WTO negotiations on electronic commerce

What is the issue?

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Many countries have expressed their intention to commence WTO negotiations on trade-related aspects of electronic commerce.

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Why are the developed countries seeking e-commerce negotiations?

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- They want to have access to free and unrestricted flow of data, which is the raw material that fuels their business.
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- Their principal targets are large developing countries, such as China, India, Indonesia, Nigeria and South Africa, which generate large volumes of digital data.
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- They also seek to curtail the role of governments in regulating almost all key aspects of the digital economy.
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- Through this, they want to leverage the negotiation to reduce their cost of doing business and enhance their incomes.
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- This includes prohibiting the data generating countries from imposing taxes on them and on their products.
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What exactly is happening at the WTO in this regard?

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- Over the past three years, there has been an aggressive push by the developed countries to initiate negotiations aimed at finalising binding rules on different dimensions of the digital economy.
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- The digital giants of developed countries have succeeded in projecting these negotiations as being beneficial for developing countries.
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- Consequently, many developing countries have joined the chorus for seeking negotiations on this issue.
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- However, prominent countries including India, Indonesia and most of the countries in Africa are firmly opposed to these negotiations, especially on the issue of cross-border data flows.
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- On account of the stiff opposition from some developing countries, the proponents have failed to secure a mandate to negotiate multilateral rules on e-commerce at the WTO.
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- Consequently, they are now actively seeking to initiate negotiations among a group of willing countries — commonly referred to as plurilateral negotiations.
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- However, even for a plurilateral agreement on e-commerce to become a part of the WTO, it would require consensus of the entire membership, including countries not part of the plurilateral group.
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Why has India chosen not to align itself with the proponents of e-commerce?

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- India would be one of the largest creators of data in the world in the future.
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- Thus, it could acquire a share in the digital economy in the future commensurate with its status as a significant global source of data.
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- On the other hand, if India is compelled by any future agreement at the WTO to allow unrestricted free flow of data across borders, then its ambition in the high-value digital segment would take a hit.
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- In such a scenario, the country would be unable to monetise the raw material of the digital economy and would be reduced to becoming merely a consumer of digital products.

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- Thus, India chose to stay away from the joint statement on electronic commerce.
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- The Indian delegation to the WTO had also reportedly stated its intention regarding this last year.
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- It stated that developing countries needed policy space in areas such as ownership and use and flow of data in sunrise sectors like cloud computing and data storage.
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What challenges would India face in respect of e-commerce negotiations at the WTO?

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- More than 70 countries that include EU members, the US, China, Japan, Australia, Russia and Brazil were already supporting the plurilateral initiative in this regard.
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- Thus, India is likely to come under intense pressure from different directions to join the e-commerce negotiations.
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- Japan also recently announced that the country would frame new measures on data governance, in the name of the Osaka Track, under WTO.
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- Thus, negotiations on e-commerce at the WTO is likely to be the foremost item on the agenda of the leaders in Osaka for the G20 Summit later this year.
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- India would also be persuaded to join the WTO negotiations and hence various ministries in India need to work in tandem to stay clear in government’s stand.
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What do the past experiences reveal?

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- Many experts in India view that, by staying out of the negotiations on e-commerce, India is missing out an opportunity to influence the rules that may get finalised.
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- But this view totally ignores the reality and past experience, at the negotiating table.
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- This is because the developed countries inevitably write the core rules and the influence of developing countries has been limited to fighting for some exceptions.
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- Further, there is hardly any issue in e-commerce negotiations, on which India may stand to gain.
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- Instead, its participation would be more about limiting the damage that might arise from binding rules in this area.
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- Thus, India is unlikely to wield any meaningful influence on the final rules.
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- There is also a view that prospects of exports of IT and IT-enabled services would improve on account of e-commerce negotiation at the WTO.
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- However, considering the experience of e-commerce provisions in some of the existing FTAs, India is unlikely to be any gain for India’s IT and ITES exports from e-commerce rules at the WTO.
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- Thus, no nation can prosper if it hands over its raw material to other countries for free.
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- This is precisely what would be required of India if it becomes a party to an agreement on e-commerce at the WTO.
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Source: Business Line

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