

- Technological evolution will render threat monitoring and response more complex, particularly given the rise of encryption, multi-cloud operations, proliferation of IoT, and convergence of OT and IT environments.

These four issues will aggravate the current, unprepared situation in the region. If the region fails to address these issues, the value-at-risk for ASEAN is significant: The region’s top listed companies could be exposed to a \$750 billion erosion in current market capitalization. In addition, cybersecurity concerns have the potential to derail the region’s digital innovation agenda, one of the core pillars for its success in the digital economy.

2.1 The cybersecurity challenge is likely to get more complex

2.1.1 Systemic risk will make the region only as strong as its weakest cyber link

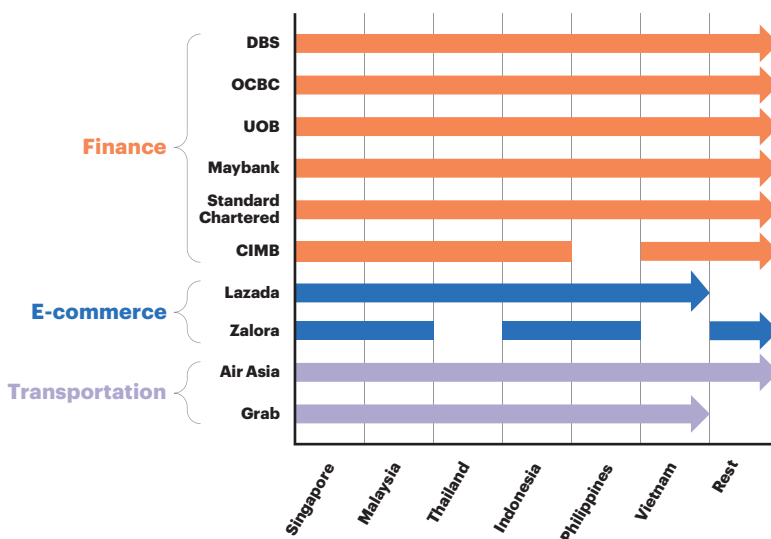
With growing intraregional trade and business linkages across ASEAN countries, the risk of contagion in the event of cyberattacks across the region is high. Figure 14 highlights the extensive footprint that banks, e-commerce companies, and transportation companies have across the region. For eight out of the 10 ASEAN countries, intra-regional trade accounts from more than 20 percent of total trade. Intra-ASEAN investment has also been steadily increasing over the years and in 2016 accounted for a quarter of the total foreign direct investment (FDI) flows of \$96 billion into the region.²⁰ Sectors with the highest proportion of intra-regional investment include manufacturing, financial services, and real estate.

Factors that have contributed to the rise in intraregional investment are the growing financial strength and significant cash holdings of ASEAN firms and their drive to internationalize for greater competitiveness and to access markets, natural resources, and strategic assets.

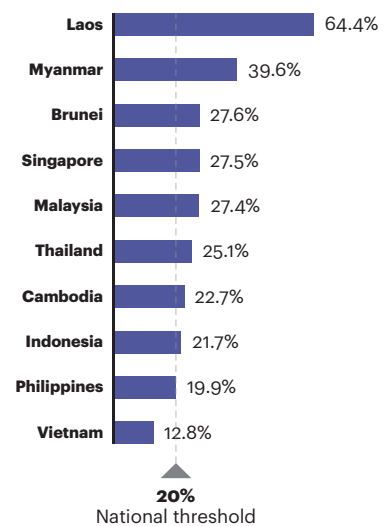
Figure 14

Regional footprint of ASEAN businesses and member states’ share of intraregional trade

Regional footprint of ASEAN businesses



Share of intraregional trade (% of total)



Source: A.T. Kearney analysis

²⁰ASEAN Secretariat, ASEAN FDI database