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WORK PROGRAMME ON ELECTRONIC COMMERCE

COMMUNICATION FROM DJIBOUTI ON BEHALF OF THE LDC GROUP

Revision¹

The following communication, dated 12 January 2024, is being circulated at the request of the delegation of Djibouti, on behalf of the LDC Group.

1 INTRODUCTION

1.1. The purpose of this revised submission is to foster constructive engagement under the WTO e-commerce Work Programme and WTO's collaboration with other organisations and to provide inputs into the development dimension of the Work Programme, as well as any appropriate elements for consideration at MC13. The contribution intends to ensure that engagement specifically addresses least developed country (LDC) priorities. The submission also provides information on progress observed in LDCs.

2 LDC E-COMMERCE CAPACITY LANDSCAPE

2.1. The unyielding challenge of access to electricity remains significant in many LDCs. Globally, more than 760 million people who have no energy access reside in LDCs.² This represents a 56.3% electrification rate, compared with the 91.4% global average.³ This problem is more serious in rural areas, as only 43.9% of the rural population have access to power. Regarding internet access, less than 11% of the population in Europe have no access to the internet, while LDCs in the aggregate have over 17% of their inhabitants reportedly without internet access.⁴ The above challenges are exacerbated by a further challenge of LDC access to new technologies.

Access to technology and technology divide

2.2. Regarding urban *versus* rural access to technology and the technology divide, 13% of LDC rural populations have no access to any mobile network, and a meagre 42% are connected online with a mobile device.⁵ Further, on average, the fixed broadband monthly price in high income countries stands at 1.1% of *per capita* GNI, low and middle income countries 4.8% and LDCs the highest at

¹ This revision updates data and makes technical rectifications to [WT/GC/W/905](#). This revision replaces [WT/GC/W/905](#).

² <https://www.iea.org/topics/energy-access>

³ data.worldbank.org

⁴ ITU *Facts and Figures 2023*; It is important to note that even where internet is accessible this does not equate to the only basis for engaging in e-commerce. Smartphone prices are extremely high in the LDCs, hampering Internet take-up. As an example, affordability rate of smartphone in Cambodia stands at 52% while in Bangladesh at 23% affordability level. ITU (2021) *Connectivity in the Least Developed Countries Status report 2021* ITU, Geneva.

⁵ ITU (2023) *Measuring digital development Facts and Figures: Focus on Least Developed Countries*, March 2023.

16.3%.⁶ Broadband internet user penetration is projected to reach 75% globally by 2025, while LDCs are at 31% relative to 70% in other developing countries.⁷

2.3. With respect of affordability of mobile internet, on average, the price of the mobile cellular low-usage basket in high income countries is 0.4% of GNI *per capita*, low and middle income countries at 1.5% and LDCs at 4.3%.⁸ Overall, 24% of the population in LDCs have no access to a mobile broadband network despite the UN SDG goal 9 target to increase access to ICTs and to strive to provide universal and affordable access to the Internet by 2020.⁹ All this attests to digital infrastructure needs in many LDCs, which in turn render new technologies largely unaffordable and difficult to access.¹⁰ Consequently, unequal global access to products and services enabled by new technologies occurs. Across several emerging digital technologies, ranging from blockchain, 3D printing, Internet of Things, 5G mobile broadband, cloud computing, automation and robotics to artificial intelligence (AI) and data analytics, LDCs are trailing significantly behind other categories of countries.¹¹

Online market share

2.4. LDC share of their population shopping online is averaging around 2%.¹² By the same token, when it comes to business to consumer (B2C) e-commerce, LDCs trend around an average of 20%, whereas other developing countries are slightly above 50% and developed countries at around 80%. This highlights the extent of capacity gaps while at the same time the need for a deliberate focus on the case of LDCs.

2.5. The earlier decline in ODA to LDCs is troubling, in particular, in relation to ICT and technological research and development. In this regard, in 2017, only 3.78% of ODA commitments to developing countries was reported under sectors associated with science, technology and innovation as follows: post-secondary education 2.96%; research and scientific institutions 0.59%; ICT 0.09%; technological research and development 0.04 per cent.¹³

Digital and talent gap

2.6. With advanced digital know-how becoming critical for employment, a "talent gap" for LDC employment with advanced digital competencies is increasing. The growing need for ICT-qualified personnel and consumers in many LDCs cannot be overemphasized, albeit compounded by the challenges presented in this submission. These have the effect of feeding the digital divide as reflected by the persistent need to boost knowledge levels.

2.7. Meaningful engagement in the global digital trade revolution, where e-commerce thrives, requires specific and complementary digital and innovative tools that serve as sources for productivity and growth for LDCs.¹⁴ Consequently, to address skill gaps and lagging technological development in LDCs, digital policies will be critical to provide an enabling environment for investment in digital skills.¹⁵ Consequently, a comprehensive framework aimed at promoting an enterprise enabling environment and development of human productive capabilities, while creating more digital jobs and commerce would be useful.¹⁶ Overall, to ensure that LDCs are not left behind,

⁶ <https://www.itu.int/en/ITU-D/Statistics/Dashboards/Pages/IPB.aspx>

⁷ ITU and UNESCO (2020) *State of Broadband Report 2020: Tackling digital inequalities – A decade for action* ITU, Geneva.

⁸ <https://www.itu.int/en/ITU-D/Statistics/Dashboards/Pages/IPB.aspx>

⁹ ITU (2021) *Connectivity in the Least Developed Countries: Status report 2021 – Highlights*.

¹⁰ Only Bangladesh and Bhutan are determined to have achieved SDG Target 9.c. See ITU (2021) *Connectivity in the Least Developed Countries Status report 2021* ITU, Geneva.

¹¹ UNCTAD (2019) *Digital Economy Report 2019- Value Creation and Capture: Implications for Developing Countries* United Nations, Geneva.

¹² ITU (2021) *Connectivity in the Least Developed Countries*.

¹³ UNCTAD (2021) *DIGITAL ECONOMY REPORT - Cross-border data flows and development: For whom the data flow* United Nations, Geneva.

¹⁴ ILO (2022) *Present and future of work in the Least Developed Countries* International Labor Organisation, Geneva.

¹⁵ ILO (2021) *Changing demand for skills in digital economies and societies: Literature review and case studies from low- and middle-income countries* International Labor Organisation, Geneva.

¹⁶ *Ibid.*

development partners should contribute to supporting digital infrastructure and reducing technological gaps in LDCs.

Infrastructural and supply capacity

2.8. As Members are aware, many LDCs require significant e-commerce infrastructural development. This, among others, ranges from limited internet access in rural/remote areas and costly access to fixed and mobile-broadband Internet, to inadequate facilities for physical delivery of online purchases. In terms of e-commerce supply capacity, LDCs need to increase their share of ICT goods and services and be able to exploit digital technologies. Access to networks, data and economies of scale and scope are dominated by concentrated market power by a few entities.

2.9. These may imply high entry costs for many LDCs in e-commerce markets. As a result, LDC companies largely do not yet feature in 100 global digital platforms by market capitalization. Lack of finance for research and development in many LDCs, *inter alia*, explains some limitations and deficits regarding industrial technologies for production.¹⁷ In this context, the intricate link between the extent of supply capacity and access to finance cannot be overemphasised.

Legal and regulatory capacity

2.10. To play a meaningful role in e-commerce, LDCs must strengthen their own legal and regulatory frameworks. Improved regulatory frameworks, where needed, in e-commerce in turn imply some improvements in institutional frameworks. Building the capacity of LDCs to rationalize regulatory prerequisites to beneficially take part in the global e-commerce marketplace is therefore of crucial importance.

2.11. LDCs may target their own e-commerce policies and regulations on a customized basis. However, regulation should not hinder the development of LDC entrepreneurs, households and government players in the platform.

WTO e-commerce moratorium and internal taxation

2.12. In respect of e-commerce moratorium and issues on internal taxation, several studies on these matters have provided varied information particularly in light of their divergent methodological assumptions. What is clear is that the moratorium is on customs duties, not internal taxation.

2.13. Mechanisms on the utilisation of customs duties or of internal taxation must be surveyed. Nevertheless, there is a need for an LDC specific study that provides technical assessments of implications of the moratorium based on unique attributes of LDCs including about LDC own mechanisms or lack thereof. Key will also be the technologies needed in this area. At least there should be analysis in the context of LDC value-added tax systems, where possible.

3 MEASURES BY LDCS TOWARD HARNESSING THE VALUE OF E-COMMERCE

3.1. Notwithstanding the above, there are areas where LDCs have progressed, although at a slow pace. Some LDCs have conducted e-commerce readiness assessments registering increases in the number of internet users, postal reliability, and secure servers.¹⁸ From the e-commerce readiness assessments, opportunities in e-commerce for LDCs include strategy formulation, ICT infrastructure and services, trade logistics and trade facilitation, payment solutions, legal and regulatory frameworks, e-commerce skills development, and access to financing.¹⁹ Support to LDC assessments has been uneven and must be improved, leaving no LDC behind.

3.2. LDCs are making efforts to actualize the economic development promise of e-commerce. This includes synchronization of postal and customs interface, and building capacity for micro, medium, and small-scale enterprises (MSMEs) to carry out small parcel e-commerce. The net result has been an increase in the number of registrants on e-commerce platforms and creation of jobs including for

¹⁷ UNCTAD (2021) *Technology and Innovation Report 2021: Catching technological waves – Innovation with equity* UN, Geneva.

¹⁸ Guinea, Ethiopia and Djibouti fall in this category of countries. See UNCTAD (2022) *E-Commerce and the Digital Economy in LDCs: At Breaking Point in COVID-19 Times* UNCTAD Geneva.

¹⁹ *Ibid.*

women. Furthermore, within their available capacity, LDCs have further invested in digital skills development, and MSMEs incubation on business digitization inclusive of training on digital technologies. These developments all took place in the context of a multi-sector and ecosystem context.²⁰

3.3. Further, selected developments in LDCs are notable. These include gradual development of the ICT sector, among others, through increasing international internet bandwidth; fostering internet connectivity; higher mobile and smart phone penetration rates; addressing the needs of the e-commerce ready population; access to financial service and e-payment service providers; and putting in place key public policies covering trade development and ICT development.²¹

3.4. In respect of adoption of appropriate e-commerce related legislation, LDCs are variably making progress. Out of 46 LDCs²², e-commerce related legislative developments in term of legislation enacted are as follows: 81% on electronic transactions; 59% on consumer protection; 71% on privacy and data protection; and 80% on cybercrime.²³ However, legislation alone is not a panacea for securing the necessary conditions for expanding LDC participation in e-commerce.

4 CONCLUSION

4.1. In view of the foregoing, many LDCs remain on the periphery of global e-commerce markets. Various levels of progress are evident, but these are reflective of areas in which targeted capacity building and technical assistance interventions are required including beyond those identified in this submission.

4.2. It is equally important to underline the fact that LDCs have been making best efforts within the limitations of their resources to advance the e-commerce agenda. These efforts are notable for building relevant legislation and policies, and digital know-how in e-commerce related tools and infrastructure. ICT and e-commerce advanced developing countries might also create partnerships and provide infrastructure, technological and technical expertise in LDC urban and rural areas.

4.3. Many LDCs are experiencing significant ICT, technology, research and development challenges, exacerbated by a steep decline in ODA. Concurrent needs in digital know-how and skills must be met to move many LDCs from the periphery of e-commerce and the 4th industrial revolution, which is also evolving. Moreover, e-commerce backbone infrastructure is in short supply in many LDCs. As noted earlier, coupled with persistent needs in electricity accessibility, the ability of LDCs to leverage digital technologies in the context of e-commerce is also limited.

4.4. In the context of the WTO Work Programme on Electronic Commerce, the LDC point of departure is qualitatively distinct from that of other Members and much more than creation of multilateral rules on e-commerce. Within the framework of the WTO Work Programme, LDC-oriented deliverables should be prioritised. On e-commerce tariffs and digital taxation, there is need for an LDC-specific study that provides for technical assessments of the implications of the WTO moratorium taking into account specific attributes of LDCs. This includes the mechanisms within LDCs and possible technologies available globally. The implications should include not only impact on revenue gain to the government, but also the costs of any impact of imposing customs duties and internal taxes on costs carried over to LDC entrepreneurs and consumers, which are increasingly relying on the platform to provide or access products, services and enter diaspora or new markets.

²⁰ Annette Ssemuwemba (2023) "BUILDING RESILIENCE After the pandemic storms, digital trade offers LDCs rays of sunshine". Available at <https://oecd-development-matters.org/2023/06/13/after-the-pandemic-storms-digital-trade-offers-lDCs-rays-of-sunshine/> Accessed on 21 July 2023.

²¹ UNESCAP (2019) *Leveraging e-commerce for graduation of least developed countries* UN, Bangkok.

²² Noting that Bhutan has just graduated from LDC status.

²³ UNCTAD (2023) *Global Cyberlaw Tracker: Summary Adoption of E-Commerce Legislation Worldwide* Available at: <https://unctad.org/topic/ecommerce-and-digital-economy/ecommerce-law-reform/global-cyberlaw-tracker> Accessed on 27 December 2023.

4.5. We recommend that the WTO consider setting up a mechanism of information and collaborations with other institutions, specific to LDC participation in e-commerce and aspects that may assist in closing gaps. This should also include up-to-date information on LDC systems in relation to the areas mentioned in this submission. A road map within the Work Programme could also be considered that will help LDCs track the evolution of progress in the Work Programme both within the remit of the WTO's role and in collaboration with other institutions.
