Promoting ICTs and E-commerce for Development in LLDCs

Leveraging trade agreements to facilitate e-commerce

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What current WTO rules support e-commerce?

WTO disciplines, like those in the GATS, already play an important role in supporting enhanced internet access by promoting competitiveness in telecommunications markets. As e-commerce-related services are increasingly becoming important elements of many business activities, further attention to them, both at the national level and at the WTO, can help develop an environment conducive to the sustainable growth of e-commerce.

WTO Jurisprudence has also made it clear that that commitments made in the context of the GATS and the GATT are technologically neutral, that means that WTO obligations cover also cover delivery by electronic means.

The Trade Facilitation Agreement will also help with the development of e-Commerce. This would concern mostly trade of physical goods that are bought and sold across borders through the internet as this agreement has as its main objectives to reduce the bureaucracy to trade and decrease trade costs.

The TFA contains provisions on publication and availability of Information, advance customs rulings, expedited shipments, rapid release and clearance, and reducing customs formalities that among other measures will help exporters and importers engaged in digitally enabled trade.

When it comes to electronic goods themselves, currently WTO Members have put in place a moratorium on customs duties on electronic transmissions. However, this moratorium is not permanent and is currently under review.

The TRIPs Agreement also offers international protection of creative goods that are traded online and fosters innovation.

We should also not neglect the role of trade in facilitating the diffusion of technologies around the world.

The WTO Information Technology Agreement (ITA), which commits its participants to eliminate tariffs on a number of IT products, makes an important contribution in this regard. Its recent expansion in 2015 eliminates import tariffs on an additional 201 new-generation ICT products, including
multi-component integrated circuits, touch screens, GPS navigation equipment, telecommunications satellites, portable interactive electronic education devices, and medical equipment.

By 2019, it is estimated that 95.4 per cent of participants’ import duties on these products will be fully eliminated. This will contribute to the affordability and broader dissemination of ICT products globally.

However, currently these opportunities are not accessible to everyone and the benefits of digital trade continue to be unevenly distributed, because of the existing digital divide.

**How can the multilateral system help in bridging the digital divide?**

Some of the major challenges to the development of e-commerce include access and affordability of ICT, as well as connectivity issues. The SDGs themselves recognize the important role that ICT can play for economic development. SDG 9 urges the international community to work to "significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least-developed countries by 2020".

The presence of reliable infrastructure remains critical to creating the conditions for e-commerce to thrive, but despite the increasing availability of the internet and widespread mobile coverage, around four billion people in the developing world remain offline.

Internet access costs, combined with network reliability and quality of service, continue to be a major issue in many developing countries and represent an important barrier to their ability to engage in e-commerce. This is the message that we have heard in surveys conducted as part of the monitoring and evaluation exercise of the Aid for Trade initiative.

Ensuring affordable and high-quality internet access requires efforts to promote competition and encourage investment, especially in rural areas and in those countries that need it the most. Trade policy can play an important role here.

Reducing barriers to services and enhancing openness to foreign direct investment, when coupled with the appropriate regulatory regime, can help create an enabling environment that allows for competitive services markets. This is especially important for telecommunications and the provision of affordable, reliable and fast internet access.
Services openness will also underlie the success of e-commerce. For example, elements such as financial services, transport, business and computer services, postal and distribution services, and other professional services are essential.

While connectivity and ICT access are necessary conditions, they are not sufficient for people to automatically benefit from the greater opportunities offered by online trade. A range of other economic and regulatory barriers can still hinder the broader uptake of e-commerce.

Underdeveloped financial and online payment systems are an obvious obstacle to online transactions. At the same time, developing IT skills are important to ensure that businesses can use e-commerce to improve and expand their activities. Other complex and sensitive issues include consumer protection, privacy, internet neutrality, and data flows. In some of these areas, the lack of clear legal and regulatory frameworks can undermine confidence in online trade and erode consumers trust.

These challenges create market barriers for the participation of new players in digital trade and push up costs for businesses. While bigger companies are often in a position to overcome most of these obstacles, smaller companies in LLDCs might not have sufficient resources or skills to do so, especially when trading across borders. This is why it is important to look at how new technologies can facilitate the participation of smaller players in the global economy.

What is the impact of the digital divide on international electronic trade negotiations?

According to the latest data for 2017, e-commerce sales have reached an annual growth rate of 13%, with an estimated value of around USD 29 trillion. In fact, a WTO study found that by lowering costs and increasing productivity, digital technologies could provide an additional boost to trade by up to 34% by 2030.

This has tremendous potential to boost inclusivity and help more people benefit from trade. By reducing the trade costs associated with distance, e-commerce allows businesses, big and small, to reach a broader network of buyers, access the most competitive suppliers, tap into global markets and participate in global value chains. This is very similar to the benefits of trade facilitation which have had such a positive impact on LLDCs.

But, transforming this potential into reality is not automatic.
The digital divide still poses a big barrier for countries’ ability to engage in e-commerce. We need to address these challenges if we want e-commerce to be a real force for inclusion. The risk is that if we don’t act, these gaps will only widen - and pose an even bigger obstacle for countries to pursue their growth and development goals.

The fact is that, these technologies will continue to evolve and permeate our lives. This is like a big wave when you are at the beach, you cannot stop it and as anyone who has been hit by a wave would tell you, just standing still is not a good idea.

So, we should welcome this reality, and the opportunities it brings. We have to build the necessary frameworks and capacities to ensure that everybody can participate.

While a lot of work needs to happen domestically, the international community can also make an important contribution. Over the past few years, at the WTO, we have witnessed growing interest in discussing e-commerce issues in more detail.

This includes the work under the existing Work Programme on Electronic Commerce by 1998, as well as the Joint Initiative on E-commerce.

This initiative, which is open to all WTO Members, now includes 80 members representing 90% of global trade, including several LLDCs. The Group has now started negotiations on e-commerce issues, as they relate to trade.

We are seeing discussions touch upon a broad range of topics, including conversations relating to development. Participants are interested in understanding the unique challenges faced by developing countries, including LLDCs, and what kind of assistance they need to participate in e-commerce flows.

The international community has a unique opportunity to ensure that this digital revolution is truly inclusive. International trade can deliver on its development promise if its challenges are addressed in a concerted manner and its benefits are more equitably distributed.

By reducing the digital gap between countries and opening up new trade opportunities for all, e-Commerce can help make trade more inclusive and therefore make a major contribution to the WTO’s efforts under the Sustainable Development Agenda and the VPOA to build a more universal, rules-based, open, non-discriminatory and equitable multilateral trading
system that works for inclusive economic growth, structural economic transformation and sustainable development.