



EPAA SUBMISSION TO

AUSTRALIAN GOVERNMENT'S DEVELOPMENT OF A SOUTH EAST ASIAN ECONOMIC STRATEGY TO 2040

Country of Origin:

Australia

Department:

Department of Foreign Affairs and Trade

Title:

South East Asian Economic Strategy to 2040

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**Director, Southeast Asia Economic
Strategy to 2040 Secretariat Office of
Southeast Asia Department of Foreign
Affairs and Trade**

Submission by email to: SoutheastAsiaEconomicStrategy@dfat.gov.au

Dear Director,

On behalf of Emerging Payments Asia (EPA Asia), we would like to thank you for the opportunity to provide comment on the Australian Government's development of a Southeast Asia Economic Strategy to 2040.

EPA Asia's goal is to unify the payments agenda in the region, drive business development and improve the regulatory landscape for all organisations within the payments value chain. We are a community of payments professionals whose goals are to strengthen and expand the payments industry to benefit all stakeholders.

Payments have a significant economic contribution in Southeast Asia, as they are a critical part of the financial infrastructure that enables trade and commerce. Ensuring payments policy is consistent, interoperable and fit-for-purpose across Southeast Asia is fundamental to achieving greater economic activity by geography or sector.

Payment systems are evolving rapidly, with an increasing number of people using digital and cross-border and real-time forms of payment. Growth in smartphone penetration is among the fastest in the world, enabling Australia to trade with previously untapped markets through a mobile device.

Two policy areas EPA Asia increasingly engages on in the region are cross-border payments and flows of data. Localisation requirements on flows of data pose a material threat to trade opportunity by increasing business costs, deterring innovation and investment and reducing growth in digital economy activity.

Further, interoperability of payments infrastructure across for safe, efficient and reliable cross border payments is central to Australia's ability to catalyse economic opportunity.

Data localisation

Data localisation is a key trend impacting multiple sectors. Several countries in the region have implemented or are in the process of implementing laws and regulations requiring companies to store data within their borders.

Countries such as India, Indonesia, Vietnam, and Thailand have implemented or are developing data localisation laws or regulations. Draft legislation seen in countries across the region include ambiguous wording on certain provisions and more critically restrictions on the free flow of data across national borders.

Data localisation poses a material threat to trade opportunity by increasing business costs, deterring innovation and investment and reducing growth in digital economy activity. Australia can provide a credible voice to ensure policy settings don't adversely impact trade development.

Cross-border payments

Cross-border payment represents another key opportunity to facilitate more expedient and efficient trade flows between Australia and the region.

Interest in Southeast Asia is increasing rapidly, with many new players and technologies entering the market to enhance ability and lower cost of trade across borders.

Central banks of Singapore, Indonesia, Malaysia, Thailand, and the Philippines have signed an agreement to boost connectivity and facilitate speedier and "more transparent" cross-border payments. Singapore and Thailand have gone further by connecting their real-time payment systems PayNow and PromptPay to enable instant payments between the two nations.

The G20 identified several threats to cross-border payments, including a lack of standardisation and interoperability among payment systems, and high costs and long processing times for cross-border transactions. Additionally, the G20 has noted that many Southeast Asian countries have underdeveloped payment infrastructure and a lack of regulatory harmonization, which can make it difficult for businesses to operate across borders.

EPA Asia supports multilateral interlinkages and policy forums between nations that seek to deliver coordinated, transparent, and fit-for-purpose policy settings.

EPAA thanks you once again for the opportunity to provide comment on the Australian Government's development of a Southeast Asia Economic Strategy to 2040. We are more than happy to expand further on the items raised in this submission or to provide further education or information about data protection and security. If you do have such questions, please feel free to contact our EPA Ambassador, Dr Brad Pragnell at brad.pragnell@34south45north.com.

Yours sincerely,

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