



WORK PROGRAMME ON ELECTRONIC COMMERCE

REPORT OF PANEL DISCUSSION ON "DIGITAL INDUSTRIAL POLICY AND DEVELOPMENT"

Communication from the African Group

The following communication, dated 20 July 2017, is being circulated at the request of the delegation of Rwanda.

1.1. The African Group organized a Panel Discussion entitled "Digital Industrial Policy and Development" for all WTO Members on 29 June 2017, in Room W. Specific topics for discussion included scoping the digital divide, industrial policy and catching-up in the digital economy, as well as perspectives on the importance of digital rights.

1.2. The Panel Discussion set out the depth of the challenges facing developing countries, regarding the digital divide, particularly for those Members striving to industrialize.

1.3. At this Panel Discussion, it became apparent that as much as a digital transformation is underway, and that digital technologies and specific technical solutions are emerging, many of these will seriously disrupt economies around the world. While the world is getting more connected, international bandwidth is unequally distributed and that most developing and least developed countries continue to lag far behind. According to the ITU, more than half of the world's population is not using the Internet, notably 75% of people in Africa.

1.4. The world is confronted with the reality of a deep, persistent and widening digital divide. If this is not addressed, it will drive further technology, income and infrastructural divides. The Panel Discussion also highlighted the extremely high market concentration levels existing in the current global e-commerce space - evident both in terms of how e-commerce trade is distributed across the global economy, and in terms of the number of firms that dominate this space, notably in terms of market capitalization.

1.5. Developing countries need to look beyond the possible benefits of digital solutions, and to start assessing the impact that the lack of digital and technological capabilities would have in cementing and widening the technology divide.

1.6. The Panel Discussion was also framed to identify the types of national measures that some Members have employed to build their national capabilities and to place them in positions of leadership in global e-commerce today. We have learned that while Members paths towards achieving global leadership in the digital economy have not been identical, they do require active policies and deliberate efforts to develop the necessary infrastructure and to manage digital flows that enable national digital catch-up.

1.7. Another lesson is that digital integration needs to be preceded by building national capabilities through what may be termed digital industrial policy. Even though there is no single, theoretical policy or approach that can be prescribed, the conclusion drawn is that Members' have used the policy space to create, nurture, and develop their domestic industries, either through "smart industrial policy tools" or "powerful protectionist tools" that nurture this development. For

instance, it was highlighted that some countries have used policy tools such as data localization requirements, internet filtering, and technology transfer requirements (i.e. disclosure of source code) to promote domestic digital firms and allow them to catch-up with the leading multinational firms.

1.8. It was noted that attempts to introduce a "digital trade agenda" in the WTO multilateral framework will constrain the ability of governments to implement industrial policy and catch-up. Hence, in the long-term, trading developmental policy space in this area could pose a serious threat for developing countries, and attempts to curtail this policy space would prevent developing countries from building the capacities, and skills to close the widening technological gap.

1.9. What also emerged at the Panel Discussion is the importance of digital rights, in particular "data". Data has been described as the raw material of the digital economy; it is the "new oil" of the future. There is value embedded in the control, management, and flow of data, and the way developing countries treat it will determine which development path they take in the digital age. For instance, it was highlighted that currently, citizens' data is being given away for free, and this data is being used for the commercial benefit of the largest digital firms. Developing countries must therefore start thinking of how to also use this raw material for their own economic advantage.

1.10. Another lesson drawn from the Panel Discussion is that a balance must be sought on the international agenda on issues pertaining to electronic commerce, Internet governance and ICT policy. In other words, the role of the WTO should be carefully examined *vis-à-vis* the role of many other international organizations that bear responsibility, competence and policy authority over certain issues being proposed for WTO oversight. These issues include, and are not limited to spam, e-authentication, e-signatures, and consumer protection.

1.11. In conclusion, the Panel Discussion emphasized that:

- The digital divide is not getting smaller, and is in fact likely to persist;
 - Policy space is paramount for Members who want to develop their digital industrial policy;
 - A thorough assessment is required, particularly for developing countries, to assess the opportunities and threats that digital transformation will bring;
 - The asymmetrical nature in the global digital economy points to a need to focus on equity and not only efficiency if inclusive and sustainable growth is to be achieved;
 - The implications of the Fourth Industrial Revolution will be far-reaching, and it is critical to consider all policy options for countries that are striving to industrialize.
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