

STATEMENT ON BEHALF OF THE GROUP OF LEAST DEVELOPED COUNTRIES

DELIVERED BY MALAWI AS LDC COORDINATOR AT UNCTAD

68TH EXECUTIVE SESSION OF THE TRADE AND DEVELOPMENT BOARD

AGENDA ITEM 5 – CAPTURING VALUE IN THE DIGITAL ECONOMY

President of the Trade and Development Board Ambassador Michael Gaffe,

Secretary-General of UNCTAD Mukhisa Kituyi,

Excellencies,

Distinguished delegates,

Ladies and gentlemen,

Mr President, Malawi takes the floor on behalf of the LDCs. At the outset, the LDC Group would like to align itself with the statement delivered by the representative of Ecuador on behalf of the Group of 77 and China. The LDC Group welcomes the Digital Economy Report 2019 and its focus on “Value creation and capture: implications for developing countries” and would like to thank the UNCTAD secretariat and particularly the Division on Technology and Logistics for this report. The Digital Economy Report provides useful food for thought for our work towards the UNCTAD XV Conference next year.

The fast-evolving digital economy offers significant opportunities for development but also poses significant challenges that need to be tackled. The world’s poorest nations must not be left behind in this process.

The digitalization of all economic activities and sectors is a reality in today’s world economy, which affects everybody. All countries face challenges to adapt to this fast-evolving technological environment and adopt smart, forward-looking policies to fully participate and benefit from e-commerce and the digital economy. However,

LDCs are faced with their lower levels of preparation to tackle the emerging challenges and adapt to the new reality.

The digital divide in terms of connectivity remains an important concern that needs to be addressed, and the challenge is ever more difficult to achieve for the LDCs, where only one in five people uses the Internet as compared with four out of five in developed countries. Ensuring affordable and reliable connectivity, which is essential for creating and capturing value in the digital economy remains a major challenge in our countries.

Mr. President, access and infrastructure are not the only challenges that LDCs face. As many other countries, LDCs encounter insurmountable challenges related to the increasing role of data and digital platforms in the economy. For example, the capacity to harness digital data and the development of frontier technologies, LDCs lag significantly further behind.

The current trends in the digital economy result in strong market power of a few global digital platforms from a few countries. With this power, they can easily appropriate the benefits from digital data, which in turn leads to widening inequalities. The Report alerts of the risks for our countries to “become mere providers of data in their raw form”, while we will need to pay for the processed digital intelligence resulting from such data.

Reversing these trends and imbalances will require policymakers to step in at national and international levels to achieve an inclusive digital economy that leaves no one behind. Structural constraints facing LDCs tend to hamper the potential growth and development impacts of e-commerce and the digital economy. Their expansion in these countries is affected by several bottlenecks, including limited ongoing awareness and dialogue on the issue, weak infrastructure, low internet access in rural areas, costly access to fixed and mobile-broadband internet, weak legal and regulatory frameworks, scarce investment capital, unsuitable financial mechanisms and insufficient ICT and business development skills. Micro, small and

medium enterprises, which are central to development prospects, struggle particularly in LDCs to start-up and grow e-commerce and digital businesses.

It is important to enable LDCs to better understand what tailored policies should be devised to prepare for a digital future and to effectively expand e-commerce for inclusive development.

UNCTAD's Rapid eTrade Readiness Assessments can serve as a useful tool for LDCs by identifying areas for improvement and policy interventions that could help alleviate bottlenecks to seize the benefits from the digital economy. We are nevertheless concerned that insufficient resources continue to hamper the work of UNCTAD in this area. We called on our development partners to strengthen their support to UNCTAD in this area. We also call on the UNCTAD secretariat to explore cooperation with potential partners, such as the Technology Bank for the LDCs and, as appropriate, with the private sector.

While policymakers need to make efforts at the national level, for example by promoting digital entrepreneurship and skills development, the global reach of the digital economy also requires increased cooperation at the regional and international level. This includes regulation in different areas such as data privacy and protection, cross-border data flows, competition and taxation in the digital economy. It is essential for LDCs to fully participate in the international debates on these matters to ensure that the LDC perspective is properly taken into account

Mr. President, the LDCs are in need of the highest degree of attention from the international community, including when it comes to ensuring that the divide between them and other countries does not widen due to digitalization. Official development assistance is essential to boost the development of productive capacity for digitalization, particularly for LDCs. This support should include efforts to improve technological capabilities, including digital capacities, and knowledge about how the data-driven digital economy works.

It is critical that we continue our dialogue on digital economy issues, in order to increase our understanding of the new dynamics of the digital economy and its

implications for development, as well as the policies that should be devised to regulate its sustainable expansion, while making sure that digital inequalities do not grow. To this end, the LDC Group believes that discussions at UNCTAD, both at the Trade and Development Board and at the Intergovernmental Group of Experts on E-Commerce and the Digital Economy, must be part of the ongoing dialogues at the national, regional and international levels. Presently despite moratorium on E commerce in WTO discussions, the new and rapid expansion of cross-border E-commerce is impacting all countries and jurisdictions, so its management needs a globally innovative, inclusive, strategic and collaborative approach. It would be of interest if UNCTAD could extend its research work, to include tax authorities, postal authorities, finance, etc. with other relevant agencies and stakeholders to discuss the challenges and opportunities that this sector presents. For example, it has been noted that there has been significant increase in small parcels in most post offices handling items purchased using E commerce.

Policies related to data flows and data-related businesses are overseen by various ministries and agencies, and coordination is often minimal. This remains critical for Digital Economy to be fully taken on board and for the countries to benefit through unified approach of all concerned stakeholders.

Thank you.