



**Asia-Pacific
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Defining the Digital Economy in Terms of How We Measure

Submitted by: TRPC



**Workshop on the Digital Economy:
Measurement, Regulation and Inclusion
Santiago, Chile
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Defining the Digital Economy In Terms of How We Measure It

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A Quick Roadmap

1. Measurement

2. Regulation

3. Inclusive

4. Recommendations

We're seeing – and will continue to see – disruption on a global scale across *all sectors*

Digital disruption occurs in various ways, from product or service substitution, by-pass, and technological paradigm shifts

Product or service substitution



By-pass



Peer-to-peer funds transfer or insurance services by-pass banks or online sales platforms



Technological paradigm shift



How do we begin to measure this?

We don't know what we can't measure... APEC economies need to think about how to set targets, how to measure the impact, and how to frame for and respond to unintended consequence



Domestic Accounts do not adequately capture digital economic activities



There is a lack of standard nomenclature



Current scope of *data* is limited considering how digital products are distributed and consumed



Cross-border data flows and the trade-in-data is all too often invisible *and* impactful

Need for measurements to be *consistent* and *comparable* across sectors and economies

Lack of interoperability across systems and policy harmonization across borders contribute to non-tariff barriers to trade, impede cross-border business activity, and drive up compliance costs



Improve **coverage and quality** of *govt and regional* statistics

Develop a **standard nomenclature** or **definitions** of concepts (e.g., digital economy)

Promote **dialogue** and **data sharing** between govt and private sector, and govt and intl organizations

Digital platforms are changing the nature of the economy ...

- Digital platforms **change the economics of doing business** across borders, bringing down the cost of international interactions and transactions
- They **create markets and user communities with global scale**, providing businesses with a huge base of potential customers and effective ways to reach them
- Small businesses become “micro-multinationals” *and* by using digital platforms such as eBay, Amazon, Facebook or Alibaba to connect with customers and suppliers in other economies ...
- ... *and* the ability of small businesses to reach new markets, this **supports economic growth everywhere**

But more than this, individuals participate in globalization directly, using digital platforms to learn, find work, showcase their talent, and build personal networks.

“ More than 1.3 billion people have international connections on social media, and more than 450 million take part in cross-border e-commerce. Data flows now account for a larger share of GDP growth than global trade in goods.”

... and we need to consider how *and whether* to regulate them...

First, how to understand the changing nature of markets and business models



On what basis – *and within which sector* – regulation is justified?

Do regulations enforce silos, **deter new entrants**, and restrict innovation?

Is regulation **practical and enforceable** given cross-sectoral and cross-jurisdictional application?

... what we consider to be anti-competitive in a digital and data driven world ...

Govts need to facilitate market entry, foster innovation, and protect and empower consumers in a complex and rapidly developing online environment



How should we understand (and adapt?) **consumer welfare**?



How to **assess when to intervene**, and how to cooperate/ coordinate regionally?



How to provide fair and reasonable recourse and **consumer protection** (incl. across borders)?

... and how to measure and ensure protected data for the digital economy

... especially management of data across sectors, and across economies



How to effectively promote enabling **data protection frameworks**?

How to we measure and promote best practice **data and cyber security**?

How to promote the flows of data and measure **data protections/ restrictions** impacts?

Digital platforms and technologies are increasing social development and opportunities ...

Services across sectors are delivered in more targeted ways, at minimal costs, and with increased agility and impact



E-government: increasing citizenship engagement, govt reach, delivery of services, flexibility and nimbleness



E-wallets and E-finance: boosting financial inclusion by bringing formal financial service to un- and under-served areas



E-health: extending healthcare services to un- and under-served, reducing waiting times, basis for transformation from institutional care to home care



E-education: enabling people, to access quality education, affordable life-long training and skills upgrading, transformation to personalised, accelerated learning

... driving implementation and adoption of e-Identity

increasing inclusion, effective governance, and secure access to services

APEC economies have implemented or have plans to introduce **e-gov services and e-IDs**:

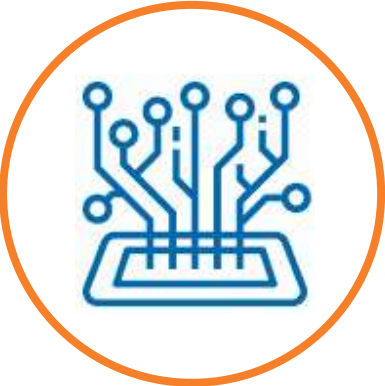
- **Malaysia's** MyKad card provides biometric security with photo ID. MyKad is used as a public key infrastructure for verification and authentication of users for public services, banking and other services. Citizens can choose to add services including ATM card use, digital wallet, transit card, and a driving licence
- In **Thailand**, from December 2017 a biometric ID card was required for all new SIM card registrations
- At the 2015 Latin American Conference on Security, **Peru's** Electric ID card (DNle) was the best example of e-ID on the continent
- In March 2018, the Senate in the **Philippines** approved the proposed law on an ID System or Filipino Identification System (FilSys)

Successful management of an e-ID system requires a strategy, and learning from past mistakes

Republic of Korea learnt from its past mistakes including:

- inability to **identify and capitalise** on emerging global trends
- redundancies and **over-investment** in e-governance infrastructure
- **inclusion of premature technologies** in pilot projects
- lack of **follow-up evaluation** of IT investments

These digital economy developments will be driven and accelerated by a number of factors



Digitization:
The cross-cutting impact of scale and scope results from open data trade and cross-sector enablement



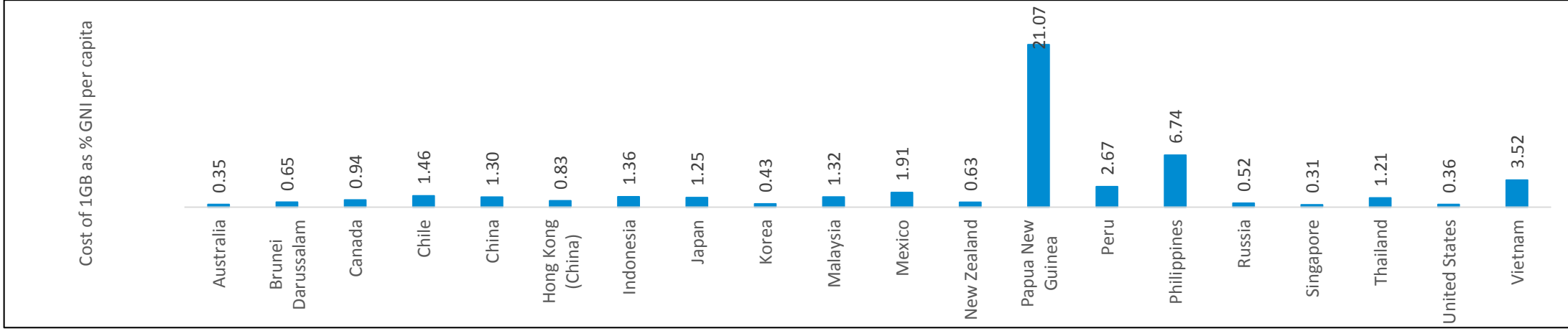
Mobility:
Importance of mobile cannot be overstated, successful digital initiatives and digital economy plans have mobile as a core focus



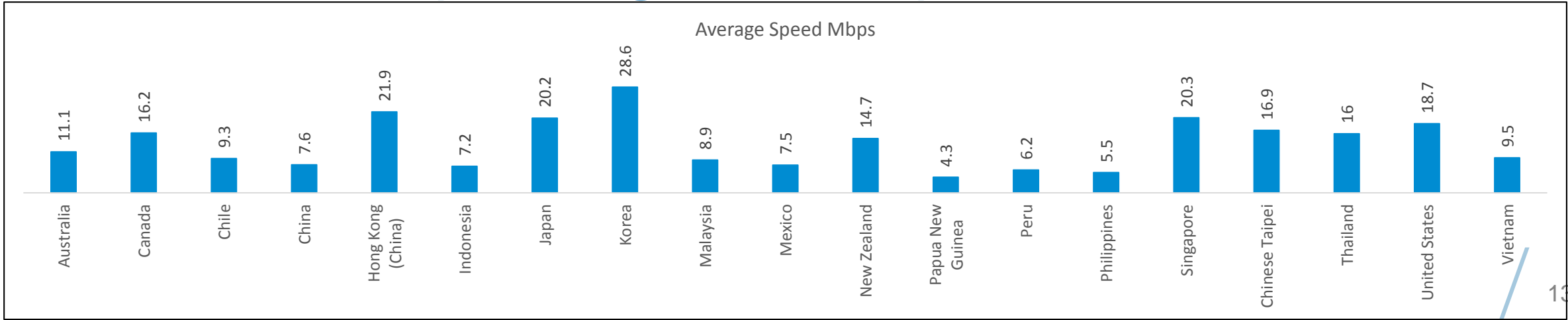
Lead economic driver:
To capture and enable, a sector or constituency needs to provide an initial focus for the digital ecosystem to be developed around e.g. SMEs

The price of broadband still remains unaffordable in developing economies, and varies across APEC

Wherein by 2019, 50% of the world will still be offline



... and a sharp divergence in speed across APEC



But in order to promote inclusive growth, there is an increasing need to demonstrate results, effectiveness and impact through measurement



Promote wider adoption of ICT



Highlight (and work towards closing) the digital divide



Encourage 'smart' policy frameworks and structural policy changes



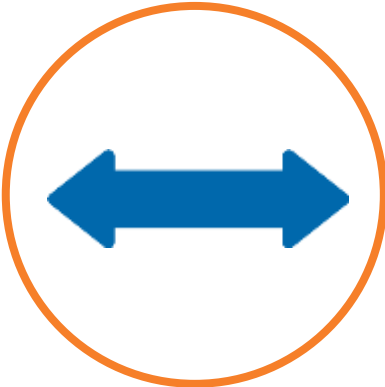
Highlight (and decrease) compliance costs

Governments have multiple roles to play in promoting the digital economy

... roles evolving and adapting to successfully face new challenges



Creates an enabling environment through laws, policies and regulations



Acting as policymaker and enabler across agencies



Consumer and promoter of digital



Encourages interconnection of networks and their interoperability

APEC must play a proactive role in facilitating and guiding these developments

Focus areas for APEC in approaching and enabling the digital economy (1/4)

Measurement



Develop a set of digital economy indicators

- Need for **consistent** and **comparable** measures of digital economy impact and progress, that adopts a broad, encompassing definition of the digital economy
- A baseline statistical index will help APEC economies, institutions, and decision-makers to make informed choices based on empiric evidence
- A digital economy index is a *composite* measure designed to give an accurate overview of where APEC member economies stand in terms of agreed *objectives*, declared *capabilities*, and observed *outcomes*
- The index should encompass a wide range of indicators that measure the effective use (production, distribution, consumption) of digital technologies in consumer products, business models, government processes, and citizen interactions

Focus areas for APEC in approaching and enabling the digital economy (2/4)

Regulation



Develop building block principles

- Develop principles-based approach for areas of strategic regulatory alignment, including regulatory sandboxes, payments gateways, data protection, CNII assessments etc.
- Prepare best practice digital economy guidance for competition authorities, privacy commissions, procurement agencies etc.



Ensure data protection and data security

- Bring together regulators and policymakers across different sectors to form cross-enabling regulations (and sector specific solutions for sensitive health and financial data without compromising privacy or limiting digitalization opportunities)
- Develop and implement data classification and procurement frameworks to better enable the government accredited sponsorship of data-driven development

Focus areas for APEC in approaching and enabling the digital economy (3/4)

Regulation



Strengthening the enabling environment

- Take the lead on working with SMEs, supporting access and solutions, and promoting the need for seamless cross-border data flows
- Work with different stakeholder groups, i.e. SMEs, governments, intra-governmental groups to create awareness on the opportunities and subsequently requirements and constraints
- Enable data flows between suppliers and between jurisdictions



Enable scale in innovation and opportunity

- Collate areas of opportunities across economies and across sectors for scale and scope
- Awareness building across existing value chains and between sectors on evolving roles, e.g. banks, insurance, social organizations, logistics
- Develop case studies/success stories that can be replicated and scaled locally

Focus areas for APEC in approaching and enabling the digital economy (4/4)

Inclusion



Develop and encourage policies that promote connectivity

- Assign high priority to fixed line broadband
- Encourage open access and a level playing field for participation
- Create and encourage markets to compete freely at every stage of the supply chain
- Promote the development of local content
- Ensure non-discrimination and inclusion



Ensure and promote electronic identity development

- Create awareness of the role digital identities play outside of financial inclusion by helping to identify and measure the benefits to other sectors, e.g. e-government services, digital health and insurance, and social dissemination
- Develop the provision of digital services in these other sectors



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About TRPC:

TRPC is a boutique consulting and research firm with over 30 years experience in the telecommunications and ICT industries in the Asia-Pacific. We offer specialised advisory, research, and training services, with a focus on regulatory and strategic business issues, and possess an extensive network of industry experts and professionals throughout the region.