

Opening Remarks of Gilberto M. Llanto
Regional Inclusive Growth Project Launch
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PIDS Conference Hall

Good morning to all. Welcome to the PIDS! It is a privilege to have you all in today's launch of the Regional Inclusive Growth Project organized by the Consumer Unity and Trust Society [CUTS] International with collaborating research institutes in India, the Philippines and Viet Nam. In the Philippines, the PIDS is the collaborating research institute. The primary objective of the Project is to highlight the need to strengthen the digital economy in each of the programme countries, i.e. India, Vietnam and Philippines.

The Project seeks to address the following questions:

- 1) What are the general potential benefits and accompanying risks (costs) that the Internet and digital technologies could bring for consumers and citizens? This part will capture all prominent sectors, while focussing more on the 4 identified key sectors, i.e. Health, Education, Finance and Governance.
- 2) Will the existing framework (regulations/policies, initiatives, infrastructure, etc.) act as an enabler for digital transformation?
- 3) What are the stakeholder's experiences and perceptions of the benefits (and accompanying risks) brought about by the digital tools and platforms?
- 4) What are the bottlenecks and barriers which have been impeding people's use of the digital tools and platforms?
- 5) Are there any obstructions in the existing framework that deter businesses from going digital and opt for continuing with the conventional practices?
- 6) What are the necessary measures, interventions and actions required to promote digital participation and digital transformation throughout the country for more inclusive growth?(for Government, Producers and Consumers)

Today's symposium, "The Digital Economy: Potential Benefits, Challenges, and Implications for Regulation," signals the start of the research process in the Philippines. It is very timely considering that the digital economy, a radical transformation of the economy is rapidly upon us, consumers and producers alike. In 2013, the World Economic Forum forecasts that by 2016, the digital economy is likely to reach US\$ 4.2 trillion in the G20 economies, more than 5 % of GDP. I haven't checked the actual figures for 2016 but we can bet that the digital economy has reached a significant proportion of GDP in the developed economies, and soon, the

developing economies will not be an exception as economies become more integrated and closely linked. E-commerce for instance has shown rapid growth in both developed and developing economies. The DTP's E-commerce road map report indicates that in 2015, the projected sales through e-commerce in China stands at US 562 billion, rivalling that of the US at US 349 billion, and US 94 billion in the UK.

The digital economy is transforming the way we produce and consume in as much as we as consumers and producers, create that digital economy. Digitization, the internet of everything, big data, advanced analytics, disruptive technologies all interact in a variety of ways creating new waves of innovation, productivity, and growth in a manner that has not been seen before. It is unarguably changing the landscapes of job, product and service markets. Big names such as Apple, Google, Amazon, Alibaba, Facebook, Grab, and Uber are trailblazers in addressing consumer needs with many firms, big and small joining the bandwagon so to speak.

There are significant benefits of the digital economy to consumers and the society at large. An important point to consider, which we will discuss today, is the huge potential for inclusiveness of growth in a digital economy. An immediate example is the way financial technology firms are presently competing with traditional brick-and-mortar private lending institutions in providing financial products and services to those who have been financially excluded, especially those in the rural areas. Governments have used the digital infrastructure in improving the delivery of public services such as health services, education, among others, which make public services inclusive.

There are significant growth opportunities as well for businesses as indicated very well by the shift to online trade and services that enable a quick response to varying consumer preferences in terms of product or service availability, quality and lower prices. For instance, the retail sector has successfully used digital technologies to create effective database management systems, client-server platforms, enterprise planning software, computerized management tools for inventory, and product and services delivery. These all contribute to improve efficiency and their ability to cope with the growing demands of consumers. E-commerce illustrates these advancements. Amazon, for example, a well-known web-based retailer caters to a worldwide market at a fraction of the cost of inventory and shipping. In the Philippines, online shops such as Lazada and ride-hailing services have responded quite well to consumer demand by using disruptive technologies to connect more efficiently buyer and seller in the goods and services markets.

However, even as the digital economy looks like a new fountainhead of growth and development, it poses deep challenges, among which is how to structure and apply regulation in a digital world.

What is the regulatory environment of the future? Allow me to borrow some thoughts from *Bruce Weinelt, Director, Head of [Telecommunication Industries at the World Economic Forum](#)*. He says, and I quote: "In fast-moving industries, regulators struggle to keep up with market and technological developments. What should be the balance among innovation, affordability and access?"

Historically, relevant regulation has been spread across several agencies. This siloed approach may be outdated as lines blur across industries and as digital services increasingly ignore national borders. Regulatory approaches that only address challenges on an individual sector or national basis will likely be suboptimal”. The implication is that regulators would need to develop effective coordination mechanisms to deal with this new phenomenon that does not respect national boundaries or individual sectors. Along with the benefits of digitization are the challenges posed by cyber security, data and privacy breaches, cyber bullying, assignment of liability, and a host of other challenges. In time, regulators can develop a sense of what and how to regulate, but they have to consider as well the need to encourage innovations and experimentations that may create new pathways for inclusive services. It is also critical to educate consumers and build their capacity to navigate the digital world to increase their level of welfare.

Today’s symposium is a good and appropriate step in the right direction, the first step of so many steps to take, by focusing on the role of three key actors in the digital world: Government, Producers, and Consumers. Please allow me to congratulate CUTS International and PIDS for organizing this project launch and symposium, and all of you dear participants for taking time and braving the traffic of EDSA and Quezon Avenue to come here and partake of the delightful morsels of new ideas, new approaches, and for the uninitiated like me, a new understanding of the benefits and challenges offered by the digital economy.

Once again, thank you for coming and let us look forward to a fruitful activity today.