

Digital Trade as a Global South Challenge

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MARCO CEPIK, JUL 6 2021

In December 2020, in the *Joint Statement Initiative on E-commerce* (JSI), the World Trade Organization (WTO) reiterated the importance of multilateral development of digital commerce rules. Despite the reduction in international trade (estimated at -4.85% in total and -9.2% in goods trade), compared to pre-pandemic levels in 2019, digital commerce has been one of the answers to boost economic resilience and recovery (WTO, 2020a). There are three main challenges for assessing digital commerce's global contribution to the economic restoration and equitable social development.

The first challenge is conceptual. According to the *Handbook on Measuring Digital Trade*, a comprehensive definition of 'digital commerce' considers all digitally ordered and digitally delivered (OECD, WTO, and IMF, 2020). International trade that is digitally ordered corresponds to the OECD definition for e-commerce, that is, "the purchase and sale of goods or services conducted on computer networks using methods specifically developed for this purpose." As such, the service or product delivery may be physical or digital. In turn, the digitally delivered commerce corresponds to 'transactions delivered remotely in electronic format, using computer networks for this purpose. Although quite broad, the definition excludes international trade conducted by telephone or e-mail.

The second challenge, also related to defining, accounting, and measuring digital commerce, is the rapid evolution of digitalization as a whole. Something Azmeh et al. (2020) called 'technological contingency of existing international regimes' (p. 689). As many have observed, it is increasingly difficult to differentiate the international trade of goods and services. An expanding added value of knowledge (over 50%) in a growing quantity of products (bundling) can be observed in several global value chains (GVC). Internet of Things (IoT) and 3D printing (additive manufacturing) are just two of the emerging technologies reinforcing the bundling trend. Besides, other digital technologies impact the way international commerce is carried out. Technologies like Blockchain (distributed ledgers) for payments and contracts, automation systems for customs clearance, online company registrations, digital certifications, and online tools for logistic chain and delivery tracking are rapidly evolving. That is, in addition to digital commerce making the difference between services and goods more complex, international trade as a whole tends to be 'digitally enabled,' properly characterized by global data flow (Lopez and Jouanjan, 2017).

The third challenge is how to develop consistent and fair regulation of global digital commerce. Rapid technological developments, the critical context of the pandemic, and the interests of national governments, companies, civil society, and individuals make evident that issues related to digital commerce will be as crucial as they are controversial. Some topics have been on the agenda since the WTO's General Council adopted the *Declaration on Global Electronic Commerce* (1998). For instance, the negotiation on uniform parameters for the tariff exemption limit for small packages (*de minimis*), or the compatibility of the GATT and GATS rules, or the duration and scope of the *Moratorium* on customs duties on e-commerce.

Additional emerging issues are also decisive. The imbrications between Internet governance and global digital commerce, for example, are evident in the current disputes regarding the scope of the *Information Technology Agreement* (ITA), data localization issues, source code transfers, privacy protection, encryption, market access, cultural site content, and the use of digital currencies such as China's e-RMB (WTO, 2020b). From a Global South perspective, digital trade negotiations encompass opportunities and risks at the national, regional, and global levels. To be sure, most issues and conflicts cut across those heuristic-defined levels. Global South's concept implies

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enormous situational diversity and specific social, cultural, economic, and political dynamics. Nevertheless, it also refers to the common formative experience of colonialism, imperialism, and inequality, triggering potentials of solidarity and cooperation.

At the national level, the challenges of e-commerce in the Global South are directly related to development and security. In the United Nations (UN) landmark document *Transforming our World: The 2030 Agenda for Sustainable Development* (2015), the terms internet and digital appear only once. However, targets and indicators for the Sustainable Development Goals (SDGs) included digital technologies to promote education, women's empowerment, and sustainable industry. Readiness for digital commerce depends on transport infrastructure and other logistical requirements. Likewise, broadband access for all requires state, business, and community capacity building. China's experience, combining government policies, social mobilization, and business action (E-commerce Poverty Alleviation Alliance), can hardly be replicated on the same scale (Cheng Li and Ryan McElveen, 2020; Xinhua, 2020-09-22).

By way of example, in Indonesia, the digital business Gojek and the Agriculture Ministry helped local farmers to sell online as part of recovery efforts during the Covid-19 pandemic (UNCTAD, 2021). Digital trade also relates to security for the Global South in at least two dimensions. Although 39 African countries have specific legislation against cybercrime, few have adequate resources to prevent, neutralize, and prosecute those who commit attacks (Odonkor, 2020). The viability of digital commerce is also negatively affected by the increasing securitization of cyberspace by the United States in its strategic competition with China.

Global South countries and companies need to move forward on agreements that include non-discriminatory provisions, conflict resolution mechanisms, regulatory harmonization, tariff reduction, and joint initiatives to finance digital transformation at the regional level. For example, the Digital Agenda adopted by the Seventh Ministerial Conference on the Information Society in Latin America and the Caribbean (eLAC 2022) seeks to promote a regional digital market among its 39 goals. In 2018, for instance, 60% of Argentine online sellers had customers in Brazil and vice-versa (Suominen, 2018). LAC will need to improve its digital infrastructure, postal and logistics services significantly, and innovative digital payment services to facilitate cross-border digital trade.

A lot can be done at a regional level by improving IP protection, data localization, and interoperability of digital platforms. The regional digital dialogue could help to revive the Mercosur integration process in response to the Covid-19 pandemic. Another important example comes from the African Continental Free Trade Area (AfCFTA) framework. In June 2021, 38 countries had ratified the treaty at the African Union (AU), and the 54 signatories planned to conclude negotiations on the e-Commerce chapter by December 2021. As Banga et al. (2021) highlight, negotiations on digital trade can be facilitated because AU already has a Convention on Cyber Security and Personal Data Protection. If the AfCFTA can adopt a single common digital certificate of origin (CoO) system and effective/balanced taxation, this would have significant implications for global negotiations.

The Covid-19 pandemic has increased inequalities between countries and social groups. As mentioned, digital trade can help recovery and transformation. Ahead of the 12th WTO Ministerial Meeting, 86 countries (EU-27 plus 59 countries) are negotiating digital rules under a 'Joint Statement Initiative on E-Commerce.' India and South Africa lead a group (including the majority of African countries) advocating the end of the 1998 Moratorium on customs duties on e-commerce, as well as a proper multilateral framework to discuss the definition, scope, and levels of digital trade taxation (Kelsey et al., 2020). As countries like the United States and Japan support a permanent moratorium, the digital trade issues are connected with the market concentration and the role of giant tech firms. Nowadays, the US and China account for 90% of the market value of the world's 70 largest digital platforms, with Africa and Latin America together accounting for only 1%.

To navigate current and future tensions between big tech corporations and great powers, the Global South must define common interests and devise better-coordinated actions. Especially regarding digital infrastructure, protocols, security, and inclusion. Digitally enabled trade is part and parcel of the future global economy and security. The global IR community should pay close attention to its conflicts and potentialities.

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