



HOW TO BUILD BACK BETTER IN AN INCREASINGLY DIGITAL ECONOMY

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The spread of COVID-19 continues to disrupt economic and social life around the world. The crisis has highlighted how people who can participate in the digital economy continue to work, trade and access basic services. It has also accentuated how digitally excluded people can be left behind. Inclusive digital commerce must be kept high on the policy agenda, and government responses will need to balance the huge opportunities and the various risks and costs involved.

Over the past two decades, the world has become increasingly digital. Digital technologies allow people to better connect and trade online, and businesses to access larger markets and global value chains while overcoming costly intermediaries. E-commerce can improve the productivity of micro, small and medium-sized enterprises (MSMEs) and support agricultural and industrial development. In more recent years, it has helped to diversify and transform countries' economies and improve their export competitiveness. According to UNCTAD's latest estimates, global e-commerce sales in 2018 amounted to US\$25.6 trillion, up by 8 percent from the previous year.

The COVID-19 pandemic has accelerated the digital shift. A recent UNCTAD and Netcomm Suisse survey¹³⁴ found that more consumers have turned to online shopping, especially for essential products. More than half of all respondents expect to continue to do more online also after the crisis.

A separate UNCTAD survey of digital businesses and platforms covering 23 countries¹³⁵ finds that most third-party online marketplaces have experienced an increase in sales and businesses registering on their platform. Social media and direct online sales have become increasingly important channels for e-commerce businesses.

Digital entrepreneurs and e-commerce platforms in developing countries, especially LDCs, are confronted with a myriad of potential obstacles during the COVID-19 crisis. Disruptions in supply chains and logistics, internet and transportation costs are key concerns (experienced by more than half of businesses surveyed). In addition, digital businesses are trying to cope with pre-existing e-commerce challenges, such as limited connectivity, constrained financing for liquidity shortages, and reliance on cash-based payments.

The pandemic has added urgency to the need to bridge the wide digital divides plaguing the world. Digital infrastructure is often insufficient, leading to limited or unaffordable connectivity to undertake effective e-commerce and other online activities. The most vulnerable populations are usually left out. As a result, countries strongly differ in their levels of e-commerce uptake, affecting opportunities to benefit from increasing demand for e-commerce.

Moreover, while many developing countries struggle to harness various digital opportunities, the digital shift under the pandemic has further boosted the performance of the leading digital platforms, based mainly in the United States and China.¹³⁶ These companies are benefiting from increased demand and have seen their market valuations grow significantly even during the pandemic. Increased market dominance of a handful of global digital players is intensifying concerns about the distribution of the value created and about consumer protection and fair competition. Some domestic and regional e-commerce players have emerged in parts of the world where the global leaders have hitherto been less active. However, many face challenges when trying to scale, and those that manage to grow (e.g. Souq, Lazada and Flipkart) often become takeover targets.¹³⁷

¹³⁴ The survey covered 9 emerging and developed economies: Brazil, China, Germany, Italy, Republic of Korea, Russian Federation, South Africa, Switzerland and Turkey. The data for Brazil were collected by the Brazilian Network Information Center (NIC.br)

¹³⁵ The survey covered 23 countries, mainly LDCs in Africa and Asia-Pacific: 1) Africa: Benin, Burkina Faso, Cote d'Ivoire (non-LDC), Madagascar, Mali, Niger, Rwanda, Senegal, Tanzania, Togo, Tunisia (non-LDC), Uganda, Zambia; 2) Asia: Bangladesh, Bhutan, Cambodia, Lao PDR, Myanmar, Nepal; 3) Pacific: Kiribati, Samoa (non-LDC), Tuvalu, Vanuatu.

¹³⁶ For more information, see [UNCTAD's Digital Economy Report 2019](#).

¹³⁷ *Ibid.*

The recovery from the pandemic will take place against the background of an accelerated digitalization of social and economic activities. However, technology is not deterministic. It is up to governments, in close dialogue with other stakeholders, to shape the rules for e-commerce and the digital economy so that they support greater resilience and inclusive gains. LDCs especially trail behind in the digital economy and rapidly need to overcome a range of barriers and bottlenecks. By January 2021, UNCTAD had carried out 27 eTrade Readiness Assessments, providing concrete policy recommendations for enabling more inclusive e-commerce. A review of the implementation of these recommendations indicates that policies and coordination processes can be further improved (Figure 14). In general, gaps remain in the digital infrastructure, skills, financing for innovation, and policy required for inclusive digital commerce to flourish at a domestic level.

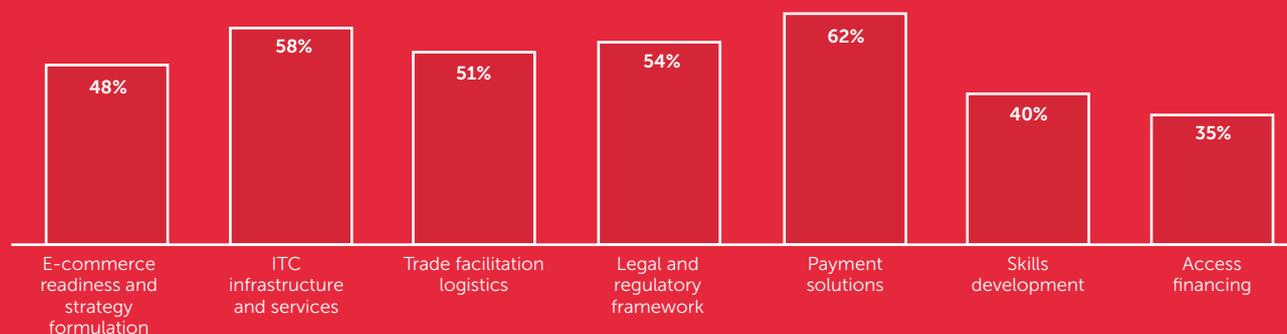
While domestic strategies and policies play a key role in digital transformations, several policy challenges require regional or global action. This applies, for example, to data protection and security, cross-border data flows, competition, taxation and trade. Defining the right responses therefore calls for enhanced international collaboration and policy dialogue, with the full

involvement of developing countries. Any consensus will need to incorporate significant flexibilities to enable all countries to participate.

With only one decade remaining for us to meet the SDGs, we must do more and better by working together. Created by UNCTAD in 2016, the [eTrade for all](#) initiative seeks to do this by bringing together the donor community, development agencies (including UNCDF), international and non-governmental organizations and the private sector to share digital solutions, support e-commerce and bring more coherence in policy making around digital trade. The latter objective is also nurtured by the [High Level Panel on Digital Cooperation Roadmap](#) and the [UNGIS Dialogue on the Role of Digitalization for Development in the Decade of Action](#), two key dialogue spaces to enhance the policy effectiveness across the multiple stakeholders working to regulate digitalization in a fair and inclusive way. The urgency of responding to COVID-19 presents a unique opportunity to unite and speed up the development of an inclusive global digital society.

FIGURE 14.

Implementation rate by policy area across all countries (Percentage of recommendations completed)



Source: For more information, see UNCTAD's ["Fast-tracking Implementation of eTrade Readiness Assessments"](#).