



ISSN Print: 2394-7500  
ISSN Online: 2394-5869  
Impact Factor: 5.2  
IJAR 2016; 2(5): 727-729  
www.allresearchjournal.com  
Received: 24-03-2016  
Accepted: 27-04-2016

**Ashwani Chanana**  
Dept. Economics, D.A.V  
College, Abohar, Punjab,  
India.

## Trade and the digital economy

**Ashwani Chanana**

### Abstract

The digital age has altered the antiquated methods of international transactions, and consequently called for updated policies expanding free trade law to new mediums of commerce. The WTO must act quickly to modernize its policies to accommodate new opportunities for global economic growth. E-commerce, or digital trade, also includes transactions via telecommunications systems such as mobile devices. E-commerce and digital commerce can refer to the electronic delivery of services or the electronic purchase of services that are then delivered as tangible products. The infrastructure of ICT networks and services now gives some countries a comparative advantage for trade compared to countries with less developed infrastructure and accessibility to digital media. Additionally, cultural norms may prevent some populations from seeking out more technologically progressive means of monetary transaction

**Keywords:** Trade, digital economy, international transactions, global economic growth.

### 1. Introduction

At the announcement of the theme for the WTO 2013 Public Forum, held in Geneva, Switzerland, the WTO stated "The question today is what will be the future of world trade in an era of innovation and digitalization." The digital age has altered the antiquated methods of international transactions, and consequently called for updated policies expanding free trade law to new mediums of commerce. The WTO must act quickly to modernize its policies to accommodate new opportunities for global economic growth.

The trade of goods and services across international borders through information and communication technology (ICT) networks and services is becoming increasingly popular worldwide. Trade via the Internet is known as e-commerce. For the purposes of this committee, e-commerce, or digital trade, also includes transactions via telecommunications systems such as mobile devices. E-commerce and digital commerce can refer to the electronic delivery of services or the electronic purchase of services that are then delivered as tangible products.

The global market for telecommunications services is worth more than USD 1.5 trillion, of which 40% is mobile services. The United States is currently the world's largest e-commerce market, followed by the United Kingdom and Japan. However, Internet and telephone use is increasing worldwide, and more and more countries are capitalizing on the possibilities to trade through digital media. In 2010, the number of Internet users in developing countries was found to be greater than developed countries. Monetary exchange via digital networks has the potential to close poverty gaps and facilitate development in emerging economies. As an example, EBay has become an important tool for markets in developing countries because its technology, such as its seller-rating mechanism, increases consumer's trust in exports. The distance effect on trade flows were shown to be 65% smaller online than offline, and this was found to be especially true in countries that have high government corruption, high income inequality gaps, little Internet penetration and inefficient ports. In this way, online trading can help overcome government and market failures, and aid development in poorer countries. However, the practicality of e-commerce differs across developing states. The infrastructure of ICT networks and services now gives some countries a comparative advantage for trade compared to countries with less developed infrastructure and accessibility to digital media. Additionally, cultural norms may prevent some populations from seeking out more technologically progressive means of monetary transaction. Since the WTO is mandated to devise international policies governing equal opportunities for trade across all member states, the Organization must focus on the phenomenon of e-commerce

**Correspondence**  
**Ashwani Chanana**  
Dept. Economics, D.A.V  
College, Abohar, Punjab,  
India.

and work towards ensuring that an increasingly digital economy will improve global development without some countries falling behind. As electronic commerce becomes an emerging trend in the global economy, the WTO must consider its regulation, as well as its facilitation. This means that the WTO must work to increase the commercial provision of Internet and mobile access to goods and services, which is essential for digital commerce.

In addition to increasing access to ICT services, the WTO must amend trade law to accommodate the growing popularity of digital trade. Today there are four modes of trade that govern the basis of international trade law. Only two modes apply to e-commerce, since the service supplier is not present: cross border supply and consumption abroad. Cross border supply (mode 1) is the flow of services from the territory of one member into the territory of another member. For example, banking services via telecommunications allows an individual to transfer money from their account to another country. Consumption abroad (mode two) involves the movement of a person to another state to receive a service. Countries that argue e-commerce falls under mode two stress that consumers virtually travel into the jurisdiction of another member state by visiting an international website. The WTO has difficulties deciding the difference between mode one and mode two when discussing digital commerce, because international borders are blurred in the realm of the Internet. This creates difficulties in determining international law, since the current status of General Agreement on Trade in Services (GATS) places more liberal concessions on mode two as opposed to mode one.

## 2. Digital Literacy and the Digital Divide

The term digital divide was first used in 2000 at the World Economic Forum Annual Meeting in Switzerland. At the time, the term described the unequal access to and usage of the Internet between individuals, communities, and businesses across countries. The World Economic Forum talked about infrastructure, geographic dispersion, telephone-internet charges, income, education, ethnic variables, and business size to measure the digital divide between developed and developing states. Later in 2000, the G8 Summit endorsed the Global Digital Divide Initiative in the Okinawa Charter on the Global Information Society. The UN, World Bank and Organization for Economic Co-Operation and Development have also concerned themselves with the issue of the digital divide.

Since the digital divide affects countries' ability to do e-commerce, the WTO has also devoted resources to solving the technology gap. Its initiatives have created the Information Technology Agreement (ITA), of which one aim is to "reduce the cost of the equipment permitting extended access." To supplement the ITA, the WTO spearheaded a 2004 capacity building training workshop, which worked with developing country government officials to inform national regulatory officials of the WTO's role in telecommunications policies, to proliferate ICT access, and to promote digital literacy. Digital literacy is the ability to conduct transactions using ICT services. For example, a country might have access to the Internet but will not benefit from access if its people do not know how to use ICT services for business.

Decreasing the digital divide in order to promote equal opportunity for e-commerce is not simply overcome through

digital literacy training and capacity building workshops. Other factors affect the adoption of e-commerce in many countries. E-readiness for developing states depends on managerial, organizational, and environmental constraints, which can increase the risk of e-commerce adoption. In order to follow the progressing trends in digital trade, developing businesses must develop "awareness," which is an organization's assessment, understanding, and projection of the benefits and risks of e-commerce. Often, developing businesses lack digital literacy and do not know how to use information technology for information, marketing, and communication, and therefore are unaware of its benefits. The government of a developing country can help businesses adopt digital practices more readily by providing infrastructure, legal and regulatory frameworks, and information on the use of digital technology.

South Africa is a developing country that is considered least prepared for e-commerce. Since South Africa has assumed a leadership role in the New Partnership for African Development, many Sub-Saharan African states will look to South Africa's example in e-commerce adoption. The initial adoption requires organizational factors that include human and business resources, and not just the adoption of technology (like personal computers). South Africa's advantage in the implementation of IT is its government is committed to making the state information-savvy, so markets are aware of the economic benefits of e-commerce adoption.

## 3. Mobile Telephony

Many developing countries, in particular India, and other states in Africa and Asia, have seen recent development in mobile devices. Mobile telephony, which is the use of cell phones, is especially important in rural and undeveloped areas without infrastructure like terminal connections, which before limited Internet connectivity. For example, farmers are now able to collect fairer prices for their goods because they have access to information about global market prices. Small businesses in remote regions in Asia and Africa can now open savings accounts and collect interest and insurance via mobile devices.

Cellular money transfer services were first introduced to the East African region in Uganda in 2009. By the end of 2011, the number of mobile money platforms had increased four-fold in Kenya, Tanzania, and Uganda. Kenya held 60.5% of mobile money subscriptions in the region, with its most profitable platform (M-PESA) showing USD 650 million being transferred using mobile phones each month. March 2013 studies by Cambridge University counted eleven million mobile money subscribers in East Africa as a whole. The rapid growth of mobile money services in Africa has increased financial opportunities in the region, however the phenomenon has also created new challenges for regulators. For example, regulation of financial and telecommunications services are now overlapping, calling for a more comprehensive regulatory framework covering both sectors. Transparency/Security With the increasing digital market comes new transparency and security issues that must be regulated solved in order to encourage the safe and equitable use of e-commerce. Now that goods and services can cross borders without tangible results and individuals can participate directly in international exchange, states are losing their ability to protect consumers from harmful or unwanted imports. For example, certain

products can be purchased online that are illegal in certain countries, such as was the case in the *Yahoo! Inc. vs. La Ligue Contre Le Racisme et L'Antisémitisme*, in which French people were able to purchase Nazi memorabilia when the sale of such products were prohibited under French law. Liberalization of trade under the WTO, however, means prohibiting restrictions regardless of the media. In 2004, when the United States brought a case to the WTO Panel against Antigua and Barbuda for the consumer risks of online gambling, the Panel ruled in favor of free, unrestricted trade, even at the cost of consumer protection.

The issues that arise from security through digital trade, however, can have negative effects on WTO goals, which is the use of e-commerce for global development. Countries will not be motivated to use e-commerce as a way to improve their developing economies if there is low trust in the government to protect personal information. Governments and consumers need international laws that ensure low risk for fraud and identity theft over digital media. The WTO can help institute policies to regulate the conflicts between consumer security and e-commerce. The WTO Technical Barriers to Trade Agreement calls for technology signals to be non-discriminatory and transparent. However, WTO law regulating trust in e-commerce is currently not as comprehensive as other initiatives.

#### **4. Effects on Traditional Economic Sectors (Small and Medium Sized Enterprises)**

Traditional sectors, which account for a large proportion of the economy of developing countries, currently benefit from e-commerce less than other economic sectors. Traditional economies are more likely to be found in rural regions and rely on face-to-face transactions, and basic methods of monetary exchange that do not require digital technology. Some developing countries that are represented in the WTO, such as Sub-Saharan African states, will be interested in working to increase the use of e-commerce to benefit the fields of agriculture, mining, and other traditional industries in order to truly foster economic development. However, some developing countries like India wish to regulate the growth of e-commerce so that traditional businesses are not losing out to businesses that can sell their products below market value online. The WTO must debate ways of bridging an inevitable emergence of electronic trade and the survival of traditional economies.

In the agricultural sector, mobile devices have begun to change the way stakeholders make decisions about inputs, production, marketing, processing and distribution, making agricultural businesses more efficient and profitable by reducing transaction costs. In addition, mobile technology gives farmers access to information about prices and stocks, reducing the risk of under-selling and of either over or under-supplying their crops. Mobile phones can also provide early warning systems of weather conditions and disease that may prevent losses. A World Bank study released in 2012 shows that access to price information by farmers has helped to increase farming income by 24%. Fisheries are also benefitting from ICT services, which can be used for tracking fish and for networking their products.

However, the use of e-commerce for Small and Medium-Sized Enterprises (SMEs) has lags far behind larger corporations located in developed countries. This may be because of the cultural differences that become part of the businesses philosophies across developing countries. The

cost of ICT equipment also prevents many SMEs from participating in e-commerce, since equipment is often subject to high or inconsistent tariffs. ICT equipment manufacturers also target a more developed market, making electronic parts more expensive in developing countries.

The WTO has attempted a number of policy initiatives to create an environment in which SMEs can take advantage of e-commerce and be globally competitive. In 2011, the General Council decided that the Committee on Trade and Development (CTD) should "examine and monitor development-related issues such as technical assistance, capacity building, and the facilitation of access to electronic commerce by micro, and small and medium sized enterprises." To facilitate this, the WTO organized a workshop in 2013, which heard from speakers from Argentina, Bangladesh, Cuba, Kenya, the Philippines, Rwanda, Senegal, the United Kingdom and the United States.

#### **5. References**

1. Briefing Note: Electronic Commerce. World Trade Organization. This is the Declaration on Global Electronic Commerce, which established the Work Programme on Electronic Commerce. 1998.
2. Cowhey Peter, Klimenko, Mikhail Klimenko M. The WTO Agreement and Telecommunications Policy Reform. World Bank. May. A discussion of the Telecommunications Policy Reform with a focus on its effects on developing countries. 2001.