
E-Commerce Policies: Learning from Developing Countries

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UNCTAD's Platform for Policy Sharing

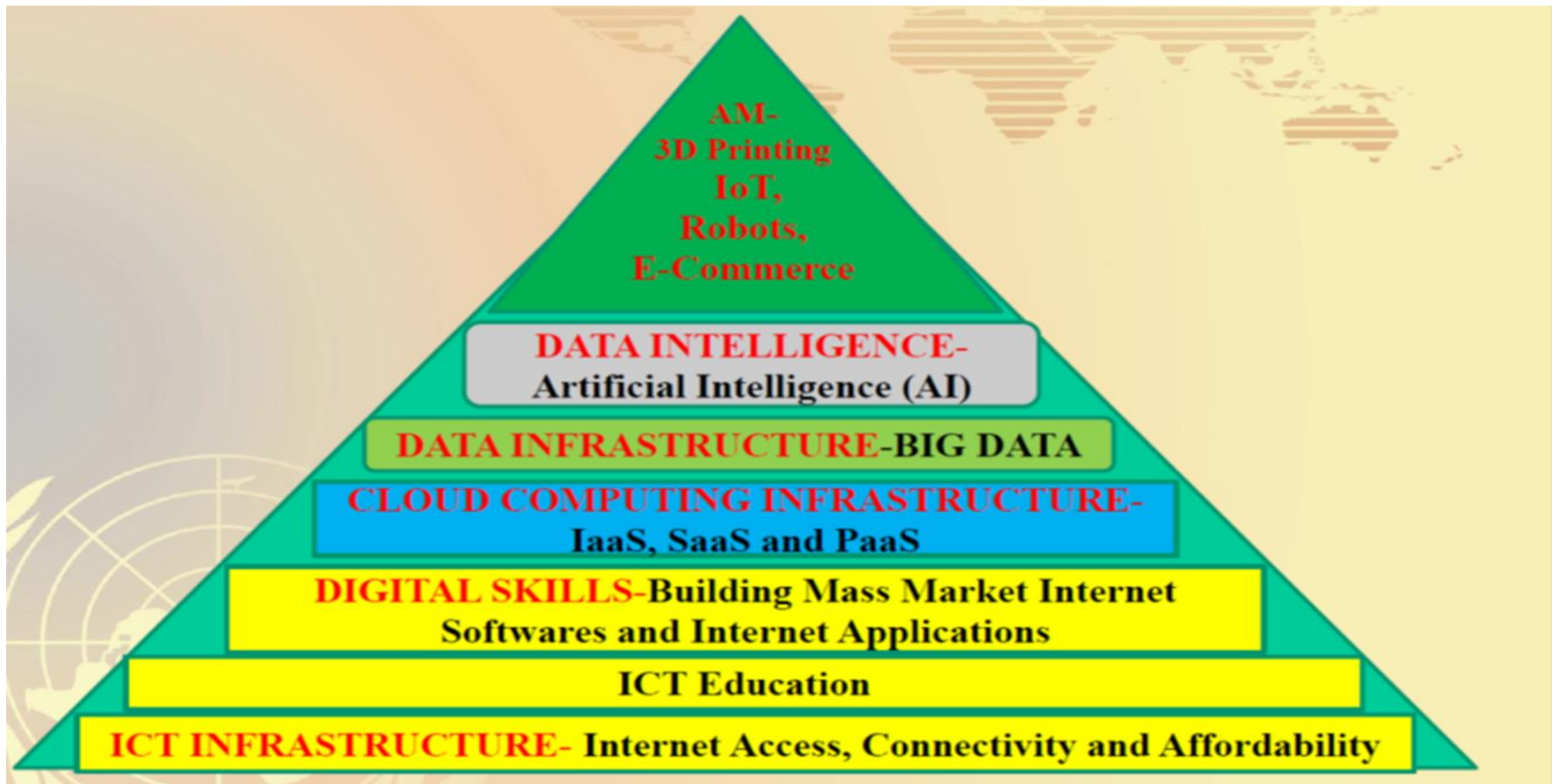
- The platform shares policy experiences of developing countries in their structural transformation. Areas of focus include macro-finance; digital economy; trade and industry; and debt sustainability. Policy experiences in these areas of many countries are available including Ethiopia, China, Indonesia, Malaysia, Sri Lanka and South Africa.
- <https://unctad.org/topic/south-south-cooperation/bri-platform>
- Digital transformation is one of the focused areas where many developing, least developed countries and SIDS have initiated their national policies, strategies and plans.
- Peer learning can help the Global South



Sharing Experiences on Digital Transformation

❖ China is one of the developing countries which has been able to successfully transform itself from an agrarian economy to an assembly hub and then a global manufacturing hub and now a digital leader.

- China's Digital transformation Strategy
- China's E-Commerce Policy and Digital Platforms
- China's digital start-up Policies
- Successful Data Protection Policies of Developed and developing countries
- Sri Lanka's Digital Transformation Efforts
- Indonesia's Digital Start-Up Policies
- UNCTAD's Regional Digital Cooperation Agenda



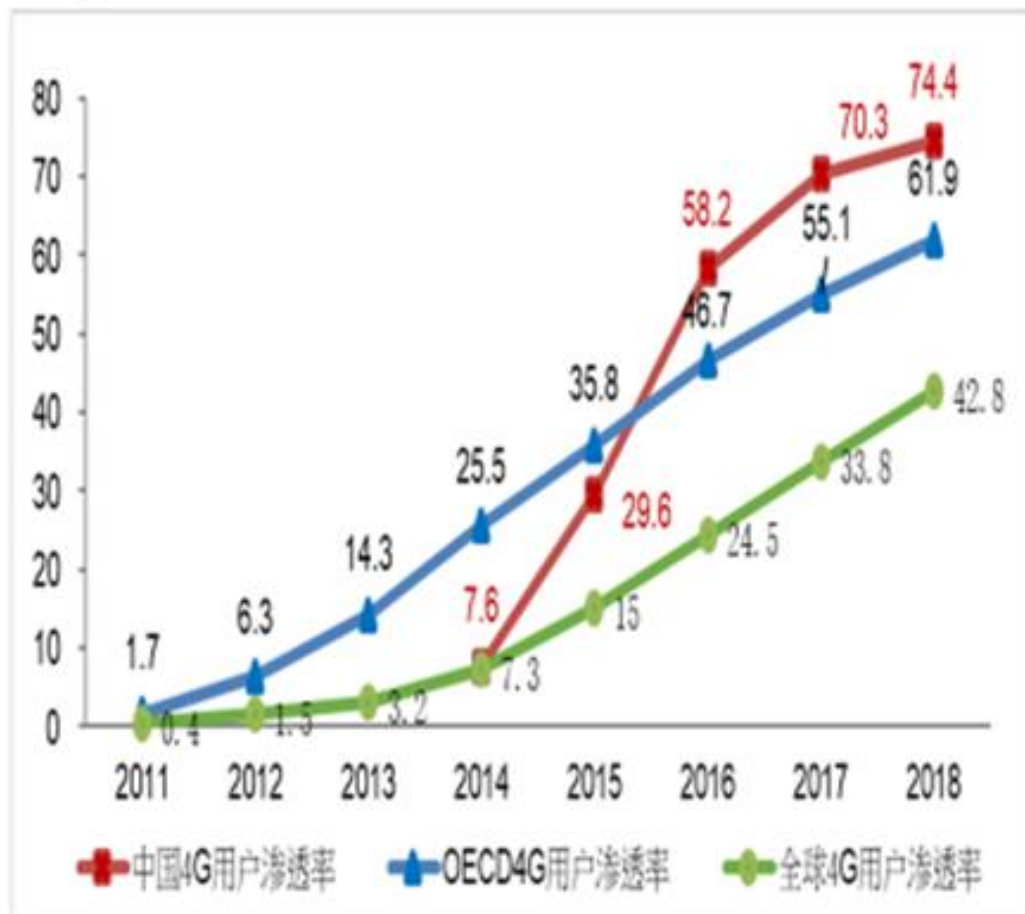
Digital Infrastructure is multilayered

China's Efforts in Building Digital Infrastructure

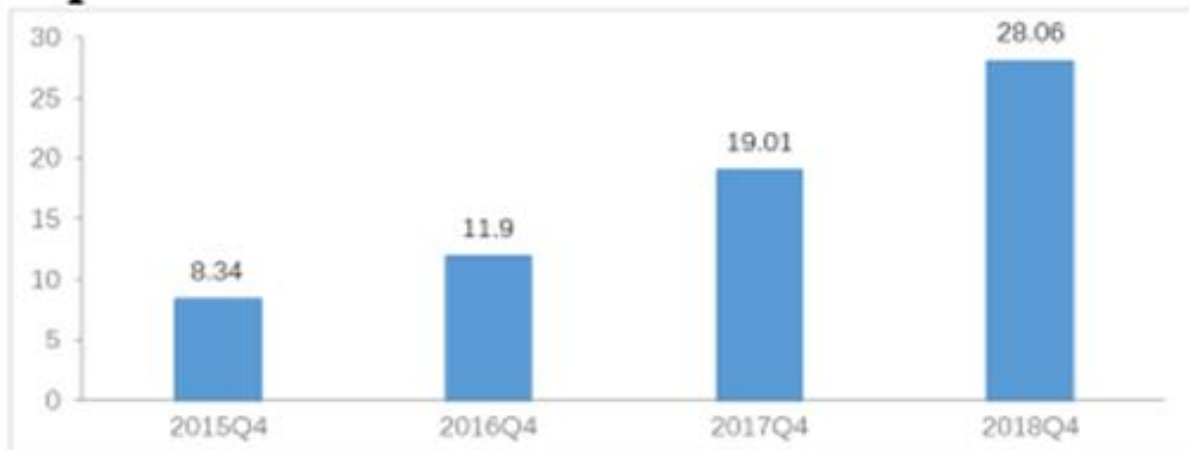
- **Build Cloud Computing Infrastructure**
- **Strengthening Broadband Infrastructure**
- **Build Smart Cities**
- **Promote E-Governance**
- **Invest in Digital Innovations and Technologies**
- **Invest in Digital Start-Ups**
- **Invest in building E-Commerce Platforms**



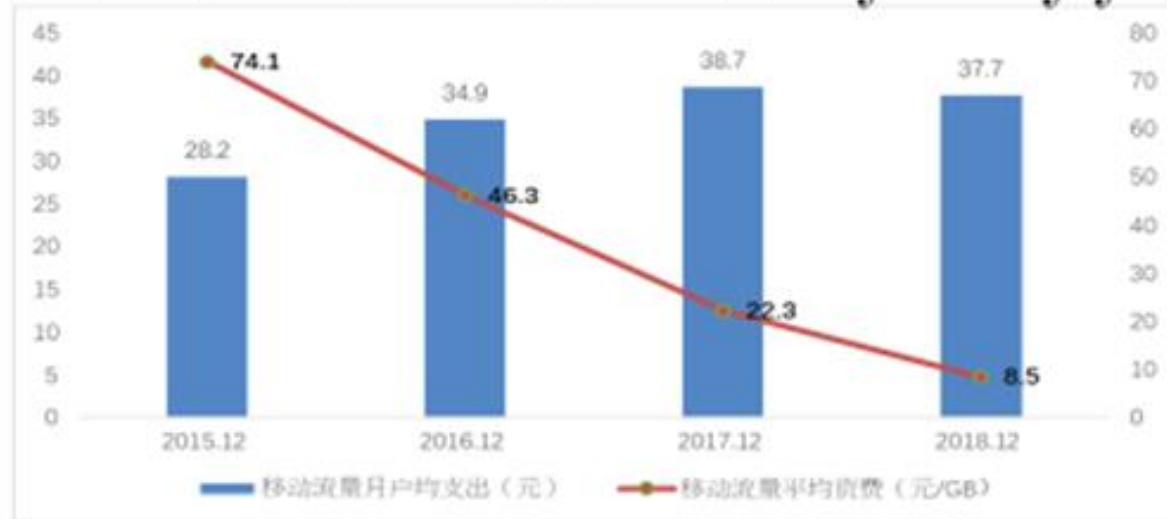
Rapid growth of broadband penetration



Speed of fixed broadband in China

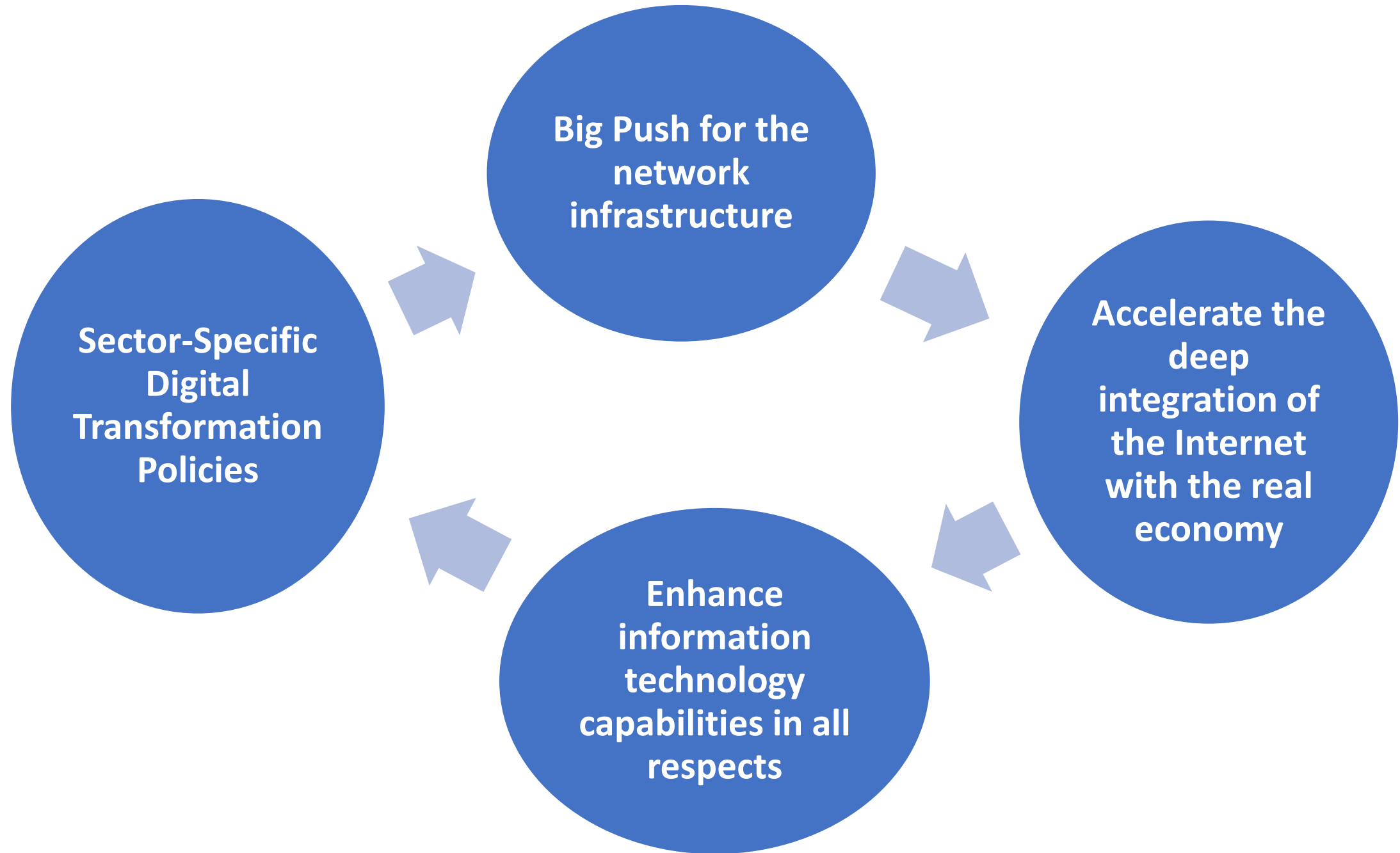


Decline of broadband tariffs year by year



Average monthly household expenditure on mobile data (¥)

Average mobile data tariff (¥/GB)



China's Data Governance Policies and Regulations

- China has put in place a legal system for its data protection, including the *Criminal Law*, *General Principles of Civil Law*, *Cyber Security Law*, *E-commerce Law*, *Law on the Protection of Consumer Rights and Interests*, and *Regulations on the Protection of Personal Information of Telecommunications and Internet Users*.
- -----Maintain data security
- **The *Cyber Security Law*** stipulated that the **personal information and important data** collected and generated in domestic operations of critical information infrastructure operators **shall be stored within China's territory**, and where such data are transferred across borders for business needs, security assessments shall be conducted.

Data Localisation- **China attaches importance to national data sovereignty**

- Data generated by important fields involving national security and public interest are also required to be stored in China. For example:
- —The *Regulations on the Administration of Credit Investigation* provided that the collection, **storage, and processing** of information collected by credit investigation agencies within China shall be **conducted within China's territory**;
- —The *Regulations on Map Management* required Internet map service agencies to set up servers for map data storage in China's territory and develop data security management systems and safeguard measures for Internet maps.

Develop E-Commerce Platforms like Alibaba

- **Rise of Alibaba:** Founded in June **1999**, Alibaba started as an online B2B marketplace to assist small and medium-size Chinese enterprises to find oversea trading partners, and then gradually expanded to C2C and B2C online retailing markets.
- **In 2019**, Alibaba Group contains the B2B, B2C, and C2C online retailing platforms, has established its own payment and credit system, built its logistics systems with some partners, and provides cloud computing and big data consulting services.
- **Alibaba faced competition from eBay in C2C and Amazon in B2C in China in 2003 and 2004 respectively.**
- **eBay shut its site in China in 2006; after years of struggling, Amazon announced to close its marketplace in China in 2019,**

Digital payment as the trust-building mechanism for E-commerce

- the biggest challenge Alibaba faced was the serious trust issue between sellers and buyers.
- To address such trust issue, in 2004 Alibaba introduced the **Alipay**, an innovative way of digital payment. Alipay creates an escrow account to eliminate the settlement risk. When buyers submitted their payments, the money went to the Alipay escrow account and not directly to the sellers. After the buyers received the products and found the products satisfactory, they asked Alipay to release the money to the sellers.
- This is different from the direct payment method offered. Buyers on eBay submitted their payment via Paypal directly to the sellers, which could not address the trust issue in online transactions.
- With the development of mobile internet, Alibaba promoted Alipay mobile payment with its QR code payment method heavily to offline merchants ranging through supermarkets, restaurants to taxis drivers and theme parks.

Data analytics and infrastructure as the key drivers of the business

- From the very beginning, data analytics has been the key driver of Alibaba's business
- Alibaba launched **Ali Wangwang instant message** service to allow buyers to interact with sellers directly.
- Unlike eBay's commission based business model, Alibaba did not charge listing fees and commission for sellers. Its revenue was mainly from data-driven search keyword auction for sellers.
- With millions of users' transaction data and trillion RMB of transaction on Alipay accounts, Alibaba started to launch AliLoan microfinance service in 2010.

- in 2013, **Alibaba founded Cainiao Logistics** (Cainiao) jointly with five leading logistics companies in China.
- It is a **data-driven intelligent logistic service**, to handle inventory and parcel deliveries for millions of third-party merchants on Alibaba.
- By analyzing the data from orders to every single step of the logistics value chain, Cainiao significantly increases the efficiency for logistics firms and improved users' shopping experiences on Alibaba.
- **Alibaba launched its cloud computing service, Alibaba Cloud**, in 2009. It is now the No.1 cloud service provider in China and No.3 in the world, only after Amazon's AWS and Microsoft's Azure
- **Alibaba's case shows that data analytics and infrastructure is the key driver of E-commerce business**
- There exists a strong network effect in the E-commerce market and digital economy in general.

China's Cross-Border E-Commerce Policies-Exports

- In terms of import and export ratio, **China's CBEC accounted for 83% of exports and 17% of imports**
- The government continued its encouraging attitude, increased its support for the industry, created a favorable tax policy environment, and encouraged social capital to invest in the platform exports.

China's Cross-Border E-Commerce Policies-Imports

- On April 8, 2016, tax policies for retailing import of CBEC was implemented, and the postal tax policy was adjusted at the same time.
- Then, a positive list of CBEC retail imports was further released for overseas shopping.
- On March 17, 2017, the Ministry of Commerce made it clear that **CBEC retail imports will be regulated in terms of personal items.**

Next 100 Alibabas

- To encourage the emergence of more entrepreneurs, **a national mass entrepreneurship and innovation campaign** has been launched to promote the **top-down culture shift**.
- This culture attracts unprecedented amount of talents from big companies, overseas and college and venture capital funds to build next Alibaba.
- The total Chinese venture capital funds skyrocketed from around 3 billion USD in 2013 to 12 billion USD in 2014, and 26 billion USD in 2015 and \$43 billion in 2023.

Important Learning from China-*Data is the key resource of digital economy and Data Centres are the new factories*

- Small, distributed data centers, **called edge data centers**, are being deployed to provide hyper-local storage and processing capacity at the edge of the network.
- Eco friendly Data Centres **using renewable energy**

Countries are securing their Data

- **China's CyberSecurity Law** is broad legislation that includes provisions around storing data locally, having joint venture partners, and source code sharing provisions;

- **India's Draft E-Commerce Policy;**

- **South Africa's Draft Digital Industrial Policy**

- **Rwanda's 'Data Revolution Policy'**

= based on the principle of national data sovereignty whereby Rwanda retains exclusive sovereign rights and power on its national data.

- **EU General Data Protection Regulation** (Personal data may only be transferred to third countries if that country provides an adequate level of protection)

- **Indonesia's Draft Data Protection Law**

Sri Lanka's Digital Transformation

- *Sri Lanka has identified ‘Building a Technology based society’ a key national initiative in its National Policy Framework (NPF) adopted in December 2019*
- **Measuring Digital Economy**
- **Setting up of a Ministry responsible for Digital Transformation-ICTA**
- **Comprehensive National Digital Policy with clear short-term; medium-term; and long terms goals**
- **Assessing the existing digital transformation capabilities**
- **Identifying Key Enablers**
 - *Digital Government*
 - *Enabling Legal Environment*



Measuring Sri Lanka's Digital Economy size

	Component	Size in LKR million	Size in USD millions(Taking 1 USD = 200 LKR)	Percentage of GDP	Original Source
1	ICT equipment and semiconductors industry	162,800 ¹	814	1.01%	SLEDB, 2019
2	Telecommunication and Internet access services	192,000 ²	960	1.19%	Central Bank of Sri Lanka, 2021
3	Data processing, software and other information services	291,000 ³	1455	1.80%	Central Bank of Sri Lanka, 2021
4	Online platforms, including e-commerce platforms	60,000 ⁴	300	0.37%	Daily News, 2019
5	Platform-enabled services, (e.g., the "sharing economy") ⁵	-	-	-	-
	Total	693,800	3,469	4.37%	

National Policy Framework: Sri Lanka

- Four Strategies for Establishing a Technology-Based Society (Smart Nation)

I. Establish Sri Lanka as a Global Innovation Hub:

II. Set up a Citizen-Centric Digital Government for the convenience of citizens:

III. Establish Digitally Inclusive Sri Lanka

IV. Promote IT Entrepreneurship:

❑ Sri Lanka is in the process of drafting a **Data Protection legislation**. The Draft Bill aims to impose several obligations on those who collect and process personal data of Sri Lanka's citizens.

❑ Draft Bill has included many lessons from EU General Data Protection Regulation and laws enacted in other jurisdictions such as United Kingdom, Singapore, Australia and Mauritius, Laws enacted in the State of California as well as the Indian Data Protection Bill.

Proposed Digital Rules around Cross-Border Data Flows

- **No member shall prohibit/ restrict/prevent the cross-border transfer of information.**
- Data can be both personal data (identifiable) or non-personal data (non-identifiable). **Non-personal data are as important to protect as personal data**
- Latest research shows that by using reverse engineering and machine learning **non-identifiable data can re-identify individuals i.e., non-personal data can be converted into personal data.**
- *Nature Communications, 2019-* 99.98 per cent of Americans were correctly re-identified in available 'anonymized' dataset.

China's Digital Start-Up Policy:

Shenzhen: 1978 v.s. today



Indonesia's Start-Up

Indonesia's start-up investment has grown 68 times in past five years.

A joint report by Google and AT Kearney, highlights four areas to accelerate the growth of the start-up ecosystem in Indonesia :

- **Talent development**
 - **Fiscal incentives**
 - **Funding and exit options**
 - **Start-up facilitation**
-

Indonesia's Start-Up

The Jakarta government (DKI) has introduced a series of incentives enabling SMEs “to go digital”

- Enabling SMEs to “go digital” by improving connectivity
 - Reduction of the income tax rate to 0.5 percent for taxpayers with a gross circulation of not more than 4.8 billion rupiah a year
 - Relaxation of import facility for export purpose (KITE) for small and medium industries
 - Improving MSMEs’ access to microcredit schemes such as the Kredit Usaha Rakyat (KUR) and Ultra Micro financing (UMi) programs
 - Improving MSMEs’ access to revolving funds managed by various public service agencies (BLU)
 - Providing coaching and mentoring for MSMEs (Budiarso, 2020).
 - Acknowledging the need for intergovernmental, sectorial, industry and bilateral cohesion as critical components that need to be addressed for any policy, funding or training initiative to be effective in helping SMEs despite COVID-19.
-

Priority Policies for Indonesia

- 01** Upgrading the **ICT skills** possessed by the workforce through the adaptation of tech-related aptitude in education curriculum.
- 02** Providing **ICT infrastructure** and enabling environment especially in disadvantaged areas.
- 03** Accelerate the legislation process of the **Personal Data Protection (PDP)** Bill to ensure the security of consumer privacy and e-commerce transactions.
- 04** Create a comprehensive **framework and cooperation among government institutions** such as the Ministry of Finance, the Ministry of Information and Communications, and the Financial Services Authority.

Digital Industrialization- *Way Forward for Developing Countries:*

- Build ICT and Broadband infrastructure
- Build Data Infrastructure through Devising National Data Regulatory Policies
- Build Data Centers for learning processing of Data
- Build Digital Skills and competencies
- Harness digital start-ups through Digital Innovation Hubs
- Build and protect National E-Commerce Platforms and *Regulate super digital platforms*
- *Protect Policy Space- WTO Moratorium on E-Commerce*



WTO Moratorium on E-Commerce

No Customs duties on Electronic Transmissions

In 1998, based on the proposal of USA (WT/GC/W/78), WTO Members agreed for the first time to a **temporary** two-year moratorium on customs duties on electronic transmissions, without specifying what is included in the category of electronic transmissions and thereby the scope of the moratorium.

Work program on E-Commerce was initiated in 1998 to discuss the definition of Electronic transmissions and the scope of the Moratorium along with its impact. The Moratorium was therefore “temporary” in nature till there was more clarity on these issues. Even after more than 20 years, there is still no clarity.

Scope of the Moratorium?

- **Digitalized Goods**- five broad categories: Photographic and cinematographic films, Printed matter, Sound & Media, Software and Video games.
- **Anything transmitted electronically**-“While no specific definition of "electronic transmissions" is attached to the relevant ministerial decisions, it is commonly understood to cover anything transmitted by telecommunications, including over the internet, and from emails and software to digital music, blueprints, movies, and video games.” WT/GC/W/889
- **Electronic Transmissions without content** -"In regards to the discussion on the moratorium on customs duties on electronic transmissions, it is our understanding that such moratorium shall not apply to electronically transmitted goods and services. In other words, the extension of the moratorium applies only to the electronic transmissions and not to products or contents which are submitted electronically”



If the Scope of the Moratorium is limited to ‘intangible goods’

- **Major gainers of the Moratorium with narrow scope i.e., on customs duties on ‘intangible goods’ are the digital giants like Apple and Amazon.** Apple’s market value is greater than GDP of 82% countries in the world and most of the EU Member States.
- **Removal of the Moratorium will help to track the sales and profits of these digital giants and check their exponentially rising profits while providing a policy tool to the governments to check the imports of luxury items like video games, especially at the times of crisis.**
- **Removal of Moratorium will help provide level playing field to SMEs in the developing and developed countries as well globally, who export tangible goods.** If SMEs who export tangible goods like cheese, wine and cars face customs duties as well as internal taxes, there is no reason why exporters of intangible goods, which are mainly digital platforms, exporting movies and video games should be given a preferential treatment.



- If digitally delivered services are included in the scope of the Moratorium, then developing and least developed countries **will not be able to regulate the imports of these services.**
- Developing countries will **lose their GATS flexibilities.**
- **With growing Artificial Intelligence, not sure what is being transmitted electronically!!**
- **Implications on their overall employment** needs to be considered. The digitally delivered services will include all business services, legal, architectural, education, medical, etc.

3D Printing and Future ET: *Implications For Digital Industrialization*

- The use of 3D printing is no longer a niche area in international trade
- It is predicted that with the current growth in investments in 3D printing, 50% of the manufactured products will be printed in 2060, which will wipe out 40% of cross-border trade.
- A core resource for 3D printing is computer-aided designs or CAD files which are transmitted electronically.
- With latest technology, namely high-speed sintering, mass production is becoming possible with 3D printers where mass-producing up to 100,000 (smaller) components in a day will be possible at a speed which is 100 times faster!

□ Indonesia's HS Chapter 99

Developing Countries need Regional Support to Digitally Advance

- **UNCTAD's 10-point Regional Digital Cooperation Agenda (UNCTAD 2018)**
 - ✓ **Building a Regional Data Economy and Data Centres.**
 - ✓ **Building Regional Cloud Computing Infrastructure**
 - ✓ **Strengthening Regional Broadband Infrastructure**
 - ✓ **Promoting E-Commerce in the Region**
 - ✓ **Promoting Regional Digital Payments**
 - ✓ **Progressing on Single Digital Market in the Region.**
 - ✓ **Sharing Experiences on E-Government.**
 - ✓ **Forging partnerships for building Smart Cities**
 - ✓ **Promoting Digital Innovations and Technologies**
 - ✓ **Building Statistics for measuring Digitization**



Conclusions

- Many business models of the digital economy are unique to the emerging markets, and the **regulations from the western world are not necessarily good examples to follow.**
- Digital economy needs to be built on some **necessary supporting digital infrastructures**, which were developed from the industrialization process
- **Data is the key product factor** of the digital economy, the policy makers need to design different policies to build strong digital infrastructure to create the data resource
- It is very important for the policy makers to **encourage innovation** and experimentation by local entrepreneurs.
- Necessary to **preserve policy space** in trade agreements

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