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The Value and Role of Data in e-Commerce and the Digital Economy, and its Implications for Inclusive Trade and Development

Introduction

The digital economy is based on cross-border data flows and access to the internet. These developments have changed the business environment, facilitating trade and introducing new forms of interaction between economic agents. This reality is taking place far away from the World Trade Organization rules and through regional and bilateral agreements such as United States–Chile FTA, the United States–Singapore FTA, and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). In general, these agreements tend to protect the interests and policies of the major players in the digital economy, such as United States, European Union, Canada, against the interests of emerging economies that lack technological skills. These regulations raise concerns in areas that include privacy, tax neutrality, conditions of competition, labor conditions, and government intervention. The negative impacts of these regulations, mainly felt in developing countries, supersede the benefits accrued by high tech companies, mainly from advanced economies. Thus, the regulation of data and the digital economy has become a huge concern for policy makers and civil society in general.

The value of data

The success of a country involved in the digital economy depends greatly on the capacity of platforms (that bring together consumers, producers, and sellers) to collect as much data as possible. Literature refers to data as the new oil. The data collected by these platforms can be used to build digital intelligence that is the key to understanding and controlling the platform users' behavior. The large amounts of data generated through digital activity to build digital intelligence are at the heart of this control. Therefore, data and digital intelligence has a high economic value, which can be monetized. The fact that the data regime is controlled by big private tech companies has been a huge concern for governments and civil society given the fact that these big companies tend to misuse data. It has thus become crucial to push for the regulation of data use and management. However, given the high value of data, and its ability to promote economic development, countries from the global south may be more interested in knowing how to fit data and digital economy rules management in their industrial development strategies. For instance, the Southern African Development Community industrialization strategy and road map (2015-2063) provides for the use of data to boost regional industries. On

the other hand, northern economies are focused on developing rules and strategies on how data and the digital infrastructure can work for the protection of rights of their citizens.

The role of data

The contribution of the digital economy to the growth of international trade is well known. The use of data has enabled big tech players to benefit the most from this new area of the digital, while southern economies have been negatively impacted.

However, there exists divides in the digital economy .The capacity to use technological tools and large experience in the market, have allowed high tech multinational companies to better allocate their resources and make trading much easier, while increasing their market share. With advancement of technology and its speed, the digital economic divide tends to increase deeply and rapidly. On one side we have developed countries, with technological skills and big tech companies that are well established and have already conquered a large share of the market. These companies further entrench their market presence with use of intellectual property rights (Google, Amazon, Ali Baba). On the other side, we have developing countries and least developed countries that lack basic technological skills and information of the new digital economy, the value of data, and its role. These countries are totally disconnected, and do not participate and take opportunities offered by the digital economy. Consequently, there is an increase in wealth inequality and distribution. This situation is so problematic that governments and civil society are concerned about how to address this situation, in order to create a friendlier and inclusive digital economy environment.

Inclusive trade

Economic growth is necessary for poverty reduction. Trade also plays an important role in economic and sustainable development through inclusiveness. The ultimate goal is to ensure that, through inclusive trade, everyone gets their share of benefits. This can decrease the digital divide and its negative economic and social impact.

The issue of inclusive trade has become important because digitalization and new technologies change the way of doing trade, the economic agents involved and object of trade. Data from the World Bank show that the digital economy has contributed to economic growth, expanded opportunities and improved service delivery. Nevertheless, its benefits are unevenly distributed and its negative impacts have spread rapidly, mainly in developing countries. For instance, the digital economy has favored skilled workers to the detriment of unskilled labor. Labor markets have become more polarized and inequality is rising – particularly in wealthier countries, but increasingly in developing countries. There is a need to mitigate against the impact of the digital

divide because increase advancements in digital transformation make it increasingly difficult to connect with lower-income groups.

The regulation of proposed digital policies

Every sector has been exposed to digitalization. Therefore, there should be a holistic approach to ensure the inclusiveness of the digital economy. However, policymakers may face difficulties presenting policies related to the digital economy and accessing its impact on digitalization, platformization and datafication in each sector of economy. This is due to a lack of data sets and the complexity of the issues, which may lead to a deficit in governance on the platform economy.

Below are some proposed solutions to tackle the issues that have been discussed above

Role of data

- Create indicator to measure the digital economy to assess the positive and negative implications;
- Create appropriate data policies to address different subject areas(private, community, corporate and sectoral);
- Create institutional mechanism for social audit of platforms;
- Build the capacity of public servants on digital skills;

Introduce computer literacy at the primary education level.

Value of data

- Design a national data strategy that promotes infant industries;
- Promote equality and inclusion through the use of artificial intelligence (AI);
- Adopt a policy response to data flows and localization for each subject area;
- Design a road map for public data infrastructure in domains such as agriculture, transport, trade and commerce;
- Mandate data sharing between and among sectors;
- Create institutions for data aggregation and the creation of digital intelligence solutions.

Digital economy for inclusive trade and development

- Adopt competition policies that include platforms and online business;
- Incentivize domestic innovation through startup and MSMEs incubators through public data strategies for open data and public AI architecture in various domains;
- Create tax incentives to provide startups and MSMEs a greater capital stability;
- Invest in infrastructure to enable connectivity of sectors and integration of MSMEs into the platform economy;

- Apply taxes on digital platforms;
- Extend social protection and traditional employment benefits to platform workers;
- Adopt policies to upgrade the technical skills of marginalized and vulnerable groups;
- Adopt policies to promote cohesion in digital economy models;
- Develop frameworks for data privacy protection;
- Create a regional e-commerce agenda;
- Tax digital companies based on the criteria of territorial presence;
- Regulate FDI to protect economies from capital volatility;
- Respect and promote cultural diversity by including marginalized people's voices, content, languages and culture;
- Safeguard rights to privacy and personal data protection;
- Comply with local presence obligation and sector-specific regulatory frameworks;
- Create regulatory frameworks and mechanisms to encourage alternative platform models
- Provide digital public goods (payment systems, data sets, connectivity architectures);
- Create equitable and locally responsive models of platformization.

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Reference list

The information provided is based on: IT for change /2018 Policies for the Platform economy, current trends and future directions.