ECONOMIST ENTERPRISE

ASEAN's industrial policy:
AI, chips and clean energy



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ASEAN's turn

The economies of the Association of Southeast Asian Nations (ASEAN) are rapidly evolving. In an effort to capture a larger share of higher-value manufacturing its 11 members are shifting their focus from traditional industries towards building AI infrastructure and clean-energy capacity.

Their move coincides with increasing demand for technology in the region. The Global AI Diffusion Report Q2, published by Microsoft in 2026, measures the share of people between ages of 15 and 64 who have used a generative AI product. The global average is 18.8%. But the report shows huge uptake in South-East Asia.[1] Singapore is second worldwide and leads the region at 64.3%; Vietnam is second at 27.9% and also recorded the region's largest gain.

90%

of surveyed senior executives report cyber-attacks threatening their organisations in the past 12 months

"ASEAN's development of AI, semiconductors, and clean energy is both competitive and complementary. At present, competition is evident in the race to attract foreign direct investment, technology, skilled talent, and higher-value manufacturing. But these industries are closely linked, which creates opportunities for countries to specialise in different parts of the value chain," says Frederick D. Go, the finance secretary of the Philippines, which is the current ASEAN chair and hosts the November Manila summit.

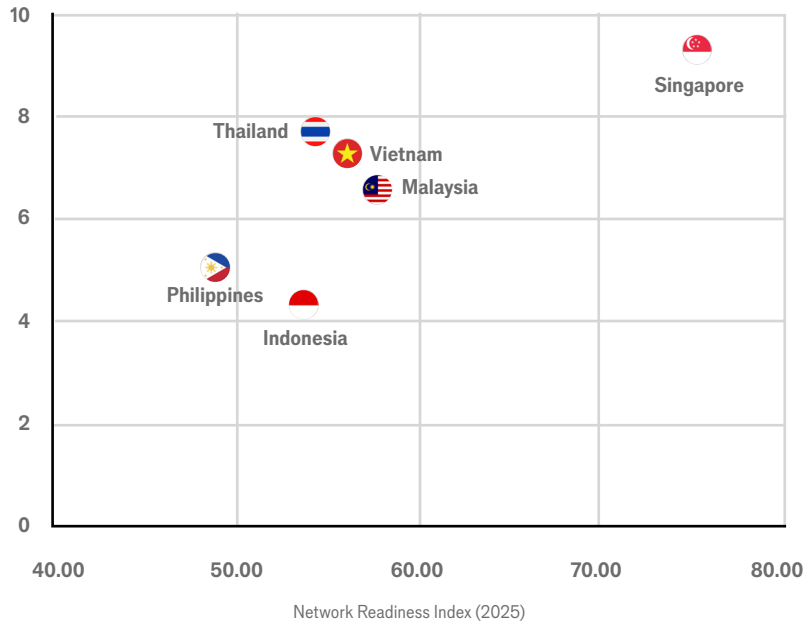
This expansion of AI makes the stability of digital systems, networks and energy supply on which it depends increasingly critical. A digital resilience survey by Economist Enterprise of 408 senior executives from organisations in Indonesia, the Philippines, Singapore and Thailand finds that 90% had been threatened by cyber-attacks in the past 12 months. Two thirds also report potentially disruptive failures of internal IT systems and 55% cite failures or outages of external communications networks.

Making the region less vulnerable to such disruption will take co-operation. ASEAN's shared agenda includes Community Vision 2045, a 20-year plan to turn the region into a single market and the world's fourth-largest economic bloc, bound together by better digital and physical connections. Aims include harmonising rules to create a single digital trade bloc and building a regional power grid to improve energy security and support AI infrastructure.



Varying levels of AI readiness

EIU Technological Readiness (2027f)



Source: EIU, Portulans Institute

1 https://www.microsoft.com/en-us/corporate-responsibility/topics/ai-economy-institute/reports/global-ai-diffusion-report/

Building the brains

The ability of AI to reap further benefits will depend on digital infrastructure, internet speeds and cyber-security preparedness keeping pace.

Using AI at scale requires chips, data centres and the networks that connect them. Across ASEAN, governments are drawing on different national strengths to attract this infrastructure.

AI-driven demand, hyperscale investment and cross-border digital connectivity are turning Malaysia, Singapore and Thailand into an increasingly integrated digital infrastructure corridor, highlighting the need for strong resilience measures at an enterprise level. The same Economist Enterprise survey finds that 88% of respondents say that their recent technology investments prioritised cyber-security safeguards, followed by business continuity (62%) and regulatory and compliance requirements (36%).

The Digital Resilience Barometer, a composite measure based on the survey, finds that while countries such as Indonesia and the Philippines are still building basic risk and technology controls, Singapore leads the region in enterprise-wide digital-resilience capability.

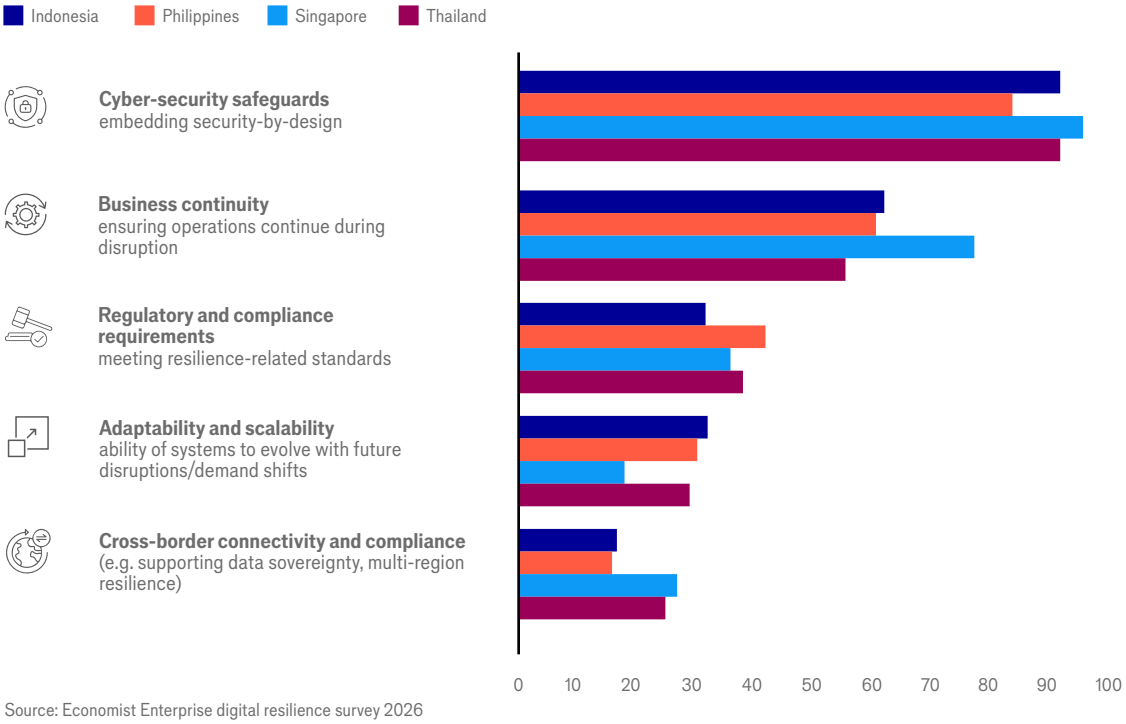
The city-state expects AI-related services and data infrastructure to provide its newest growth engine. Its comparative advantage will lie in high-value research and development, attracting regional headquarters and applied AI in advanced manufacturing, finance and healthcare. Kampong AI, a technology hub due for completion in 2028, will bring together AI startups, investors and technology firms to support AI development and commercialisation.

Indonesia's focus is on expanding digital infrastructure. The Zankore platform, a full-stack AI computing infrastructure initiative, is intended to provide processing capacity to train, deploy and operate AI services and workloads by bringing together domestic telecoms infrastructure, such as Indosat, with international capital and technology partners including Ooredoo Group, Nokia and NVIDIA.

In the Philippines, the integration of AI is bringing rapid change to the country's large business-process-outsourcing sector. So far, AI has helped to expand, rather than harm, the industry. But its ability to reap further benefits will depend on digital infrastructure, internet speeds and cyber-security preparedness keeping pace.

Digital resilience impacts investment

% of respondents who perceive the following as the greatest digital resilience considerations when making technology investment decisions



Source: Economist Enterprise digital resilience survey 2026

Moving up the chip stack

87%

of surveyed respondents identified cyber-attacks as the leading systemic risk

ASEAN's AI ambitions include efforts to capture more of the semiconductor value chain. The region has long assembled, tested and packaged chips; governments now want a larger share of design, advanced packaging and fabrication.

The Philippines is seeking to move beyond assembly, testing and packaging of analogue, automotive and mixed-signal chips. Pax Silica, an American-led strategic international framework designed to secure and build resilient supply chains for AI, advanced manufacturing, semiconductors and critical minerals among trusted allies, may hold the key. But involvement in the scheme will limit the Philippines' access to Chinese-led investment and trade. And the success of the Pax Silica flagship economic zone north of Manila will depend on infrastructure projects improving logistical connectivity to the area.

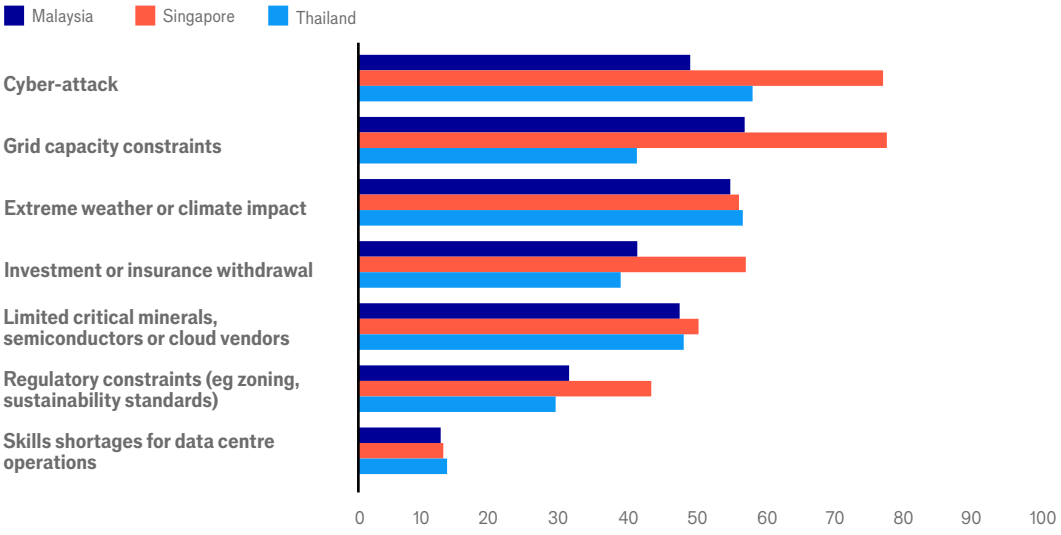
Vietnam's electronics sector will remain its main growth engine, with activity moving from lower-value assembly and packaging to chip design and fabrication. The National Semiconductor Strategy aims to have 50,000 engineers by 2030. And in February 2026 Viettel, Vietnam's largest telecommunications and technology corporation, began building the country's first fabrication plant. AI and data-centre capacity is also expanding, including a $200m AI factory backed by FPT and NVIDIA.

Malaysia's National Semiconductor Strategy will shift the economy gradually from lower-value assembly towards semiconductor design, advanced packaging, testing and equipment manufacturing. The EIU expects both Malaysia and Vietnam to attract more chipmaking investment from overseas partners than their peers.

However, cyber-security, power availability and climate resilience are emerging the defining operational challenges for enterprises. A survey by Economist Enterprise asked 248 data-centre stakeholders across the digital-infrastructure value chain in Malaysia, Singapore and Thailand what they saw as the leading systemic risk in the next five years. Cyber-attacks were identified by 87% of respondents, followed by grid-capacity constraints (82%), extreme weather or climate impact (76%) and limited access to critical minerals, semiconductors or cloud vendors (68%). These risks extend beyond individual facilities to the power, cooling, network and supply-chain systems on which advanced manufacturing and digital infrastructure depend.

Interconnected digital infrastructure risks

% of data-centre stakeholder respondents who perceive the following as the greatest systemic risks facing the sector



Source: Economist Enterprise data-centre resilience survey 2026

Powering the upgrade

The ASEAN Power Grid aims to improve regional energy security, integrate renewable energy and optimise power-infrastructure investment.

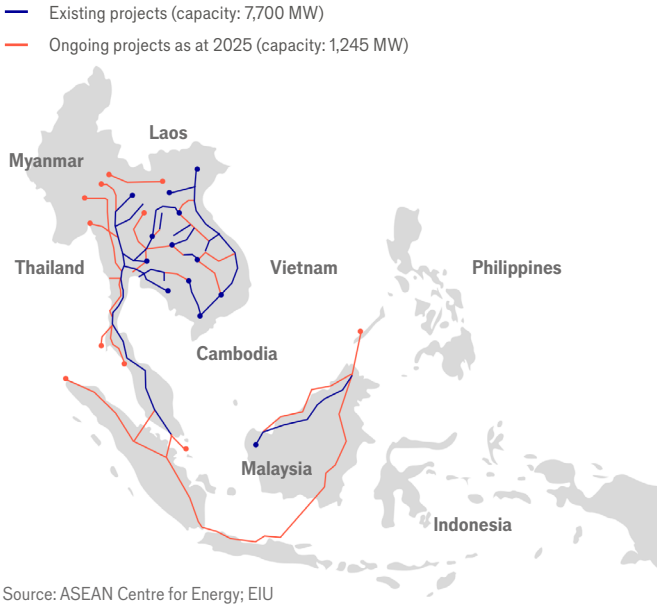
The expansion of AI infrastructure, data centres and higher-value manufacturing needs a significant upgrade of the supporting ecosystem. Most critical is the secure and sufficient supply of power, preferably of green energy. As ASEAN governments seek to expand renewable capacity, support new energy industries and meet the requirements of manufacturers and data-centre operators, energy policy is therefore becoming an increasingly important aspect of industrial policy. "Meeting rising power demand while advancing the energy transition will require continued improvements in grid capacity, reliability, and access to cleaner energy sources," says Mr Go.

Energy supply is the binding constraint on Vietnam's industrial ambitions. Grid bottlenecks and project financing are the principal risks to delivery and could cap data-centre expansion if renewable deployment slips. The country has therefore shifted policy towards securing power supply. Its latest power plan increases renewable targets, revives nuclear power and expands the availability of liquefied natural gas. While a direct power-purchase mechanism lets heavy users buy clean power directly.

Indonesia, meanwhile, has announced a target of producing 30GW of solar energy in 2026 and brought forward its goal of 100GW solar-and-battery-storage to 2029. Yet installed solar capacity was only about 1.5GW at the end of 2025 and tight global monetary conditions will constrain project financing.

The ASEAN Power Grid aims to improve regional energy security, integrate renewable energy and optimise power-infrastructure investment. This long-planned regional electricity network is now moving from bilateral electricity-trading arrangements towards an integrated, multilateral power-trading market. But geographic constraints and disparities continue to present obstacles.

Ongoing power connections will facilitate energy transmission throughout ASEAN



Source: ASEAN Centre for Energy; EIU

From co-operation to execution

ASEAN's Digital Economy Framework Agreement (DEFA), concluded in May 2026, is the first legally binding, region-wide digital-economy pact in the world. It is scheduled to be officially signed at the 49th ASEAN Summit in Manila and members expect it to double the bloc's digital economy to $2trn by 2030. "The opportunity is significant, but implementation will not be easy. We will have to work through ASEAN's diverse regulatory frameworks and varying levels of digital readiness," explains Mr Go. "By bringing our rules closer together, DEFA reduces fragmentation in the region's digital economy and makes it easier for businesses and consumers to transact across borders."

Nor will the manufacturing upgrade be painless. As new industries grow, older ones will decline. Governments will need to adapt resource planning, education and training, and welfare support for displaced workers. "By 2030, we expect both competition and complementarity to deepen. Competition will remain strong for higher-value activities, talent, and investment. But as products become more complex, no single country can make them alone, so ASEAN economies will rely more on each other's specialties," says Mr Go. "What matters for ASEAN is that our national strategies build distinct capabilities that connect into regional value chains, rather than duplicate one another. If we get this right, the gains will reach our people through better jobs and higher incomes." Plans and pacts are the easy part of co-operation. Whether ASEAN's turn will succeed depends on execution.

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