

## Session Report

### Session 77 : Working Session-Impact of platform economy and digital trade on economic distribution

World Trade Organization (WTO) Public Forum 2018

#### Organizers

- IT for Change
- UNIGLOBAL

#### Panellists

- [Rashmi Banga, Senior Economic Affairs Officer & Officer-in-Charge in the Unit of Economic Cooperation and Integration among Developing Countries, United Nations Conference on Trade and Development \(UNCTAD\)](#)
- [Christina Colclough, Director, Uniglobal](#)
- [Anita Gurumurthy, Executive Director, IT for Change](#)
- [Richard Hill, President, Association for Proper Internet Governance \(APIG\)](#)

#### Moderator:

- [Parminder Jeet Singh, Executive Director, IT for Change](#)

The working session on 'Impact of platform economy and digital trade on economic distribution', focused on economic distribution and value creation in the context of global platformization. The moderator for the session was Parminder Jeet Singh, IT for Change, who began by outlining the broad contours of the new digital economy. He noted that much like the factory was the site of economic reorganization in the industrial era, the central artefact of the digital age was the global platform, and as regulation frameworks evolved around the factory, so too must policy frameworks respond to platforms. It was critical, he added, that due attention be paid to how, in improving economic efficiencies and raising productivity, platforms impact economic distribution.

The panellists, speaking from their diverse backgrounds in research, policy making and advocacy addressed this question from different angles, exploring the challenges presented for the rights of people and the right to development and equitable trade for countries at the margins of globalized economies.

Anita Gurumurthy, IT for Change, presented the highlights from ongoing research being undertaken by the organization on policy frameworks for digital platforms. Platforms re-orchestrate the value chain by harnessing networked economies of scale and data-based market segmentation. This maximizes their ability to extract and corner value and also affords them end-to-end control, she noted, illustrating through examples and research how smaller players and actors were getting squeezed in this process, leaving them little recourse, save to be co-opted into the global platform's ecosystem. By being able to harness vast amounts of user data and exercise proprietary control over data regimes, platforms are able to constantly maintain and improve upon their competitive edge. They are also able to corner the market, capture an ever-expanding

network and expand the 'stickiness' of their ecosystem.

Through her presentation, Anita also illustrated the different ways in which platforms escaped regulation and disrupted social and economic systems. Commenting on the trend of super platforms such as China's Meituan Dianping which aspires to be the Amazon of services, Anita emphasized the greater than ever technological concentration that was taking place in fewer and fewer hands. To remedy this, and ensure that smaller actors both in the global South and North do not get left out, or perforce become locked into the lower rungs of the global value chain, there was a need for comprehensive policy reform and application that addressed; 1. sectoral policy gaps ; 2. cross-cutting economic concerns; 3. public interest domains and; 4. the need for new frameworks that specifically look at platform regulation.

Rashmi Banga, Senior Economic Affairs Officer, UNCTAD spoke next. Addressing the issue of skewed value distribution in the global economy on account of platforms, Rashmi presented some key takeaways from the UNCTAD trade and development report of 2018, the theme of which was 'Power, platforms and the free trade delusion.'

The study, she said, was attempting to bring out a framework around which the platform economy is growing. Supply chains are traditionally skewed to maximize value creation for distributors. But in the digital economy, this has changed and value now rests more and more with actors in pre-production stages as well those mediating e-commerce transactions. While adding a digital component to the supply chain is one way in which actors can hope to accrue more value, Rashmi pointed out that for developing nations without technological prowess, this was a losing proposition. She cited the example of value additions acquired through digital in manufacturing exports where the value share for countries had increased overall but the scale of growth was highly variant. Where the revenues for countries such as China and the US were between USD15-20 billion, it was very low for majority of countries. The face of trade competitiveness was thus likely to change heavily in the coming years given that domestic manufacturing was falling in many countries, consequently weakening the domestic linkages – in terms of hiring, producing etc – to the global value chain. In the digital economy, the share of labor had also declined globally across countries in value distribution. Where it has increased, gains have mostly been for those in managerial positions and not in production end jobs, with the notable exception being China.

Rashmi concluded her presentation by emphasizing that much like raw materials such as oil were the core resources of older economic models, the core resource of the digital economy was data. However, earlier resources were owned by countries, which gave them some bargaining power with big corporations. With free data flows becoming the dominant discourse around data and rules in trade agreements impinging upon the policy space of developing countries, soon developing countries will have no negotiating power at the trade tables. Strong data localization policies such as Rwanda's sovereign data policy were the need of the hour, along with regional cooperation mechanisms for solidarity and collaboration.

Christina Colclough, Director, Uniglobal spoke on the issue of data rights and how this was articulating itself in the world of work and our social lives. Everything we do today produces data – smart phone activity, health data, financial data, travel records and so on, she said. These data are increasingly becoming very relevant to the world of work affecting various aspects including recruitment, performance review, management, oversight etc.

The central question we need to ask is who own the data and who has the right to the data. When it comes to workers' data rights, Christina pointed out that apart from some sections of the General Data Protection Regulation (GDPR) and weak legislations in some countries, there was very little in the realm of policy that could effectively regulate the area. As more and more, the distinctions between personal and non-personal data are rendering false, and close to 80 percent of the world's data is controlled by few tech companies, this was an important issue for us to consider.

The challenge, Christina observed, was to embrace the fluidity, digital technologies afforded to the world of work without compromising on social security and guarantees and improving the working lives of everybody. Reforming social security systems could be a first step towards this.

Richard Hill, President, Association for Proper Internet Governance (APIG), spoke about the fact that solutions being deliberated at the WTO towards the digital economy, do not actually comprehend the problems that need addressing. For instance, developing countries, Micro, Small and Medium Enterprises (MSMEs) and smaller actors need several policy measures that can ensure affordable access, improved cyber-security, uniform data protection rules, healthy competition and so on.

However, these issues need to be deliberated at forums such as the International Telecommunication Union (ITU), United Nations Commission on International Trade Law (UNCTAD) and UNCTAD. On the contrary, Free Trade Agreements and the WTO do not address these issues and instead focus on pushing free flows of data and stricter Intellectual Property (IP ) regimes for technology. These approaches, Richard observed, will only entrench the dominant players and result in newer paradigms such as Artificial Intelligence (AI) (which is based on data) to be controlled by big technology companies in the US and China. He also added that data is a complex issue and effective policy regulation must take into account several issues including: personal data privacy/protection, legitimate needs of regulators/law enforcement, safety verification, collective value of community data.

The panel invited a range of interesting questions and comments from the floor. The interaction with the audience touched upon many issues, from the threats to sovereignty from big companies to developing nations, to discussing the need for going beyond data localization. As final comments, the panellists put forth the following suggestions to work towards greater value distribution.

- Besides data localization, countries also need to develop know-how to analyze data and build value additions on top of it. How data is used is an important policy question that developing nations need to address. Building data and digital infrastructures, both through private and public efforts is also something that policy efforts at local and global levels should address.
- Independent data trusts should be set up for common use, which can be governed by multiple stakeholders in public private frameworks. Access frameworks for these should be developed through graded encryption standards.
- Anti-competitive policies need to be properly enforced and updated to meet the new challenges. Public and regional platforms also need to be thought about as possible alternatives.