

A FIFD and FED Joint Seminar

Bridging the Digital Divide: Harnessing e-commerce and investment facilitation for inclusive trade and development

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Synergies between investment facilitation and e-commerce to promote trade, connectivity and development

Landscape

Let's start with a few key facts:

- Half the global population still does not have regular access to the Internet and around 75% of these are concentrated in just 20 developing countries. This is also a question of use – around 80% of online content is only available in 10 languages – of which only three billion people speak as a mother tongue.
- Despite improvements in technology and falling costs, global Internet penetration has grown at only 2-3% annually over the last 15 years.
- If current growth rates persist, more than three billion people will remain unconnected by 2020.

Let's consider another set of facts:

- Also by 2020, up to 200 billion devices could make up the Internet of Things
- Increased use of digital technologies could add US\$1.36 trillion to global economic output (that's the equivalent of adding an economy the size of Korea to global GDP)
- The gig economy could account for up to 40% of all jobs
- Online retail sales will rise to US\$4 trillion
- And 6.7 million 3D printers will be in operation.
- All this is just two-and-half years away. It's absolutely incredible how fast changes are taking place in the digital economy.

Now let's throw into the mix a milestone:

- Strive to provide universal and affordable access to the Internet in least developed countries by 2020. This is SDG 9.c – committed to by all global leaders in September 2015.

Juxtaposing these facts prompt a series of questions:

- How to leverage advances in technology for good rather than entrenching the digital divide? What are the key barriers holding back investments in hard and soft digital infrastructure? How to unlock capital and support to address these barriers? In turn, how to ensure people use increased Internet access to create new businesses and raise incomes? And, importantly for this house, what role for trade policy in answering these questions?

Internet for All

Let's start with connectivity and investment. The World Economic Forum's Internet for All initiative was founded to help address the first set of facts I raised. Internet for All serves as a platform to help public, private and international actors collaborate on targeted projects to bring new Internet users online – with a focus on those particularly hard to reach. Over 50 global organisations currently participate, advancing projects in Rwanda, South Africa, India, Argentina and Jordan. The World Economic Forum has recently joined UNCTAD's eTrade for All programme and we will be sharing information on each of these projects through their website for those that want to learn more.

To help address the investment question, Internet for All has developed a model for businesses and governments to estimate what it will cost, in dollar terms, to close the digital divide in a given country. The

model focuses on four categories inhibiting Internet access including limited infrastructure; lack of affordability; poor digital skills and absence of locally relevant online content.

The results yield much more than a simple number. Interestingly, the model suggests that policy choices could significantly alter the costs of addressing these barriers, thereby raising return on investment, and turning a poor business case into a sustainable one.

For example, applying the model to Kenya, Rwanda, South Sudan and Uganda collectively, an investment of US\$1.83 billion over a three year period would be needed to make four targeted interventions to empower 25 million new Internet users. These interventions include expanding 3G and 4G coverage, increasing access to smart phones, targets on digital skills, and establishing a technology park to nurture local IT businesses.

Infrastructure investment accounts for about 23% of the US\$1.83 billion figure. Around 6,100 3G towers would need to be constructed. Investing in one technology park would cost 3% of the total or about US\$50 million. Our research showed how specific policy choices could bring these numbers down. For example, passive and active infrastructure sharing could save up to US\$250 million around the 3G towers. Removing VAT on low-end smartphones would save consumers US\$80 million. A combined set of policy interventions could reduce investment costs in the example studied by 23% or 1.39 billion over the three year period.

The types of interventions identified in the model are national regulatory decisions not directly linked to trade policy. These national regulatory decisions can have an impact on the way investors evaluate projects but are not necessarily specific to easing investment in the first place. The two are connected, but not exactly the same thing. Lower project investment costs will attract investors, but if it is very difficult for businesses to invest, maintain and expand within a given economy, this is another challenge.

So what can countries do to help facilitate investment flows into digital infrastructure? What needs to be done nationally and where can international collaboration help? What level of transparency on investment policy issues – and on which issues? How to make it easier for companies to communicate with the governments of the countries in which they invest? What procedures need to be streamlined and how? Are there specific needs for different types of sectors, particularly those related to digital and other sustainable development infrastructure? What support do least developed countries need to put in place an enabling investment environment and what role for technical assistance?

There is no common consensus yet on answers to these questions – and indeed many more to ask. It would be extremely valuable for the WTO – as an international forum playing significant role in shaping investment, trade, production and consumption – to engage in open discussion around these. The level of technical detail in getting policy levers right to unlock investment is dense – there is a strong need to exchange ideas, build knowledge and understanding.

Enabling E-commerce Environment

The same can be said for improving the enabling environment for e-commerce. Digital infrastructure is one part of this environment. So too with energy access and having the actual components to build a 3G tower. No energy, no infrastructure, no access to the Internet, no digital trade. At the same time, once you connect to the Internet and have enough power to stay online, as much fun as Facebook and Twitter are, it's worth exploring what's needed to get more people and companies to use the Internet productively. This constitutes meaningful Internet access and use. Conversely, a poor enabling environment for the digital economy is unlikely to encourage investments in digital infrastructure, since business are not guaranteed a profitable return on their investment.

Questions worth considering on e-commerce facilitation include whether or not national laws recognise contracts concluded online; how to build recognition between national electronic and digital signatures? What national and international rules are needed to govern mobile payments and fin-tech? How to ensure interoperability between different types of electronic payment channels? What barriers do logistics service providers face in delivering internationally? How to lower delivery costs and wait-times? What needs to be done to ensure consumers are adequately protected online? What type of technical assistance do countries need where e-commerce rules are not already in place? Can the TFA help to increase use of digital customs procedures that lower transaction costs – a particularly important consideration for SMEs?

We started to address some of these questions at a World Economic Forum e-commerce facilitation workshop held at the WTO earlier this month and at an ICTSD/E15Initiative gathering this morning. From our perspective, we found these meetings exercise to build bridges to other policy communities in the e-

commerce landscape, start an open conversation on the role of the WTO in enabling e-commerce, without prejudice to outcome, and all in the spirit of advancing detailed knowledge and technical understanding. But this was just the beginning. How can we have more these conversations on e-commerce and investment facilitation?

Some overlaps

Through discussion we may even find there are some concrete intervention overlaps between investment and e-commerce facilitation. A quick survey of the issues at hand already suggest three potential areas:

- 1) First, accepting contracts or supporting documents electronically – relevant in an e-commerce, investment and trade facilitation context.
- 2) Second, electronic single window mechanisms – WTO Members are encouraged to maintain these through the Trade Facilitation Agreement to enable traders to submit documents or data requirements for import, export and goods transit. What steps need to be taken to apply this concept to the admission of investments, including around documents required to establish an enterprise as well as licensing and qualification procedures?
- 3) Third, examining the work of other international forums – in both the e-commerce and investment context efforts have been made to improve the enabling environment and ease interoperability issues created by divergent national rules through platforms such as the G20, OECD and APEC. What can be learned from these efforts, what could be applied in a WTO setting, and do WTO Members see a value in doing so?

Further reflection could yield further overlaps. Or it could not. But given the facts I start this presentation with, it's at least worth pause for thought.

Investments in digital infrastructure and e-commerce facilitation are all part of a bigger picture on how to harness technology for development. This is our headline message. The action point for this house is to identify trade policy's specific contribution.