Open Network for Digital Commerce

Why in news?

The Department for Promotion of Industry and Internal Trade (DPIIT) recently set up an advisory council for Open Network for Digital Commerce (ONDC).

What is the ONDC project about?

- The ONDC project aims at promoting open networks developed on open-sourced methodology.
- It promotes open specifications and open network protocols, independent on any specific platform.
- ONDC is expected to digitise the entire value chain in e-commerce.
- It will thus standardise operations, promote inclusion of suppliers, derive efficiency in logistics and enhance value for consumers.

What is the need?

- The e-commerce market is dominated by a few players.
- They are facing investigations for unfair trade practices in many countries.
- The sector is characterised by many small players.
- But they individually do not have the strength to have an equitable bargain with e-commerce companies.
- Economists call this a “market failure”, and it presents a legitimate case for intervention.
- So, the ONDC comes with the objective to curb “digital monopolies” and make e-commerce processes ‘*open source*’.
- Several operational aspects including onboarding of sellers, vendor discovery, price discovery and product cataloguing could be made open source.
- The similar earlier moves to facilitate the creation of shared digital infrastructureinclude platforms for identity (Aadhaar) and payments (Unified Payments Interface).

What does open-source mean?

- Making a software or a process open-source means that the code or the steps of that process is made available freely.

- It is open for others to use, redistribute and modify.
- E.g., Google's Android operating system is open-source.
- It is possible by smartphone OEMs such as Samsung, Xiaomi, OnePlus, etc to modify it for their hardware.
- [OEM - Original Equipment Manufacturer]
- On the other hand, the operating system of Apple's iPhones (iOS) is closed source.
- It cannot be legally modified or reverse engineered.
- If the ONDC gets implemented and mandated, it would mean that all e-commerce companies will have to operate using the same processes.
- This would hugely benefit smaller online retailers and new entrants.
- But open source could be problematic for larger e-commerce companies, which have proprietary processes and technology.

How should the project be conceptualised?

- There is a need to design the system such that it has the greatest chance of success.
- The three "layers" of an open digital ecosysteminclude the tech, governance and community.
- **Tech layer** - The "tech layer" should be designed for minimalism and decentralisation.
- If possible, the government should restrict its role.
- It should facilitate standards and protocols that provide open access, and getthem adopted organically.
- Building an entire tech platform should happen only if a standards-based approach doesn0t suffice.
- If built, the platform should be built on "privacy by design" principles.
- It should collect minimal amounts of data (especially personal data).
- This must be stored in a decentralised manner so that there is no scope for hackers.
- Data exchange protocols should be designed to minimise friction.
- But they must be based on clear rules that protect the consumer interest.
- Tools like blockchain could be used to build technical safeguards that cannot be overridden without active consent.
- **Governance layer** - The "governance layer" around this should allay business fears of excessive state intervention in e-commerce.
- Any deployment of standards or tech should be accompanied by law or regulation.
- This should clearly lay out the scope of the project.
- If collection of any personal data is envisaged, passing the data protection bill and creating an independent regulator should be a precondition.

- **Community layer** - A “community layer” can foster a truly inclusive and participatory process.
- Seeking inputs and feedbacks is one way.
- Once the framework is implemented, ensuring quick and time-bound redressal of grievances will help build trust in the system.

What lies ahead?

- The government should pay attention to other principles of the open-source movement.
- These include transparency, collaboration, release early and often, inclusive meritocracy, and community.
- Driving the adoption of an open e-commerce platform/standards in a sector with entrenched incumbents that have a dominant market share will be a challenge.
- The government should thus explore innovative ways to bridge the gaps in e-commerce markets.

Source: The Indian Express

SHANKAR IAS PARLIAMENT
Information is Empowering