(f) **Extract 10 outlines the challenges that Southeast Asian countries face in pursuing a knowledge, technology and data-driven growth model. Discuss the extent to which Southeast Asian governments may be able to overcome these challenges through supply-side policies in ensuring that growth is more inclusive.**

The implementation of a digital economy in SEA is driven by the implementation of the supply-side where the focus is on a knowledge-based economy and the focus of this digital economy is achieve inclusive growth where there is sustainable growth with equal distribution of income, lower price level and low unemployment.

A digital economy provides more economic activities that leads to an increase in aggregate demand which raises the national income via the multiplier process. As there is an expansion of the availability of trade through the digital economy, the production capacity rises to raise potential growth, implying there is sustained growth to enable inclusive growth with the increased in production and resources. With the increase in production and production capacity, the output can be increased, and this leads to higher employment which enables income distribution to distribute economic benefits to achieve inclusive growth. Furthermore, the sustained economic growth helps to lower price as cost of production and cost of living is lowered which raises the purchasing power of the people especially the lower income group which will promote inclusive growth.

However, it is not an easy process as there are challenges that this digital expansion may face. First, there is the problem to ‘increase access to skills training for everyone within ASEAN’ to tap into the employment opportunities. Second, there is also the problem of lack in infrastructural development to ‘build infrastructure for digital connectivity’ which is imperative for the countries to attain sustained economic growth to grow production and expand availability of resources. Lastly, there is a need to clear unequal income distribution between the rural and urban areas.

Supply-side policies can be introduced to train the workers with manpower development policies by creating online programmes which can help workers to learn the skills to clear skill mismatch and displacement of workers due to adoption of machineries. This would require the supply-side policies to provide more equipment, facilities and trainers to achieve skill development for workers, enabling them to raise employment to reap the benefit of inclusive growth.

The second thing to be adopted would be to build more amenities and facilities to aid the smooth production, distribution and trade of the economic activities in the digital economy. To achieve this, the supply-side must be part of the infrastructural development in the fiscal expansion.

Lastly, the supply-side policies must embrace a progressive tax structure and subsidy programme to narrow down the inequality between the rural and urban areas as seen from Table 1 where most countries Gini Coefficient Ratio is high above 0.42. This can be achieved with subsidy to help the rural and lower income group to gain help to improve their lives and creates a larger consumer base to support the growth of the market demand. In doing so, the qualityof life is improved and the problems of unequal distribution of income is eradicated to promote inclusive growth.

However, the supply-side policies have its limitations in solving the challenges to promote inclusive growth. One such factor is the capacity to fund the policies as the areas for financing is wide and the group of lower income citizens is of large amount. This implies that the budget deficit may widen and this may cause rise in public debt. This can be seen from the rising budget deficit in the table which shows how Indonesia, Vietnam and The Philippines’ budget balance for selected ASEAN countries, 2015-2019 (% of GDP).

Lastly, the AI development in this digital expansion will create problems like structural unemployment and this can be quite difficult to achieve as the skill disparity may not be easy eradicate as education level is low for most of the workers in some of the ASEAN countries.

In sum, it can be observed that the supply-side policies are effective in solving the challenges that impede the digital economy from promoting inclusive growth through the digital plan. It is imperative that the government of ASEAN economies take into consideration of the