



# Note

## An Overview of the WTO Work Programme on Electronic Commerce

By Julian Mukiibi and Terungwa Freda Agah

### Summary

Building primarily from the previous work published by CUTS International, Geneva, “Understanding E-Commerce Issues in Trade Agreements: A Development Perspective Towards MC11 and Beyond”, this note aims to re-introduce e-commerce, whilst stating its benefits/challenges and giving an overview of its decisions/evolution at certain World Trade Organization (WTO) Ministerial Conferences.

## Introduction

E-commerce can be understood in many contexts. However, the Organisation for Economic Co-operation and Development (OECD) states that “an e-commerce transaction is the sale or purchase of goods or services, conducted over computer networks by methods specifically designed for the purpose of receiving or placing of orders” (OECD, 2013:1). On the other hand, the work programme on e-commerce at the WTO established a more general definition of e-commerce, which “is understood to mean the production, distribution, marketing, sale or delivery of goods and services by electronic means” (WTO, 1998:1).

In society today, services and goods such as healthcare and grocery shopping are being purchased more and more online as millennials in developed countries are becoming more accustomed to procuring goods through e-commerce. Also, in developing countries and least developed countries (LDCs), online shopping is increasingly being used as the coverage of mobile networks continues to surge hence, increasing electronic accessibility to diverse markets. As a result, e-commerce plays a vital role in the economic growth of many countries and its influence will continue to grow especially in the coming years (Ebrahimi Darsinouei, 2016).

## Benefits of E-commerce

E-commerce is the most fundamental driver of the digital economy revolution and it has significantly increased trade in Global Value Chains (GVCs). Consequently, this growth has

given way for Micro, Small and Medium Enterprises (MSMEs) who normally hold a small share in the supply chain to be more involved in international trade (Ebrahimi Darsinouei, 2016).

The 2016 World Trade report stated that “97 percent of internet-enabled small businesses export”. Meaning that through e-commerce platforms such as e-Bay and Alibaba, MSMEs can access global advertisement networks and offer their products to buyers all over the world (WTO, 2016:14&29). Additionally, they also stand to benefit further as e-commerce can lead to an increased percentage in their demand and productivity.

On the other hand, consumers are also at an advantage as the growth of e-commerce means an increase in market competition, product/market diversity and transparency. Consequently, e-commerce also reduces the cost of trade for both traders and consumers as it directly lowers the speed of transactions, whilst ensuring a more direct/transparent means of communication between parties involved.

Likewise, firms in developing countries that offer commodities such as software and crafts also stand to benefit from e-commerce as they can note an increased demand from market channels. For small firms in developing countries, trading internationally essentially means that they have an advantage and a chance in decreasing their digital knowledge gap (The World Bank, 2001).

However, despite the benefits of e-commerce, its adaptation and usage in LDCs and developing countries continues to remain challenging.

## Challenges

Having access to the internet is the most fundamental implementation tool in the progress and usage of e-commerce. Since the start of the WTO Work Programme on e-commerce, developing countries and LDCs have been pushing for issues that go beyond market access, rules/regulation and facilitation. The issues of interest for these countries are noted as “enabling issues”. These are issues that can break down the barriers of e-commerce in developing countries and LDCs and encourage their participation in international trade if mitigated.

There exist numerous barriers that need to be addressed in order to decrease the digital divide in developing countries. Nonetheless, the prevalent challenges are infrastructure barriers (i.e. the lack of access to technology/equipment). For instance, the penetration of the internet is at 89% in North America whilst at 32% in Africa (Statista, 2017). The percentage of women using the internet is also lower than that of men. Thus, in LDCs, only one out of seven women uses the Internet compared to one out of five men.

There is also a lack of ICT skills (i.e. a gap in digital knowledge and a lack of understanding/knowledge of ICT). The high cost of accessing the internet, ICT equipment, networks and services is another major hindering factor as high internet expenses negatively impacts the decisions of individuals and businesses to use e-commerce. Furthermore, there is no security and trust factor on payment methods and the ambiguity of legal frameworks essentially means that traders/consumers are not constitutionally protected (Lawrence and Tar, 2010).

Access to data plays a principal role in e-commerce market competition. Issues such as the flow of data, its localization and protection can negatively influence competition, particularly for MSMEs. For instance, the algorithms of search engines such as Google and Baidu do not list small businesses in their top searches as their data collection is based predominantly on popular searches by consumers. This fundamentally means that large companies continue to enjoy greater online visibility, whilst smaller or new businesses face invisibility, which hinders their growth and engagement with e-commerce.

Other challenges of e-commerce and related issues in many developing countries include the poor/unreliable supply of electricity, poor telecommunication networks, a lack of broadband Internet availability etc., which are all contributing to widening the digital divide and hindering e-commerce adaptation (Lawrence and Tar, 2010).

## E-Commerce at the WTO

E-Commerce has been a subject of discussion at the WTO, and the work done in that regard is briefly discussed:

At the Eighth WTO Ministerial Conference, the Ministerial decision on e-commerce directed the “General Council to emphasize and reinvigorate the development dimension in the Work Programme particularly through the Committee on Trade and Development (CTD) to examine and monitor development-related issues such as technical assistance, capacity building, and the facilitation of access to electronic commerce by micro, small and

medium-sized enterprises, including small producers and suppliers, of developing countries and particularly of least-developed country Members” (WTO,2011:1). Under this mandate, a workshop was held, which highlighted the relationship between e-commerce, customs clearance issues, trade facilitation and aid for trade. It was also emphasized that there is need for government officials from developing countries and LDCs to become more aware of the challenges and opportunities of e-commerce as it is vital in assisting SMEs access to domestic and international markets.

On the other hand, the workshop also underlined challenges, which are seen to be principle barriers to e-commerce adaptation. In this regard, discussions focused on the importance to upgrade power grids in order alleviate the lack of steady supplies of electricity. Other problems to tackle included issues to do with the physical delivery of products bought online and the overall lack of electronic payment systems in developing countries at the time. In effect, the ultimate message was the need for an entrepreneurial spirit to exist in order to mitigate the problem and challenges of e-commerce (WTO,2013b).

Subsequently, after the WTO’s 10<sup>th</sup> Ministerial Conference, the discussions around e-commerce intensified and Members had a much clearer stand at the WTO. The Ministerial Decision “emphasised the need to continue the work under the Work Programme on e-commerce, which would be reviewed by the General Council in its sessions of July/December 2016 and July 2017, and report to the next session of the Ministerial Conference. It was also agreed that members should maintain

the practice of not imposing customs duties on electronic transmissions” (WTO, 2015:1).

In the drive towards the 11<sup>th</sup> Ministerial Conference of 2017, certain WTO members wanted e-commerce to become a high priority agenda in the WTO. Nevertheless, most LDCs and developing countries opposed such a position and instead favoured a focus on the unresolved issues of the Doha Development Agenda (DDA) and also held the view that discussions on e-commerce should be held within the existing mandate of the Electronic Commerce Work Programme. In addition, a third group took a middle ground approach preferring instead to promote a focused discussion on e-commerce, whilst prioritizing the issues of developing countries. Commonly known as the Friends of E-Commerce for Development (FEDs), this groups consisted of Argentina, Chile, Colombia, Costa Rica, Kenya, Mexico, Nigeria, Pakistan, Sri Lanka, Uruguay, and China (ICTSD, 2017).

At the 11<sup>th</sup> WTO Ministerial Conference of 2017, many countries called for the promotion of the developmental aspect of digital commerce. For instance, the role of e-commerce in fostering agriculture and rural development was emphasised. Hence, the principal areas for e-commerce discussions at MC11 focused on regulatory frameworks on open markets, facilitation of e-commerce, and transparency.

Open markets would include liberalization, data flows and data localization. These were mostly called upon by developed countries as they wanted the extension of the moratorium of customs duties, the free movement of data, as it is seen to be a principal growth for e-commerce and a look into the damaging effect of data localization on trade.

The Facilitation of E-Commerce would involve the implementation of the Trade Facilitation Agreement (TFA) and the advancement of paperless trade, which was pushed by many countries as this would positively impact on all categories of trade, including e-commerce.

With regard to transparency, numerous Members called for an improved system of which essentially transmits to the publishing of measures, which are adopted by Members on digital commerce (DiploFoundation, 2017).

## Post-MC11 guidance

Many of the discussions in the run-up to MC11 focused on strengthening the substance and institutional framework of the current WTO Work Programme on e-commerce. As such, the WTO Ministerial decision of 13 December 2017 is to “continue the work under the Work Programme on Electronic Commerce, endeavour to reinvigorate our work and instruct the General Council to hold periodic reviews in its sessions of July and December 2018 and July 2019 based on the reports submitted by the relevant WTO bodies and report to the next session of the Ministerial Conference. It was also decided to maintain the current practice of not imposing customs duties on electronic transmissions until the next session which will be held in 2019” (WTO, 2017:1).

## Conclusion

It is generally agreed that e-commerce is extremely important for the advancement of trade and development. Platforms, which are based on the internet can support all types of businesses across the world and have the potential to enhance developing countries and LDCs’ capacity to access major markets, whilst also expanding their product reach across local borders. However, the digital divide has created numerous challenges for developing countries and LDCs such as poor technology transfers, poor ICT skills, the lack of proper ICT infrastructures etc. All in all, these challenges would have to be catered for in the deliberations and work programme of e-commerce, if the interests of developing countries and LDC were taken on board (Ebrahimi Darsinouei, 2016).

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37-39, Rue de Vermont, 1202 Geneva, Switzerland

geneva@cuts.org • www.cuts-geneva.org

Ph: +41 (0) 22 734 60 80 | Fax:+41 (0) 22 734 39 14 | Skype: cuts.grc