

TEN “QUICK WINS” FOR Digital Trade



TRADE
EXPERTETTES



TEN “QUICK WINS” FOR Digital Trade

This report outlines ten deliverables that can be implemented to advance digital trade. It includes actions that countries can take on their own, as well as areas that can benefit from international cooperation.

To read more trade policy analysis from our global network, please visit www.tradeexpertes.org.

21 SEPTEMBER, 2022

Contributors to this report are members of the TradeExpertes global network. The views and opinions expressed in this report are solely those of the original authors and contributors. These views and opinions do not necessarily represent those of TradeExpertes, the TradeExpertes editorial team and/or all contributors to the report.

Design and layout by [Roshni Ashar](#)

Contributors

- **MARÍA VICTORIA BRUNO**, *Independent Lawyer and Consultant in International Trade, Program Leader, TradeExperettes Talks and Host, TradeExperettes Confidentials*
- **MARTINA F. FERRACANE**, *Research Fellow, Robert Schuman Center for Advanced Studies, European University Institute*
- **MARÍA BELÉN GRACIA**, *International Trade Lawyer and Consultant, Associate Editor, TradeExperettes Blog, Executive Producer, TradeExperettes Podcast*
- **JOHANNA HILL**, *Partner, CA Trade Consulting Group, Director of Outreach, TradeExperettes*
- **STEPHANIE HONEY**, *Managing Director, Honey Consulting Ltd, Executive Board, TradeExperettes*
- **EUNICE HUANG**, *Head of Asia-Pacific Trade Policy, Google*
- **ANNA JANKOWSKA-ERIKSSON**, *Market Analyst, ITC*
- **MARION JANSEN**, *Trade and Agriculture Directorate, Organisation for Economic Co-operation and Development (OECD)*
- **BARBARA KOTSCHWAR**, *Executive Director, Visa Economic Empowerment Institute*
- **PENELOPE NAAS**, *President, International Public Affairs and Sustainability, UPS*
- **HANNA NORBERG**, *Founder and President, TradeExperettes*
- **JULIA PARK**, *Fellow, Digital Trade, World Economic Forum*
- **AMGAD SHEHATA**, *VP, International Public Affairs, UPS*
- **MARTA SOPRANA**, *Fellow in IPE, London School of Economics (LSE), Mentoring Programme Co-Leader, TradeExperettes*
- **MAYRA SOUZA**, *Global Trade Director, IFF*
- **YAN XIAO**, *Project Lead, Digital Trade, World Economic Forum*

Ten “Quick Wins” for Digital Trade

QUICK WIN NO. 1

Adopt a holistic, responsive, and agile approach to realize the full potential of digital trade

QUICK WIN NO. 2

Promote the use of international standards in digital trade

QUICK WIN NO. 3

Adopt a commitment to promote financial inclusion and to endorse internationally accepted payment standards to enable greater interoperability

QUICK WIN NO. 4

Foster a predictable regulatory environment for data flows

QUICK WIN NO. 5

Promote a regulatory environment that fosters consumer trust in digital trade

QUICK WIN NO. 6

Craft digital trade rules that are sensitive to the needs of SMEs

QUICK WIN NO. 7

Simplify and digitize border processes to improve SME access to e-commerce

QUICK WIN NO. 8

Apply a gender lens to the discussions under the Joint Statement Initiative on E-commerce

QUICK WIN NO. 9

Provide equitable and accessible capacity building to ensure that developing economies, SMEs and women can benefit from growing e-commerce opportunities

QUICK WIN NO. 10

Increase transparency and engagement with non-governmental actors in the WTO E-commerce negotiations

Foreword

In June 2022, members of the World Trade Organization (WTO) left the 12th Ministerial Conference (MC12) in Geneva with a sense of achievement, possibility, and hope. This was not a guaranteed outcome. In fact, going into the meetings, there was an air of trepidation and skepticism following years of trade disruptions and turmoil created by the WTO's Appellate Body crisis. Despite this, members descended upon Geneva with their sleeves rolled up and got to work.

A six-day marathon of negotiations produced a result that reflected the willingness of members to strike a compromise to reach tangible outcomes. Members [reaffirmed](#) the "critical role of international trade and the WTO in global economic recovery, growth, prosperity, alleviation of poverty, welfare of all people, sustainable development and to facilitate cooperation in relation to the protection and preservation of the environment." With several ministerial declarations and decisions, MC12 reinvigorated negotiations, and, for the first time in many years, saw members rally toward a common goal.

Importantly, members agreed to intensify discussions on the moratorium on e-commerce duties. While the moratorium will stay in place until the next ministerial, a long-term solution will be needed to avoid the tension that arises each time it comes up for renewal. However, discussions on the moratorium should prompt a broader dialogue about the importance of digital trade to the modern global economy. Members should not miss the opportunity to advance negotiations on digital trade more broadly. In fact, doing so would not only be in line with the spirit of MC12 outcomes, but also with the theme of this year's [public forum](#) — "Towards a sustainable and inclusive recovery: ambition to action."

The COVID-19 pandemic underscored the importance of digital connectivity for both economic and social life, but also exposed the digital divide among developed and developing countries, as well as between genders. Developing countries face slower growth rates that hover below pre-pandemic levels. The [gendered effects](#) of the COVID-19 pandemic and the disproportionate economic effects on women cannot be ignored. Women experienced higher job-losses than men, with a 4.2% reduction in employment compared to a 3% reduction for men. And even in wealthy countries, like the United States, women have [trailed behind](#) in job recovery.

Closing these gaps is essential to increasing digital trade opportunities for all. A recent U.S. International Trade Commission [working paper](#) finds that internet connectivity is a strong driver of trade facilitation in both goods and services trade and has a notable effect on trade between developing countries. A 2019 [paper](#) by Andrea Andrenelli and Javier López-González at the Organisation for Economic Co-operation and Development (OECD) also shows that digitalization and the adoption of digital technologies is particularly beneficial for firms in developing countries. Digitalization, they argue, helps these firms, including small and medium size enterprises (SMEs), access export opportunities.

It is estimated that [31-38%](#) of SMEs around the world are women-owned and increasing access to digitalization can help these businesses thrive. In fact, numerous studies have detailed the ways in which digitalization helps women. For example, digital trade can reduce some forms of gender-based discrimination by reducing or removing the need for face-to-face interactions. Furthermore, Amrita Bahri has suggested that [blockchain](#) can be useful "to enable women who lack identification documents to undertake transactions that otherwise would require official identification, and to prove their ownership of assets without interventions from male family members." It should therefore not be surprising that there is [some evidence](#) to support the claim that women are more active online than in traditional businesses. Amplifying women's participation in digital trade can therefore support the achievement of a critical sustainable development goal—[gender equality](#)—by taking women out of the informal sector and increasing economic opportunity in both goods and services trade.

As we think about the future and work toward achieving a sustainable and inclusive recovery from the pandemic, digital trade must feature in those discussions. Creating new rules on digital trade at the WTO will not be an easy endeavor, but a failure to do so will only lead to increasing global fragmentation of rules in the digital space. Furthermore, it risks exacerbating regional and developmental tension through the creation of heterogeneous trade rules that are difficult for firms, particularly from developing countries, to navigate. This creates [regulatory uncertainty](#), which can discourage small and even mid-size firms from entering the market. The growing complexity and regulatory divergence of [digital trade policy](#), not to mention outright protectionism, must be tackled head on. Having clear, consistent, and predictable rules at the WTO is therefore critical to ensure that the benefits of digital trade are truly global.

Such a task is not without challenges. Aside from the political divides, members will need to grapple with how to reduce barriers to trade that are not always obvious or simple to remove. Some of those barriers are unique to certain domestic contexts or may have a social or cultural dimension. This is true for women, who [often lack](#) access to technology and finance education. Importantly, this is not just [limited](#) to a lack of access to computers, mobile phones or the internet—referred to as a first-level digital divide—but also a lack of digital or strategic skills to use e-commerce effectively, known as a second-level digital divide. Furthermore, women also face cultural [gender biases](#) and lack representation in decision-making, exacerbating these challenges. Trade rules can play a role in [closing the gender divide](#) through labor provisions, curtailing harmful online behavior, cooperation provisions aimed at increasing digital capacity through education, and increasing women's leadership roles in the tech industry.

On trade and gender, WTO members signaled a step forward in the MC12 outcome document by recognizing “women’s economic empowerment and the contribution of Micro-, small and medium-sized enterprises (MSMEs) to inclusive and sustainable economic growth,” while also acknowledging “their different context, challenges and capabilities in countries at different stages of development.” It is imperative that members put these words to work and identify ways to increase trade opportunities that don’t inadvertently exclude women. Members can also take actions at home that can support women’s participation in digital trade. For example, a recent [study](#) examining the gender dimension of digital trade in Latin America found that two-thirds of the countries in the region do not place emphasis on the gender dimension in designing domestic digital policies. Members can also partner with other international institutions to tackle these challenges. For example, WTO Director-General Ngozi Okonjo-Iweala recently pointed to [Nigeria’s success](#) with the [Growth Platform](#), which is focused on increasing access to digital trade for marginalized groups in Nigeria, including MSMEs, and women-owned enterprises, which make up 60 percent of Nigeria’s MSMEs. Innovative approaches such as these will be a helpful complement to global rules on digital trade.

Meanwhile, WTO members are also making strides toward addressing the development divide in digital trade. In June 2022, the co-conveners of the Joint Statement Initiative on E-Commerce (JSI), Australia, Japan and Singapore, [stated](#) “that while the digital economy offers benefits for all—including by reducing trade costs, improving productivity, and increasing ability to participate in export markets—least developed and developing countries face barriers in achieving these aims.” To help address this, they launched the [E-commerce Capacity Building Framework](#) to “bring together a wide range of capacity building efforts to support developing and LDC Members’ participation in the E-Commerce JSI and to harness the opportunity of digital trade.” Ensuring that all members can participate in and benefit from the creation of new rules on digital trade should guide ongoing negotiations, and this framework can play a critical role in helping these talks deliver for all.

As WTO members roll up their sleeves yet again to build upon the success of MC12, they should take the vast body of research and expertise on digital trade into account. In addition to the efforts already underway

in a range of trade agreements, members should tap into international and non-governmental organizations, industry, academics, and policy experts who will have valuable ideas to bring to the discussion.

This report, *Ten 'Quick Wins' for Digital Trade*, brings together academics, policy experts, international bureaucrats, private sector representatives and independent consultants to offer practical suggestions for how to grow economic opportunities for digital trade for all WTO members. It is a timely contribution to ongoing dialogue on digital trade and outlines a set of priorities that members should seize upon to transform their ambitions into action.

Editors,

MARÍA BELÉN GRACIA, EUIJIN JUNG, INU MANAK, PENELOPE RIDINGS

Torino, Washington DC, Waikato

Project Coordinator,

JOHANNA HILL

San Salvador

August 23, 2022

Quick Win No. I: A holistic, responsive, and agile approach to realize the full potential of digital trade

The global digital trade landscape is complex and [fragmented](#). While nearly [two-thirds](#) of Regional Trade Agreements include e-commerce or digital trade provisions, these are far from consistent and are typically limited to rules on data, privacy, and a handful of other topics. A new approach has emerged recently, however: 'digital economy agreements' (DEAs), negotiated by small economies in the Asia-Pacific, which seek to write a far broader set of rules, not merely for "digital trade," but rather "trade in the digital economy," as the Digital Economy Partnership Agreement ([DEPA](#)) notes.

Why this holistic approach? Distinctions between what is "digital" and not, are fast disappearing. A rising tide of [impediments](#)—from rules about where data is processed, to restrictions on digital services, censorship, chokepoints for digitally-enabled goods trade, or even systems that can't "talk" to each other—make doing business digitally a real headache, especially for small firms and those from [developing countries](#). Friction is common, whether by design or arising from a simple failure of policy to keep pace with rapid digital transformation.

As in the analogue world, trade policy in the digital realm must look at the value chain [end-to-end](#) and in its broader context. Seamless digital trade requires:

- The **data**—digital trade's lifeblood—to flow in a safe, secure way, through rules on localization, personal information protection and cybersecurity;
- **Trust**, through online consumer protection, digital identity, and a safe online environment;
- **Payments** to work easily, through rules on e-payments and fintech;
- Straightforward "**paperwork**," through e-documents, e-invoicing and e-signatures;
- Coherent underpinning **standards**;
- A **fair market** (competition policy) where **innovative ideas** are protected (intellectual property) and the huge promise of the digital economy can be **realized for all** (SMEs, inclusion).

These new DEAs include all of these elements, and even bake in dialogue on the frontier technologies that will shape the future, such as artificial intelligence and data innovation, and enabling infrastructure like submarine cables and logistics. These agreements, and especially DEPA, favor a collaborative and agile approach, where robust trade rules are effectively co-designed by the Parties over time. This inclination to soft norms rather than hard law should be seen as a feature, not a bug: it is simply premature to write binding rules in some areas. The DEPA is intended to serve as a [building block](#) towards more coherent multilateral outcomes, open to all who can meet its high standards or would like to make use of its creative ideas in their own agreements – thereby helping to untangle the "digital noodle bowl." This model can inject important momentum into the discussions under the WTO JSI on E-commerce.

A holistic, responsive, and agile approach is needed to realize the full potential of digital trade. Countries should work collaboratively across a broad agenda of digital trade policy issues to enable seamless, trusted, interoperable, safe, and secure transactions end-to-end, and to support inclusion and innovation.

Quick Win No. 2: Promote the use of international standards in digital trade

During the COVID-19 crisis, many firms rapidly adopted and implemented different e-commerce strategies to ensure their survival. Customs departments also increased the use of digital technologies, promoting paperless trade to ensure the flow of essential goods, especially those related to health, food, and medicines. The United Nations Conference on Trade and Development reports that in 2020, the [share of online](#) retail sales as a percentage of total retail sales grew from 16% to 19%, and e-commerce sales rose 4% between 2018 and 2019, representing \$26.7 trillion dollars, or 30% of global GDP.

As the global economy shifts toward a world led by digital trade, institutions must provide the necessary rules so that the ever-increasing opportunities brought about by e-commerce can materialize. This transition presents dangers and can ultimately hamper digital trade-led growth if each country or regional trading block designs its own rules without care for coordination or convergence with other trading partners at the multilateral level. Importantly, new and evolving initiatives promoting the adoption of international standards have been announced by both private and intergovernmental institutions, such as the [International Chamber of Commerce](#), the [World Customs Organization on Cross Border E-commerce](#) and [Data Model](#), the [WTO](#) and the [World Economic Forum](#).

The WTO Trade Facilitation Agreement also promotes the general adoption of international standards, encouraging members to use them as a foundation for their import, export, or transit formalities and procedures. Some [regional agreements](#) also promote the use of international standards targeted at objectives, including the adoption of national legislation to permit cross-border paperless trade. However, regulatory fragmentation, interoperability of different data models, lack of recognition and trust in electronic transferable records, among others, still pose challenges that can hinder these benefits.

To this end, e-commerce can certainly contribute to trade facilitation and enable multiple positive outcomes such as the reduction of costs, lead times and environmental impacts. There has been significant progress on the acceptance of trade-related e-documents including: [IATA e-Air Waybills](#) for airfreight, which are expected to reach 100% adoption by the end of 2022; e-bills of lading for maritime transportation, although only [1.2%](#) of the bills of lading issued in 2021 were digital; and e-certificates of origin ([e-COs](#)).

Although several success stories have been [noted](#), uncertainty remains when it comes to the legality of these e-documents. This is due either to the lack of domestic legislation recognizing the use of trade related e-documents or the lack of compatibility across paperless trading systems. Similarly, global alignment could also be achieved on trust services once the draft of the UNCITRAL Model Law on the Use and Cross-border Recognition of Identity Management and Trust Services is available for adoption.

Therefore, we call on the WTO to adopt strong commitments in the e-commerce negotiations, including paperless trading systems and e-transactions, to ensure that members increasingly use international frameworks such as the UNCITRAL Model Law on Electronic Transferable Records and the UNCITRAL Model Law on the Use and Cross-border Recognition of Identity Management and Trust Services. Such a commitment will broaden the implementation and benefits already demonstrated by successful practices already in use, especially if partnered with increased capacity building and technical assistance commitments to help developing and least developed countries. Moreover, the adoption of legal frameworks consistent with the model laws, would best reflect international standards and build on the principles of non-discrimination for the use of electronic means, functional equivalence, and technological neutrality.

Quick Win No. 3: Adopt a commitment to promote financial inclusion and to endorse internationally accepted payment standards to enable greater interoperability

The adoption of electronic payments has been accelerated by the COVID-19 pandemic. According to the latest [Global Findex](#), two-thirds of adults worldwide now make or receive electronic payments, with the share in developing economies having grown from 35% in 2014 to 57% in 2021. While [55%](#) of online shoppers have purchased from another country in a 12-month period, close to [40%](#) of merchants consider accepting and processing foreign transactions an obstacle in conducting e-commerce. Ensuring affordable and efficient electronic payments is important to build an inclusive digital economy and for facilitating international trade.

Limitations in financial inclusion and payments interoperability are the top two obstacles that make payments less affordable and more inefficient. At the global level, improving financial inclusion and payments interoperability are key goals of the G20 as part of their joint effort to improve cross border payments, together with the IMF, World Bank and Financial Stability Board.

During the COVID-19 pandemic, several governments partnered with industry—payment networks, banks, local merchants—to leverage electronic payments to improve financial inclusion. Countries such as [Peru](#), [Guatemala and the Dominican Republic](#) delivered critical social disbursements to unbanked citizens using just their national ID numbers or mobile credentials. Countries such as [Papua New Guinea](#) pushed for digital transformation of the government payments collection process, which in turn accelerated electronic payment acceptance for other countries. At the regional level, the World Economic Forum together with the International Development Bank [built a regional multi-stakeholder community](#) to accelerate electronic payments in Latin America and the Caribbean, focusing specifically on growing them to improve financial inclusion and to facilitate trade and economic activities. A key component of this work is to encourage the public and private sector to collaborate to create inclusive and sustainable solutions that meet individual and business needs.

When it comes to examples for promoting payments interoperability, [Singapore](#) is the champion, tackling the interoperability challenges on multiple fronts. It has entered into Fintech collaboration agreements with over 30 countries to facilitate information sharing and regulatory coordination. It has also initiated various digital economy agreements with specific provisions committing to fostering the adoption and use of internationally accepted standards, promoting interoperability and interlinkage of payment infrastructures. Furthermore, Singapore is in the process of linking real-time payment systems with Thailand, India, Philippines, and Malaysia to promote regional economic integration.

With e-commerce constituting at least [30% of global GDP](#) according to the United Nations Conference on Trade and Development (UNCTAD), improving the status of electronic payments is crucial for job creation and economic prosperity. The WTO is in the best position to align all countries to commit to financial inclusion through public and private collaboration and to endorse internationally acceptable standards for relevant payment methods for more interoperability and better trade.

Quick Win No. 4: Foster a predictable regulatory environment for data flows

The digital transformation of international trade has brought about significant changes in international trade, lowering the cost of trading across borders, and allowing smaller companies easier access to the gains from participation in global value chains. An essential component of digital trade is the ability of data to flow across borders. Yet, the number of countries imposing barriers to the free flow of data has [nearly doubled](#) over the past four years.

These restrictions are often [identified](#) by firms as being among the most burdensome barriers to trade. Recent research [shows](#) that small firms established during the COVID-19 pandemic have increasingly relied on exports to grow. Barriers to digital trade could seriously hurt these small businesses, particularly during economic headwinds, negatively impacting [trade in services](#), [productivity](#), [innovation](#), and [overall GDP](#). Compounding the economic costs, restrictions on data transfers can also [limit](#) privacy and freedom of expression.

To date, countries have established binding rules in digital trade through preferential trade agreements and digital economy agreements. The DEPA, the US-Canada-Mexico Agreement and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership have afforded their parties a common understanding of the importance of data in the digital economy. Commitments include prohibiting data localization, initiatives towards interoperability and cooperation in areas essential to digital innovation such as digital identity and fintech solutions. While such preferential commitments represent an important step forward in the regulation of a crucial asset in the digital economy, they risk creating a spaghetti-bowl through which companies must navigate.

Meaningful, binding commitments on data flows are needed for countries to fully realize the potential benefits of digital transformation. Open and secure data flows will serve to accelerate this transformation and will play a vital role in driving innovation and ensuring the continued dynamism of the digital economy. A multilateral agreement with binding commitments on data flows will not only enable economic growth, but ensure this growth is inclusive and sustainable.

We call for the establishment of a task force composed of researchers, policymakers, and private sector leaders to encourage cooperation at the multilateral level on the important topic of cross-border data transfers. The objectives of this task force should be to:

- Enhance understanding of the consequences of restrictive policies on data flows;
- Address the concerns and legitimate policy objectives that lead to data restrictions, by identifying capacity building and targeted technical training programs for government institutions and local companies on new skills for the digital economy;
- Develop programs to support innovation through incubators and accelerators for startups and innovative companies;
- Issue a call to action by high-level government officials for ongoing digital economic cooperation and for the WTO to initiate discussions towards a multilateral digital trade agreement with binding commitments on data flows.

These actions will contribute to the goal of fostering a predictable regulatory environment for data flows in digital trade.

Quick Win No. 5: Promote a regulatory environment that fosters consumer trust in digital trade

Trust is a key factor in the development of digital trade and the digital economy. Both consumers and businesses need to have assurances that their interests are protected when engaging in digital trade transactions. From the consumers' side, this implies that digital trade operations should take place in a regulatory environment that safeguards online consumers from fraudulent and deceptive commercial practices and protects their privacy and personal information.

Existing WTO rules only allow Members to adopt measures related to the protection of consumers, privacy, and personal data, among others, as part of the GATT and GATS exceptions, but this is insufficient and does not resolve trade barriers nor contribute to compatibility between rules. This is where multilateral rules could be helpful. These matters are being addressed in the WTO JSI on E-commerce, where participants have recently reached agreement on the topics of unsolicited commercial electronic messages (SPAM) and online consumer protection against fraudulent, misleading, or deceptive conduct when they engage in digital trade. However, there is still work to be done on privacy and the protection of personal information.

The issue of privacy and the protection of personal information is closely linked with data transfer, which is an enabling and essential factor for any digital trade operation. Most companies today rely on data transfers as part of their business operations or internal processes, [including](#) data related to personal information. This factor is even stronger in the case of [digital services](#). Therefore, ensuring adequate protection of the personal information of users and consumers of digital trade can help to build further trust in the digital economy, contributing to the security of digital trade, as well as its expansion. Indeed, the G20 [recognized](#) the close link between trust and the free flow of data as a cornerstone for the evolution of digital trade.

Although approaches followed by countries to guarantee consumer trust in digital trade through free trade agreements (FTAs) vary, especially in relation to privacy and personal information, they have found some common ground. FTAs generally recognize the contribution of personal information protection in enhancing consumer trust in digital trade and the need for participating countries to adopt regulatory frameworks for the protection of consumer information. Some FTAs go far to promote the compatibility and interoperability between their different regimes for protecting personal information, such as through the recognition of regulatory outcomes or of their legal frameworks, and by acknowledging a set of principles that underpin a robust legal framework for the protection of personal information (e.g., [DEPA](#)).

Besides guaranteeing the free flow of data, to promote digital trade, WTO Members should therefore keep working to find common ground to foster consumer trust in the digital economy by agreeing on rules that adequately protect consumer privacy online and personal information, as well as safeguard them from fraudulent, misleading, and deceptive commercial practices. Accordingly, Members should encourage international regulatory cooperation on these issues, which will be important for the compatibility and interoperability of different regulatory frameworks.

Quick Win No. 6: Craft digital trade rules that are sensitive to the needs of SMEs

Digital trade is fundamentally inclusive trade. While international trade was previously largely limited to large, multinational companies which could set up physical stores and operations in multiple markets, this is no longer the case with internet-enabled trade. With little more than an internet connection and a webpage, a small business in a rural community can now sell to the world.

Empowered by the internet, the opportunities for SMEs to grow and scale globally are unprecedented. On average, [97%](#) of internet-enabled SMEs export, in contrast to between 2% and 28% for traditional SMEs in most countries.

But these opportunities are easily lost if the global trading system is not responsive to the needs of SMEs to thrive and participate in digital trade. In particular, digital regulatory fragmentation and the absence of interoperable regulatory standards greatly reduce market access opportunities and cancel out the unique benefits of digital trade for SMEs.

For example, if resource-constrained SMEs need to localize their customers' data in 10 different markets, or navigate 10 sets of differing privacy regulations, it limits their ability to scale globally. Similarly, if SMEs are required to have a physical presence or local representative as a condition of doing business in a foreign market, it completely negates the advantage of "borderless" digital trade. In a recent [study](#), SMEs in the survey identified the ability to do business in a market without a physical presence, and consistent data transfer rules, as the top two provisions to be included in digital trade agreements.

While digital trade rules at the WTO will bring greater certainty for all businesses, some are particularly important for facilitating SME participation:

- The requirement for physical presence or a local representative as a condition of doing business in the market should be eliminated;
- Consistent data rules across economies which allow for cross-border data flows and prohibit data localization need to be in place;
- Common principles for the design of privacy regulation need to be agreed;
- A permanent prohibition of customs duties on digital products and electronic transmissions is required.

The WTO JSI on E-commerce negotiations must prioritize and build out these digital trade rules that will enable SMEs to make the most of the digital trade opportunity in front of them.

Quick Win No. 7: Simplify and digitize border processes to improve SME access to e-commerce

In most countries, SMEs are the backbone of the economy, driving growth and employing a significant number of the working population. With the onset of the COVID-19 crisis, businesses had a matter of weeks to expand or create their online operations and find new markets to survive the accelerated shift toward e-commerce.

According to the OECD, between February 2020 and April 2021, 70% to 80% of SMEs across 32 countries lost between 30% and 50% of their revenue. Thanks to their resiliency and ingenuity, many SMEs have been able to weather the storm despite these losses. However, as markets become increasingly digital, SMEs' recovery and success in today's dynamic market hinge on their ability to trade across borders.

Buyers, sellers, and intermediaries now rely on technologies that enable commerce at a speed, scale and efficiency unimaginable just a few decades ago. Yet, government policies or border rules have not caught up with these shifts. For example, according to the Global Express Association's Customs Capability Database, [64 of 139](#) countries measured annually (46%) do not accept or electronically process the data required for release of inbound shipments in advance of their arrival, which has become a global benchmark for efficient and secure customs processing.

Customs procedures still rely heavily on hardcopy paper documents, manual and inefficient processes, and other relics of a bygone era ill-suited to e-commerce. And while SMEs face the same trade barriers as larger firms, they shoulder disproportionate burdens because of this complexity, particularly in delays and the added costs presented by outdated customs procedures.

Governments have the capacity to enhance e-commerce, especially for small businesses, by applying the following border processes:

- Enable electronic submission of customs documents;
- Simplify & digitize processing of duties and taxes for low-value imports;
- Streamline processes for cross-border returns based on initial import data;
- Publish procedures to clarify country customs procedures on-line.

Digitalizing trade can play a positive role in creating more resilient SMEs and help government authorities to mitigate border bottlenecks.

UPS recently commissioned an SME [survey](#) across key global markets. The report shows that e-commerce is a top priority for SMEs, and that customs procedures remain a major impediment. The survey also looked at the relative experiences of women-owned and men-owned businesses. Across most markets, the surveyed women-owned SMEs were more likely to be selling online than men-owned SMEs, both prior to the pandemic and at the time of the survey.

If we are to truly create an inclusive, prosperous, and sustainable economy in this moment of post-pandemic recovery, we must first seek to ensure that SMEs can leverage the benefits and opportunities generated by engaging in global markets to the greatest possible extent.

Strong economies and thriving businesses are the very foundation of prosperous communities; we can't let this opportunity to set a new course for global trade slip by.

Quick Win No. 8: Apply a gender lens to the discussions under the Joint Statement Initiative on E-commerce

The digital transformation offers new opportunities for firms across all sectors and of all sizes. Indeed, as Javier López González and Marie-Agnes Jouanjean point out, by reducing trade costs, the [digital transformation](#) facilitates the coordination of global supply chains, it helps connect business and consumers globally and enables the digital delivery of services. It is especially important that more vulnerable groups—such as women, indigenous people, and small business owners—can seize new opportunities to overcome significant pre-existing disadvantages in accessing foreign markets.

Women-led firms are [generally fewer](#), smaller, younger and less well financed than those led by men, and they tend to trade less. Digitalization can help level the playing field by enabling greater access to digital inputs and international markets, including in services sectors where women are more active. Despite recent advances, women have substantially [less access](#) to the internet in Africa and the Middle East, and to a lesser extent in Asia. In OECD countries, women are much less likely to pursue studies in science, technology, engineering, and mathematics (STEM), skills that are often highly remunerated and highly traded. Men represented 79% of ICT students in OECD countries in 2021, and despite recent initiatives to close gender divides in STEM, [progress has been slow](#).

Although digital trade policies discussed at the WTO JSI on E-commerce already stand to benefit women and are not in and of themselves discriminatory, there are some areas where the JSI discussions can support more inclusive outcomes for women. There is a need to:

- **Promote greater upstream use of gender-differentiated impact analysis to understand the potential impacts of digital trade policy changes**, or new e-commerce provisions in trade agreements, on women, including their indirect effects. Digital trade policy choices need to be better informed about the opportunities and challenges they raise for women;
- **Ensure the participation of women in consultation and engagement processes for digital trade policy-making** with a view to promoting more diverse perspectives and identifying promising paths for addressing gender equality issues. This could include consultation with professional organizations that target women;
- **Promote the use of digital tools to enable women-led firms to engage in trade, including in developing countries**. In addition to ongoing efforts to streamline digital trade facilitation and increase market access in digitally enabled services, capacity building programmes targeted at enabling women to connect to the internet and to use digital tools are needed to help bridge emerging divides. Aid for Trade programmes could be harnessed to target digital opportunities through trade for women owned firms;
- **Leverage capacity building processes in the e-commerce work programme to promote greater gender balance in STEM studies and through the professional Information, Communications and Technology (ICT) pipeline**. Greater diversity in the teams creating the tools that are widely used in digital trade can lead to greater inclusivity in trade outcomes. A better understanding of which policies have produced results in closing gender gaps in STEM studies could be a starting point for future policy discussions.

The digital transformation has the potential to be a great leveler for digital trade opportunities, but to realize this potential there is a need to mainstream gender concerns across the digital trade provisions being discussed at the JSI.

Quick Win No. 9: Provide equitable and accessible capacity building to ensure that developing economies, SMEs and women can benefit from growing e-commerce opportunities

The surge in e-commerce provides a wealth of new opportunities for businesses that can adapt. But not everyone is equally prepared to make the transition. In a global context of digital divides and skills gaps, we need to ensure that e-commerce benefits us all. Fostering the inclusion of smaller firms, women and youth-led firms, especially those in developing economies, is crucial. A fundamental skills gap relates to digital entrepreneurship. One [study](#) has found that one of the greatest challenges highlighted by participating firms was accessing information on how to run an online business. Moreover, there are skill gaps among negotiators and policymakers involved in the ongoing discussions on e-commerce, and those charged with putting in place or implementing regulatory frameworks linked with e-commerce. To address these diverse gaps, facilitating equitable access to relevant and comprehensive capacity building programs is key.

In response, the JSI on E-commerce recently announced a new [E-commerce Capacity Building Framework](#). It includes the creation of the DATA Fund pilot, under the World Bank Umbrella Trade program, that will help countries adopt policies and regulations that enhance trust in digital markets and undertake a specialized training for policymakers. It also includes digital capacity building programs by the Japan International Cooperation Agency and Singapore across cybersecurity, digital transformation, and e-commerce-related programs to support developing members' participation in the e-commerce negotiations.

These activities complement ongoing efforts across international organizations (IOs) to support policymakers and firms. These include programs like the ITC's [ecomConnect](#) Initiative that creates a virtual community of digital entrepreneurs and accompanies them on their journey to sell online with a tailored learning program in conjunction with partners including eBay, DHL, Etsy, PayPal and Payoneer. UNCTAD's [eTrade for All](#) provides a skills development platform for entrepreneurs and policymakers, offering courses from IOs on relevant aspects of e-commerce, including a group dedicated to inspiring women digital entrepreneurs. The ITC [SheTrades](#) program connects over 3 million women to global markets with training focused on digital transformation, digital marketing and digital payments.

Yet, to meet the prevailing needs and provide equitable access to training programs, especially for SMEs and women-owned firms in developing economies, more comprehensive, targeted and inclusive programs are needed. Moving forward, a strong commitment to technical assistance and capacity building, including the potential establishment of a fund/program, should be included in the final text of an E-commerce agreement. The text could also include specific language on gender/women's empowerment, as was done in the Services Domestic Regulation [reference paper](#). Capacity building initiatives should also address the knowledge gaps in preparing firms and policymakers for digital trade, including, adapting business models for digital entrepreneurship, accessing relevant market information, and complying with regulations on e-commerce. Additionally, implementation of suitable national regulatory frameworks and management of cybersecurity risks also need to be included in these types of programs.

Quick Win No. IO: Increase transparency and engagement with non-governmental actors in the JSI on E-commerce

The Fourth Industrial Revolution ushered in a brand new era in global trade. The emergence of digital technologies had a profound impact on production, distribution, marketing, sale and trade of traditional goods and services, and gave rise to digitized services, powered by data-intensive technologies like blockchain, artificial intelligence (AI), and the Internet of Things. These characteristics of the digital economy present intrinsic complexities that demand specialized knowledge and collaboration among governmental and non-governmental actors to effectively regulate them.

The rise of the data-driven economy has resulted in a wide variety of policies targeting digital technologies or their components, including a surge in measures aimed at restricting cross border data flows, the appearance of mandatory requirements to disclose proprietary information in algorithms and source codes, and an increased interest in the removal of access restrictions to key computing power components (e.g., microprocessors). More recently, governments have started to design technology-specific measures, and the European Union is set to become the first WTO Member to adopt a [regulation](#) to minimize the risks associated with the deployment, use, and supply of AI technologies.

Old ways of doing trade policy are obsolete. There are three specific elements that characterize trade and the trade policy response needed today. First, governments are no longer alone in the quest to address the legal and policy challenges brought forward by digital technologies (e.g., firms and other non-governmental entities are now involved in the creation of AI standards). Second, numerous policy initiatives are now taking place outside of the trade community and the WTO, since the impact of digital technologies extend well beyond trade, touching human rights, security, competition, law enforcement, and other societal concerns. Meanwhile, policies targeting emerging technologies do not take place in a vacuum, and they risk creating unnecessary restrictions on trade that may violate existing rules in multilateral and preferential trade agreements. Lastly, several governments have opted to adopt new rules and regulations that target digital technologies due to concerns that existing legal frameworks, including WTO agreements, are obsolete and ill-equipped to respond to both the risks and opportunities arising from the emergence of the data-driven economy.

Given the complexity surrounding the functioning, use and regulation of emerging technologies as well as the impact that they can have on trade, there is an urgent need to ascertain how to best ensure that the WTO is fit for the digital era. Reviewing how the JSI on E-commerce negotiations take place at the WTO would be a good first step. WTO Members should consider implementing measures to increase transparency and ways to encourage the active engagement of non-governmental actors (e.g. firms, NGOs, academics) in the negotiating process. This would allow trade negotiators to have a better technical understanding of the subject matter, to be kept updated on theoretical and practical advances in the computing field, and to design rules that do not unnecessarily stifle innovation or the pursuit of legitimate non-trade related policy objectives associated with the use of emerging technologies, such as the protection of human rights.



TRADE
EXPERETTES

| TradeExperettes.org