For each focus country, we apply the equation defined in Figure A.2 to determine a TFP growth impact. This relies on the application of benchmark sector-level TFP shocks for G7 countries sourced from OECD modelling.[2]

To calculate the baseline TFP growth attributed to AI for each focus country, region and sector-specific AI exposure indices are used from the appendix of the IMF study to determine AI exposure relative to the G7 for each country,[3] while the aforementioned AI Preparedness Index is used find the ratio of AI preparedness between focus countries and the G7 benchmark. Consistent with the IMF approach, we assume AI Access equals one for all countries.

To calculate the TFP growth attributed to AI under innovation-enabling digital policy, an uplift in AI Preparedness Index for each focus country is considered in line with those provided in Table A.9. This produces a higher ratio of AI preparedness for these countries in comparison to the G7 benchmark, and thus higher calculated TFP growth attributed to AI. These results are provided in Table A.10, with professional services industries receiving a higher TFP impact commensurate with greater AI exposure. Importantly, rather than a one-off shock, the TFP growth shock attributed to AI is a yearly impact (e.g., a difference of 0.031 reflects 0.031pp higher TFP growth per year). This is in contrast to the impacts quantified for platform governance and moderation and e-commerce and for competition policy, which are one-off changes to TFP.

Table A.10: TFP growth impact (pp) from innovation-enabling AI policy

	Malaysia	Indonesia	South Korea
Professional services	0.031	0.035	0.031
Other industries	0.016	0.018	0.016

Source: Deloitte Access Economics (2026).

Modelling stage 4: Computable General Equilibrium Framework

In stage 4, impacts of digital policy improvement on economy productivity and trade costs are inputted into the Deloitte Access Economics Regional General Equilibrium Model (DAE-RGEM) to derive economy-wide effects.

Computable General Equilibrium (CGE) Modelling

CGE modelling is the leading analytical approach for assessing the impacts of major projects and policy changes on the economy. It is the preferred framework of most central government agencies, and it is the only framework capable of reliably capturing the full suite of impacts that flow from major changes in the economy.

These changes may be external shocks, like a slowdown in global demand for a given commodity or service; they may be policy changes, like the introduction of a carbon tax; or they may be a new project or investment, like a road or sporting stadium.

It is a framework that supports bespoke scenario analysis in a single, robust, integrated economic environment, enabling an assessment of the net impact on key macroeconomic indicators such as GDP and employment, and key sectoral measures like industry output. CGE modelling is the preferred framework for gauging the impacts of large, multi-year projects throughout the economy, and is widely recognised by all levels of government in Australia.

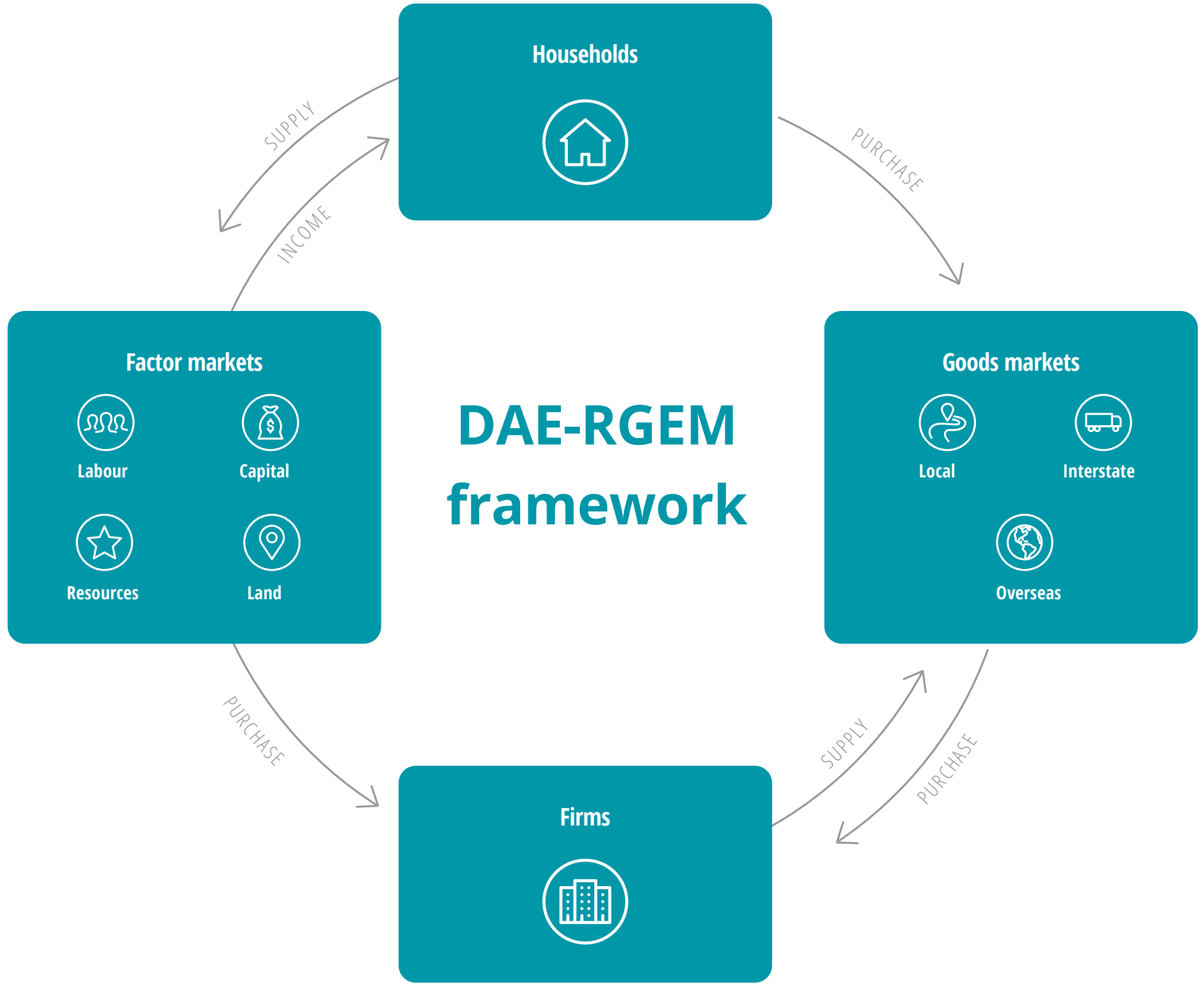
Deloitte Access Economics – Regional General Equilibrium Model (DAE-RGEM)

Our in-house CGE model, DAE-RGEM, is unrivalled in both its capability and in the breadth of its applicability to policies, projects and wider scenario analysis. DAE-RGEM is one of the only models in the world that can model the impact of a scenario on individual Australian regions (such as individual cities or local government areas), linked to each other, and to other individual countries in the global trading system.

DAE-RGEM encompasses all economic activity – including production, consumption, employment, taxes and trade – and can run scenarios through time involving multiple regions, industries and commodities. It is a model that can be customised for specific purposes, whether that be an unorthodox industry definition, a unique regional perspective or multi-faceted policy or project evaluation.

Figure A.3 Gives a stylised representation of DAE-RGEM, specifically a system of interconnected markets with appropriate specifications of demand, supply and the market clearing conditions determine the equilibrium prices and quantity produced, consumed and traded.

Figure A.3: Stylised representation of economic impact modelling using a CGE framework



DAE-RGEM is based on a substantial body of accepted microeconomic theory.

Key features of the model are:

- The model contains a 'regional household' that receives all income from factor ownerships (labour, capital, land and natural resources), tax revenues and net income from foreign asset holdings. In other words, the regional household receives the gross national income as its income.
- The regional household allocates its income across private consumption, government consumption and savings so as to maximise a Cobb-Douglas utility function. This optimisation process determines national savings, private and government consumption expenditure levels.
- Given the budget levels, household demand for source-generic composite goods are determined by minimising a constant differences of elasticities expenditure function. For most regions, households can source consumption goods only from domestic and foreign sources. In the Australian regions, however, households can also source goods from interstate. In all cases, the choice of sources of each commodity is determined by minimising the cost using a constant ratios of elasticities substitution, homothetic) utility function defined over the sources of the commodity (using Armington assumption).
- Government demand for source-generic composite goods, and goods from different sources (domestic, imported and interstate), is determined by maximising utility via Cobb-Douglas utility functions in two stages.
- All savings generated in each region are used to purchase bonds from the global market whose price movements reflect movements in the price of creating capital across all regions.
- Financial investments across the world follow higher rates of return with some allowance for country specific risk differences, captured by the differences in rates of return in the base year data. A conceptual global financial market (or a global bank) facilitates the sale of the bond and finance investments in all countries/regions. The global saving-investment market is cleared by a flexible interest rate.
- Once aggregate investment level is determined in each region, the demand for the capital good is met by a dedicated regional capital goods sector that constructs capital goods by combining intermediate inputs in fixed proportions, and minimises costs by choosing between domestic, imported and interstate sources for these intermediate inputs subject to a CRESH aggregation function.
- Producers supply goods by combining aggregate intermediate inputs and primary factors in fixed proportions (the Leontief assumption). Source-generic composite intermediate inputs are also combined in fixed proportions (or with a very small elasticity of substitution under a constant elasticity of substitution function), whereas individual primary factors are chosen to minimise the total primary factor input costs subject to a CES (production) aggregating function.

The model rests on the following assumptions:

- All markets are competitive, and all agents are price takers
- All markets clear, regardless of the size of the shock, within the year.
- It takes one year to build the capital stock from investment and investors take future prices to be the same as present ones as they cannot see the future perfectly
- Supply of land and skills are exogenous. In the business-as-usual case, supply of natural resource adjusts to keep its price unchanged; productivity of land adjusts to keep the land rental constant at the base year level.
- All factors move slowly across sectors.
- Land moves within agricultural sectors; natural resources are specific to the resource using sector.
- Labour and capital move imperfectly across sectors in response to the differences in factor returns.
- Inter-sectoral factor movement is controlled by overall return maximizing behaviour subject to a Constant-Elasticity-of-Transformation (CET) function.
- By raising the size of the elasticity of transformation to a large number we can mimic the perfect mobility of a factor across sectors, and by setting the number close to zero we can make the factor sector specific. This formulation allows the model to acknowledge the sector specificity of part of the capital stock used by each sector and also the sector specific skills acquired by labour while remaining in the industry for a long time.
- Any movement of such labour to another sector will mean a reduction in the efficiency of labour as a part of the skills embodied will not be used in the new industry of employment.

Regional structure

DAE-RGEM is a global model and can be tailored to specific regional aggregations based on the GTAP database.[1] In this analysis, the regions were aggregated as follows.

1. South Korea
2. Malaysia
3. Indonesia
4. India
5. Rest of APAC
6. Rest of world

Industry structure

The industry structure can also be aggregated from the GTAP database's 76 industries. For this project, the industries were aggregated as in table A.8.

Timing of model inputs

Inputs are introduced into the CGE model in a gradual way, as suggested by the literature[2,3,4,5] on the timing of adjustment in economies following policy changes. The prevailing view is that the economic impact of policy shocks flow through the economy following an S-shape, whereby there is a slow-lead time, followed by rapid behaviour change in the medium-term, that slows down significantly in the long-term. In other words, the bulk of the economic impact is likely to occur between 3-5 years from policy change (assumed to occur in 2026), while final direct impacts occur until 10 years following the policy change.

Table A.11: CGE model industry structure and definitions

Industry	Definition
Agriculture	Crop and livestock agriculture as well as forestry and fishing
Mining	Extraction of minerals, metals, oil and gas
Manufacturing	Manufacturing of goods, including industrial goods like machinery and equipment, and consumer goods like food and clothing
Utilities	Electricity distribution and transmission and gas and water services
Electricity generation	Renewable and non-renewable electricity generation
Trade	Retail and wholesale trade
Information, Media and Technology	Communication services like social media and telecommunications, media such as television, and technology including software development
Construction	Residential, commercial and industrial construction
Financial services	Banking, insurance and investment services
Business services	Professional, technical and administrative services
Recreational and art services	Consumer services like restaurants, entertainment and sport
Public administration and safety	Activities usually conducted by government such as defence
Education and health	Education services, from elementary to tertiary schooling, as well as health services.
Real estate and rental services	Real estate activities as well as housing and other rental services

Source: Deloitte Access Economics (2026).

Endnotes

Executive Summary

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