

### **Session 3: First Plenary Session on “The Crisis of Multilateralism – is UNCTAD rediscovering its original mandate to confront key challenges of the Global South?”**

#### **Anita Gurumurthy at the Civil Society Forum at 15th Session of the United Nations Conference on Trade and Development (UNCTAD15)**

The acceleration of digitalization post-Covid indicates a shift that is here to stay – with transnational platform behemoths firmly taking control of global value chains.

We are not just witnessing the expansion of e-commerce marketplaces. Rather, the platform model signals a deep transformation of production relations as data power becomes a proxy for market power. Tech stocks have vastly outperformed the broader market in 2020. Reports tell us that 2021 continues to be a record-breaking year for tech industry deals, with the first half already breaking global records for Mergers and Acquisitions (M&A) that are worth over \$671 billion.

In the absence of appropriate rules for the emerging digital context, the international trade regime based on the *de facto* flow of data from developing to developed countries is reinforcing and deepening economic inequalities among countries.

UNCTAD’s establishment in 1964 with a mandate to “narrow the gap between the rich and the poor nations” implied a promise of decolonization. Developing countries wanted an institution that would be their own “poor man's club”.

Today, global digital value chains at the cusp of the fourth industrial revolution are embedded in a new story of colonization. They flag an urgent need for UNCTAD to return to its original mandate — to support the cause of an equitable and just global economy.

In the modern world order founded on multilateral cooperation, never before have we witnessed a moment like this. This is not just about a world after Covid. It is about a world in which data and frontier technologies have rendered social norms, practices, laws and institutions anachronistic.

In WIPO’s 2019 report, experts on AI note that in a world where data ownership determines who will lead AI innovation, a multilateral treaty may well be necessary to combat the global scale of potential disruption. As experts note, the tectonic shifts in geo-economics driven by data and AI may well lead to geopolitical tensions as nations with the know-how to harness AI may commodify, for an enormous value, the data of other countries’ populations and ecosystems. What confronts us is a specter of acute inequality.

Which is why, in 2019, WIPO's then Director General Francis Gurry identified the need for 'distributional justice', noting the capacity gap faced by developing countries to participate and compete in the digital economy.

More recently, the UN Secretary-General, in his Digital Cooperation Report, similarly observed that the lack of national oversight or governance in current AI-related initiatives has led to missed opportunities to use it for the public good..

From a southern perspective, what are the key issues in the current international trade and development regime that are important for renewing UNCTAD's mandate?

Firstly, trade agreements in e-commerce have become an extractive route whereby Big Tech firms take the raw material of data away from developing countries. This hollows out the productive capacities of local economies, preventing developing countries from moving into the higher-value segments of the global digital economy, leaving them at the real risk of deindustrialization.

Further, conditionalities in trade agreements prevent developing countries from forging their own digital industrialization pathways. Trade deals also restrict policies that push for local control over vital digital infrastructure.

Development in the 21st century hinges on digital sovereignty and the ability of developing countries to maximize the public and social value of data and AI.

Secondly, the platformization of production and market exchange is likely to roll back historical gains for women. For women workers in the global South – traditionally concentrated in agriculture and the informal economy – the future seems even bleaker with new supply chains bypassing them completely. While the rhetoric of opportunity is often invoked for women in e-commerce, the reality is that these marketplaces operate on hugely unfair and exploitative terms. Hyper-optimistic narratives of women in e-commerce must make way for more grounded epistemology

Thirdly, with the exponential growth of e-commerce and the increasing share of digital products and services in global trade, the moratorium on customs duties on electronic transmissions needs to be revisited.

Recent estimates of international aid flows suggest that only a small fraction of Official Development Assistance (ODA) explicitly addresses the development implications of digital transformations (UNCTAD, 2019). The AI race has already left developing countries behind in the *laissez-faire* global regime of free data flows. Playing catch-up is not an option when data resources are enclosed by the leading firms of a few countries.

Without digital taxation reform, the fiscal base of developing countries will see a rapid erosion, with cascading impacts for public and care infrastructure investments.

Thus, in the digitalizing global economy, technological sovereignty for building platform, data and AI infrastructures is the precondition for domestic productive capacity and value generation. Moving away from the extractive data paradigm, a new digital economy based on redistributive justice must be built. This means not only an effective and democratic governance of the digital paradigm that includes regulation to rein in Big Tech corporations, but also a re-imagination of the platform model to catalyze economic self-determination so that innovation and equity are seen as two sides of the same coin.

The multilateral system needs to measure up to and acknowledge the need for new institutional norms and rules, fundamental changes in the trade regime, tax reform towards digital justice, and re-imaginings of ODA to enable developing countries to build their own digital industrialization infrastructure. National policy support for alternative, solidarity economy platform models and social and care infrastructure are not possible in the wild west of Big Tech governing itself.

The role of UNCTAD cannot be overemphasized in this scenario.

To support digital industrialization in the South, UNCTAD needs to lead the creation of systemic capabilities in the global south.

Late last year, UN ECLAC's Deputy Executive Secretary, Mario Cimoli, indicated in a UNIDO forum that for a long time industrial policy was not talked about in Latin America, but the pandemic has pointed to the need for the developing world to debate the structure of the economy, markets and technology – going back to the basics of industrialization.

The UNCTAD's 15 outcome documents are worryingly blind to the urgent need for equitable digital industrialization. They run contradictory to the UNCTAD's own contention on free data flows in its 2019 Digital Economy Report. The report argues that governments, both from developed and developing countries, are increasingly recognizing that the collection and processing of people's data cannot be left entirely to private corporations. In the emerging global digital economy, it will be necessary to ensure that developing countries have the necessary economic, legal and regulatory space to shape their digital economies in ways that serve the interests of their populations, including by helping them to create and capture value from digital data (Page 92).

The cutting-edge work done by UNCTAD on inequity in the digital economy needs to be taken forward.

UNCTAD needs to initiate a new inter-governmental working group on trade and data sovereignty to evolve a rule-based digital economy where the data rights of the few behemoths do not unleash civilizational wrongs on most of humanity.

UNCTAD also needs to carve out a technical assistance program for domestic digital infrastructure development and strengthen domestic data capabilities so that developing countries can participate in the emerging global digital economy on equal terms.

Enabling South-South cooperation in digital industrial policy development should be yet another priority area.

The EU has made rapid strides through new laws – the draft Data Governance Act, draft Digital Markets Act, and the forthcoming Data Act to protect its techno-sovereignty. The agenda of data flows – suitably valorised through terms like trust and confidence and introduced insidiously through trade debates – masks the *laissez-faire* economic order controlled by the powerful.

A new democratic multilateralism is urgently needed to set global norms and build institutions so that techno-social life can yield a fair, just, compassionate and humane society and economy in which platform power can be harnessed for thriving local economies and sustainable local livelihoods. International Cooperation is a route towards this end and not an end in itself.

The question is, how can a renewed multilateralism and UNCTAD's program of work move the needle to make this shift happen in the digital economy?