



# ARANGKADA PHILIPPINES

A PROJECT OF THE JOINT FOREIGN CHAMBERS OF THE PHILIPPINES

## **MEDIA RELEASE**

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### **Coalition lauds PH government for maintaining open and enabling policies on data governance**

The Joint Foreign Chambers of the Philippines, US-ASEAN Business Council, IT & Business Process Association of the Philippines, Asia Cloud Computing Association, and Asia Internet Coalition expressed its support for the Philippine government in its efforts to maintain open and enabling policies on data governance and champion the free-flow of data in the region.

In a virtual policy discussion held on August 16, government representatives and sector experts highlighted the importance of an enabling environment for cross-border data flow to enhance digital trade and competitiveness of data-driven industries in the Philippines. “The ability to use, share, and access data across borders is vital for innovation and economic growth and to leverage technologies, such as the Internet of Things and artificial intelligence,” Naoto Kanehira, World Bank Senior Digital Development Specialist, said.

Public policies in the Philippines have been generally supportive of maintaining no barriers to the flow of data in the private sector. Requirements on data localization—or measures pertaining to the location for storage and processing of data—have been limited only to some residency restrictions on above-sensitive and top-secret government data under the Cloud First Policy.

Besides Singapore, the Philippines is also a regional leader in implementing an “open transfers” regulatory approach to cross-border data flow that, as defined by the World Bank, allows for free movement of data based on private information management standards as opposed to binding restrictions and with no mandatory requirements, conditions, or approvals for data transfers.

This enabling policy environment is crucial in accelerating the digital transformation of the Philippines as it remains to be a key destination for foreign investments, such as on information technology and business process management (IT-BPM). According to Princess Ascalon, Government and Regulatory Affairs Executive of IBM Philippines, outlook of locators on the Philippines remains very optimistic, with the local IT-BPM sector expected to generate up to 1.7 million jobs and over USD 35.9 billion in revenue for 2023.

Emerging global trends, however, suggest an increase in the implementation of more restrictive data localization measures. “Looking at the evolution [of data localization], half of these measures came into force after 2015 but there has also been a boom in terms of new data localization measures being imposed. About two-thirds of these are most restrictive,” Janos Ferencz, Trade Policy Analyst from the Organization for Economic Cooperation and Development (OECD), said.

A survey conducted by the OECD on the impact of data localization measures on sectors like aviation, cloud computing, and cross-border e-payments found that restrictions in the flow and storage of data have led to a significant increase in data management costs; regulatory fragmentation; and cybersecurity risks resulting from the inability to share data on threats or system vulnerability.



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“Any obstacle or barrier to the flow of information—including data localization measures—could substantially inhibit the benefits we extract from [being part] of this globalized environment. Data localization measures should not be something that inhibits innovation,” Ferencz added.

To this end, the coalition emphasized the importance of a transparent and consultative approach between the Philippine government and industry stakeholders to ensure that relevant policy considerations and frameworks are consistent with international standards observed in various trade agreements and strengthening digital trust to facilitate cross-border access, usage, and exchange of data.

“When doing a consultative approach, my advice would be to not only look inward but also outward and to acknowledge the role the Philippines has been playing as a regional leader for cross-border data flow. This is consequential not only domestically but [also has] regional and global implications,” Kanehira explained.

For Ascalon, imposing restrictions on cross-border data flows could affect major operations in the IT-BPM industry, such as increasing the cost of services and pose risks for cybersecurity and disaster recovery and redundancy. “The IT-BPM industry is going to be more heavily-reliant on data as it continues to grow. We hope to have the Philippine government and industry’s support to keep our policies open and conducive to the growth of this sector,” she added.

Marie Sherylyn Aquia, Assistant Director from the Bureau of International Trade Relations of the Department of Trade and Industry, said the agency’s position is to support cross-border data flows and to continue with its assessment of the potential implications of data localization when making rules on data governance or negotiating trade agreements.

Shannon Coe, Director of Global Policy at the US Department of Commerce, International Trade Administration, also underscored the importance of working with international partners in strengthening data protection and cross-border data flows as critical components in the promotion of global trade and investment.

For its part, the Department of Information and Communications Technology emphasized that cybersecurity remains a shared responsibility between the government, citizens, and the public and private sectors. #

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