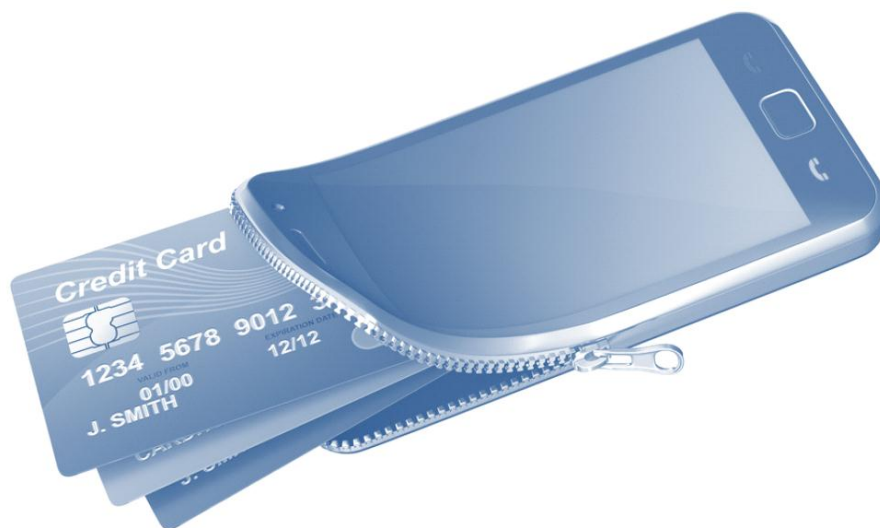


EVENT REPORT

INTERNATIONAL CONFERENCE ON
**FUTURE OF DIGITAL ECONOMY:
NEED & IMPORTANCE FOR OPTIMAL
REGULATIONS**



August 11, 2017
Viceregal, The Claridges, New Delhi

OVERVIEW

The International Conference on 'Future of Digital Economy: Need & Importance of Optimal Regulations' was organised by CUTS Institute for Regulation & Competition (CIRC) along with Consumer Unity & Trust Society (CUTS International), which marked India's launch of 'Regional Inclusive Growth' Project (Diginomics-I). The project covers three countries, namely India, Vietnam and Philippines, and aims to strengthen Digital Economy (DE) in these countries, by suggesting evidence backed policy reforms.

EXECUTIVE SUMMARY

The discussions at the conference revolved around highlighting the advantages brought forth by the DE, along with the infrastructural and regulatory challenges, it faces. Consumer concerns regarding cyber security, data and privacy protection were also deliberated. Various government initiatives to promote affordability, inclusion and development (AID) were acknowledged. Challenges and concerns associated with these, underlined the need for optimal regulations/policy reforms in order to facilitate a wide dissemination of digital tools and platforms. It was suggested that policies should focus on three I's: **Individuals**: security and privacy; **Innovation**: driving business; and **Integrity**: business, practices and fair equity.

Industry players were urged to maximise benefits emanating from DE but in an inclusive manner so as to reach out to the last mile consumer. Technology advancement, leading to disruptive business models and regulatory issues are being experienced by countries all over the world. Therefore, Regulators have found it difficult to sync regulations with innovation due to its constant evolution of technology. Thus, it was suggested that the Regulators need to be better capacitated and think out of the box, to devise an optimal regulatory/policy framework.

Awareness amongst consumers, about the benefits of DE needs to be spread and digital literacy needs to be promoted to enable them to reap the benefits of DE. A shift in the market approach is the need of the hour, i.e. from a supply-driven model to a more consumer-centric model, wherein the needs of the target consumer base is taken into account while providing digital solutions.

OPENING SESSION

- Chair** Pradeep S Mehta, Secretary General, CUTS International
- Speakers**
- **Ram Sewak Sharma**, Chairman, Telecom Regulatory Authority of India (TRAI)
 - **Ajay Kumar**, Additional Secretary, Ministry of Electronics and Information Technology (MeitY)
 - **Arvind Mayaram**, Former Finance Secretary, Government of India & Chairman, CUTS Institute for Regulation & Competition (CIRC)

PROCEEDINGS

Mehta welcomed the speakers and participants and set the stage by focussing on issues pertaining to Internet of Things (IoT), Digital India initiative, new age technology-driven business models, need for optimal regulations and data and privacy protection for consumers.

HIGHLIGHTS

The following topics were deliberated upon during the panel discussion:

Advantages and Limitations of Digital tools and platforms

The session highlighted that rapid development of Information and Communication Technologies (ICTs) have empowered consumers and also rendered numerous benefits to the economy in areas of healthcare and education, particularly in developing countries. The government's comprehensively articulated vision for transforming India into a digital and knowledge economy through its consumer-centric focus on affordability, inclusion and development (AID) was well appreciated. However, poor mobile and internet penetration in India, especially in rural areas, raised critical questions regarding the access to ICT-based tools and platforms to the last mile consumer.

Data Protection and Privacy

It was stressed that issues, such as privacy protection, data leakage and data colonisation need to be analysed closely. The importance of data democracy was also deliberated, in an attempt to answer 'who owns the data' since data is the new economic resource and is being considered as the new oil. Sharma underlined the need for defining data ownership, custodianship and data sharing. Other consumer concerns, such as cyber-crimes, digital literacy, language barriers, job loss due to automation etc. were also discussed. These aspects need to be effectively addressed in order to gain trust of the consumers, encouraging them to use digital platforms and ensure that they are heard in the process of digital transformation of India.

Need for Optimal Regulations

The speakers also discussed the challenges faced by policymakers in effectively regulating disruptive and dynamic new age technology-driven businesses. The industry suffers on account of over-regulation at times, which leads to unnecessary compliance burden.

Hence, policymakers must formulate optimal regulations and laws, to manage the digital world in a way which enables innovation-led growth, keeping in mind the interests of various stakeholders, especially consumers. On the same lines, Rohit Singh, Policy

Analyst, CUTS International delivered a brief presentation on the challenges caused by DE and how the project will address the challenges on the basis of evidence.

CONCLUSION

The session voiced the need for waking up to the realities of the virtual world as the line distinguishing it from the physical world is getting blurred. Mehta advocated that consumer interest should be at the heart of all regulations, and also ensure a light-touch and progressive regulatory framework.

I. PANEL DISCUSSION I: NEW AGE REGULATIONS FOR NEW AGE BUSINESSES: THE INDUSTRY PERSPECTIVE

Chair	Arvind Mayaram , Former Finance Secretary, Government of India & Chairman, CIRC
Panellists	<ul style="list-style-type: none">• Rajan S Mathews, Director General, Cellular Operators Association of India• Shweta Rajpal Kohli, Head of Public Policy for Uber India & South Asia• Rohan Mishra, Vice-President, Public Policy, South Asia, MasterCard• Ashutosh Chadha, Group Director, Government Affairs & Public Policy, Microsoft India• Christine Ruth Salazar, Project Evaluation Officer at Philippine Institute for Development Studies

PROCEEDINGS

The session started with the Chair complimenting the discussions at the opening session, considering the same to be interesting and insightful. Emphasis was laid on various issues pertaining to regulating the new age businesses and their possible impacts and high pace of evolution, which might result in extinction of the existing business models. It was highlighted that consumer's welfare is often spoken about and deliberated, however, it is essential to note that if the industries do not sustain, the consumer benefits would diminish. Thus, it is imperative to strike a balance between the stakeholder's interests more holistically.

The Chair urged the industry players on maximising benefit emanating from DE and to reach out to the underserved population. The Panel responded by mentioning that disruptions and regulatory issues are being experienced by countries across the world. The impact that disruptive businesses have brought to the various sets of stakeholders, particularly for the drivers and consumers in case of taxi-aggregators was also highlighted.

The Panel also opined that disruption have fostered innovation and new technologies, which have benefitted all stakeholders and have helped in raising the understanding of disruptive technologies amongst the regulators.

A question on how regulators find it difficult to sync regulations with innovation with constant change and rapid acceleration in the growth of technology was raised, to which how the policy priorities for the government and policy reforms for Digital India are supportive for the companies was quoted. The participants appraised that India is still cash heavy and suggested various possible measures to make it cash-lite. The need for ease of undertaking financial transactions, how government can support it further and how to bring digital payments at par with cash-only transactions formed important part of the discussion.

The Panel also deliberated on additional cost in form of taxes on digital transactions and mentioned how convergence of digital ecosystem, digital payments and government policies can lower the cost.

An opinion on the importance of policy implementation and concentrating on the goal while keeping the end in sight could help in devising flexible and agile policy frameworks in this constantly changing scenario was also brought forth. The Triple-I model, which was based on **Individuals**: security and privacy; **Innovation**: driving business; and **Integrity**: business, practices and fair equity was also suggested.

A question by the Chair was raised on how technology is acting as a catalyst and at the same time, damaging and annihilating itself. Here, three pillars: **Licensing, Regulations and Judiciary**, which support policies were being referred to. The need to have converged policies to deal with converged technologies as well as a democratic act for the policy to be conducive and facilitating to the technological growth were deliberated. The Panel stressed on fast tracking of decision making by judiciary, various issues related to tariffs, predatory pricing, market share and competition, etc.

Philippine Institute for Development Studies (PIDS) representative described the transportation regulations in Philippines, and how GrabTaxi and Uber have fared to criticism from conventional taxi services. Besides, issues, such as accrediting drivers without certifications, suspension and regulatory gaps in transport were discussed. One important aspect raised was which body should be entrusted to cover regulations for such businesses?

A recommendation on the organisation's need to reinvent value chains with changing technology was made by the Panel. Questions from the Floor like what is being done for the last mile consumers, what is light regulation, and how light it should be were raised. The Panel emphasised on the need for light touch regulations and a sliding scale

(restrictive, descriptive and expansive), and stated that as far as innovation is concerned, the scale should slide more towards the right side.

Job loss/gain from technology also emerged as a point of discussion among the Panellists. Another query was raised whether subsidies would be able to sustain business in the long run. The Panel suggested that incentives is a fair practice to promote the usage of new business models and the government is implementing the same for ventures, such as RuPay.

Further, few questions were asked related to incentivising the drivers initially, drivers earning less now than they earlier used to; the government providing subsidies and the difference between subsidies; and predatory pricing and incentives. The Panel responded saying that while it could be used as a primary enabler because a model cannot entirely sustain on incentives.

Furthermore, the Panel also discussed on whether regulations should create level playing field, create barriers for new entrants, or deregulate the market. A critique on government deciding the consumer's best interest was made by the Panel. Some issues among others were various political, social and economic aspects hindering the growth of DE and suggestions were provided to ensure light/optimal regulations.

PANEL 2: HEARING VOICES FROM THE GROUND: CHALLENGES FACED BY CONSUMERS AND POSSIBLE SOLUTIONS

Chair	George Cheriyan , Director, CUTS International
Panellists	<ul style="list-style-type: none">• Sanjeev Ahluwalia, Advisor, Observer Research Foundation• Mukesh Sadana, Project Management Specialist – Financial Inclusion, United States Agency for International Development (USAID)• Pavan Duggal, Advocate, Supreme Court of India• S Saroja, Director Consumer Advisory and Outreach, Citizen consumer and Civic Action Group (CAG)• Varun Aggarwal, Public Policy Analyst, Institute for Financial Management and Research (IFMR)• Alice Pham, Director, CUTS Hanoi Resource Centre (HRC)

PROCEEDINGS

The discussion started with comprehending the role of Non-State Actors (NSAs) in achieving optimal regulations on data protection, wherein it was pointed out that 'NSAs' is a misguided term to use. In Somalia, NSAs run an informal economy better than their government. However, in a country where the regulations are made by the government, NSAs have very marginal role to play. In the current scenario, a huge gap from consumer's perspective is that the major focus of all players remains on the transaction part of DE.

However, the need of the hour is firstly, to make the customers aware of the services offered; and secondly, they should be made aware of the tariffs of the services, and then they should get the opportunity to test them before paying. This raises the question on

safety and security of consumers in DE. It was clearly pointed out in the discussion that there is no on ground protection for consumers.

Moreover, the fault not only lies with the government and other private players, but also with the consumers because despite being aware of the various scams they can be put through in this digital world on providing their personal details on internet and thereby giving their consent for being exploited. In India, there is no dedicated law on privacy, or any legislation on cyber security till date.

The discussion further accentuated on the importance of educating consumers about data protection and cyber security. It is very much required to increase consumer's faith in the system. The government should organise more awareness programmes, and also aim to educate rural consumers as they too use smart phones these days. Not only in India, but the scenario of data protection in Vietnam is no different. There are no legislations in Vietnam for data protection or cyber security.

A few participants were of the view that currently, majority of the products are supply-driven. Sellers know what would be sold, and how to entice consumers. For sustainability of DE, it is very important to first recognise the consumer base, and then understand the sector being addressed. In addition, Floor discussions also highlighted that with the growing digital transactions, it is now immensely important to generate awareness amongst people, and form more e-courts and DE courts to deal with data protection and cyber security issues more diligently and aggressively.

CONCLUDING REMARKS

Udai S Mehta, Deputy Executive Director, CUTS International thanked all the speakers and participants for the enriching discussions, throughout the conference. He concluded that the acquired insights from the discussion would definitely help in shaping the Diginomics-I Project.
