



The Role of Government in Connecting the World - an Industry Perceptive

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Introduction

The pandemic has highlighted the glaring need to bridge the digital divide, both within and across countries, given the central role the digital economy has played during the crisis. Many traditional obstacles have been accentuated and have continued to hamper greater participation in e-commerce activities by small producers, sellers and consumers in developing countries, particularly in least-developed countries (LDCs). This has underscored the need for efficient and affordable ICT services, such as telecommunication, computer and other IT services and emerging technologies.

Internet connectivity is emerging as one of the fundamental pillars of societal well-being. Some 49 per cent of humanity is not online, yet more than one-third of global GDP relies upon digitalization, according to the UN. Global supply chains are all digitalized, essentially, so if you are a business that wants to participate in them you have to be online, and if you're in a country with expensive broadband — like much of the developing world — you're at a major disadvantage.

The United Nations Sustainable Development Goals¹ aims to significantly increase access to information and communications technology, and to provide universal and affordable access to the Internet in the least developed countries. While 5G, IoT, and other technological advancements are rapidly entering the market in many nations, there are still over three billion people who don't have access to the Internet. A majority of those without access are in developing regions where associated factors of ineffective national governance, a scarcity of infrastructure and lack of foreign investment serve to limit the populations' access to basic connectivity.

¹ <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>

Closing the digital gap in the global economy is a significant opportunity for the entire telecommunications value chain. But doing so sustainably is not easy. To increase broadband access, this paper addresses, in part, the following critical issues:

- **Availability:** One of the most important reasons why many people can't access the Internet is due to the lack of adequate infrastructure. All other issues don't even come into play without the availability of network and other infrastructure, such as regular electricity supplies, to provide Internet access;
- **Affordability:** The cost of service, the cost of devices used to access the internet, affordable electricity;
- **Applicability:** Quality, localized content in native languages and services available to support consumers gaining access;
- **Capability:** Government policies need to support digital development as well as people's ability to take-up services based on aspects including awareness of the value of internet services, literacy etc.).
- **Corruption:** In cases where there is corruption, ICT Development is severely hindered as Direct foreign investment as well as other enablers to development will not exist.
- **National ICT Strategic plans:** Nations that lack a long-term nationally supported, inclusive Digital Plan/Agenda restrict themselves to incremental at best ICT development.

Developing Countries Are the Future

The map of global demand, once heavily tilted toward advanced economies, is being redrawn—and value chains are being reconfigured as companies decide how best to compete in the many major consumer markets that are now flourishing around the world. McKinsey estimates² that emerging markets will consume almost two-thirds of the world's manufactured goods by 2025, with products such as cars, building products, and machinery leading the way. *By 2030, developing countries are projected to account for more than half of all global consumption.* These nations continue to deepen their participation in global flows of goods, services, finance, people, and data.

“WITSA advocates free market principles, and open trade and investment regimes as central components of a connected economy and sustainable global growth, employment and poverty reduction.”

Government regulation and resistance to reform: connectivity and digitalization

Because modern economic growth and development is now so fundamentally underpinned by connectivity and ICT, to be competitive, nations must focus on ensuring a business environment that enables the effective development and use of ICT. The pace of change and innovation in the processes of business and government enabled by ICT contrasts with burdensome and redundant government regulation, which has not kept pace. This has increased the responsibility of industry to promote a trustworthy connected business environment through advocacy, supporting best practices and industry

² <https://www.mckinsey.com/business-functions/operations/our-insights/global-growth-local-roots-the-shift-toward-emerging-markets>

innovation. Business has a clear, commercial incentive to foster the empowerment of citizens and customers but can only make the necessary infrastructure investments where governments recognize and support business leadership by responding favorably to the highly dynamic nature of the global digital economy.

To make the ICT sector as strong and effective as possible, a comprehensive ICT infrastructure must exist which enables affordable connectivity, well defined standards, mechanisms for promoting security, and the ability to appropriately address cybercrime and privacy. ICT infrastructure investments must be a top priority for developing and emerging economies. ICT can only drive an economy and enable its industries and society provided there is an infrastructure with broadband network capacity in place, supported by extensive mobile services. Without these, developing countries will continue to lose out on the business opportunities and the socio-economic benefits of ICT.

A thriving ICT sector also requires a government that embraces the power of ICT to transform the public sector and the delivery of public services. The challenge for governments is how to implement these budding opportunities to capture the benefits they offer citizens through better outcomes, and taxpayers through lower costs and more efficient use of scarce resources. Public sector bureaucracies and processes can present barriers and developing nations must avoid these effects by learning from the experience of developed nations.

Any long-term solutions for sustainable economic growth lie in building a knowledge-based economy through the development of broadband connectivity and adoption of ICT. This will help drive an economy towards transformative growth, and enhance industry efficiency and output, as well as offer society greater access to opportunities for improving citizens' quality of life, including knowledge and skills acquisition.

A thriving ICT sector also requires a focus on supporting small and medium sized enterprises (SMEs), startups and growth entrepreneurship. These are critical since the large, more established, companies often do not exhibit significant growth in mature markets. It is therefore important to offer new growth companies tax incentives, financing, and to create generally favorable business conditions. Equally, *taxation regimes must recognize the costs and risks* of research, development and innovation, and *schools and education systems must prepare people with skills* both to develop and effectively use ICT. Given the large leverage of ICT, governments should consider funding base-infrastructures such as broadband and building progressive tax regimes which not only reduce costs but also encourage growth.

Trade rules must take into account the constantly evolving and inherently international nature of digital commerce and business, and any *changes should be implemented only after a thorough discussion* with all stakeholders and governments should support business-led rules development where possible and build national ICT strategic development plans.

Nations benefit the most where there is an ecosystem that encourages entrepreneurship, innovation and protection of intellectual property. Economic reforms will succeed where grounded in a commitment to free market principles, including the rule of law, respect for private property, open trade and investment, competitive markets, and efficient, effectively regulated financial systems. These principles are essential to economic growth and prosperity and have lifted millions out of poverty, while significantly raising the global living standards. *WITSA advocates free market principles, and open trade and investment regimes as central components of a connected economy and sustainable global growth, employment and poverty reduction.*

COVID-19: A Once in a Generational Opportunity

Globally, the disruption of the pandemic is illustrating how important supply chain resilience is and if businesses are connected and digitized, their ability to respond in real-time to disruption is vastly improved. Most importantly, the post-pandemic recovery will further disrupt existing chains to reconfigure them for greater resilience.

The increased use of e-commerce necessitated by consumers adapting to lockdowns and social distancing measures draws attention to several challenges, such as the need to bridge the digital divide within and across countries. With connectivity now a prerequisite for national competitiveness in a digitalized world economy, how can the less connected countries substantially improve access to affordable connectivity at the same time as they divert resources to deal with a major economic and health crisis? This reality presents an existential public policy challenge for the least connected countries across the world. It also creates a once in a generation opportunity to produce policy-based action plans to grow back stronger through improved connectivity and increased digital competitiveness.

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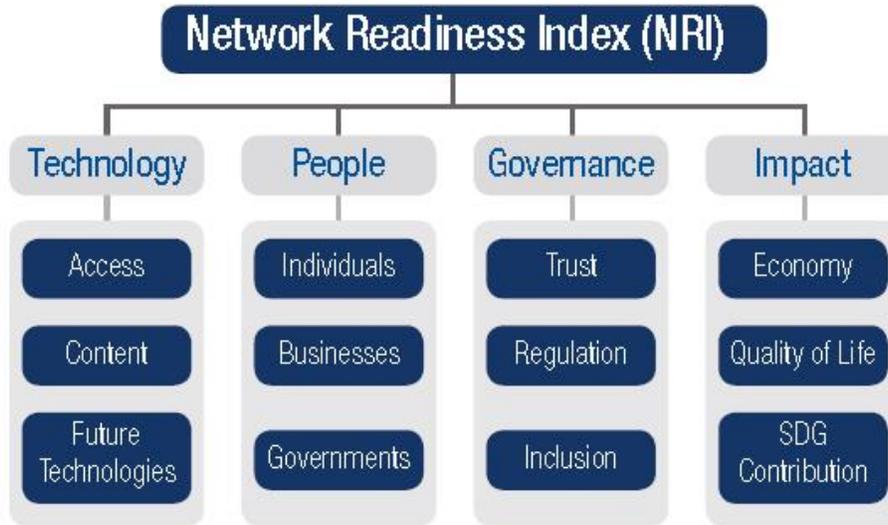
Whereas the pandemic has accelerated trends towards the digitalization of economies, as evidenced by digitally enabled businesses often thriving amidst the pandemic, countries where the fundamentals underpinning digital economic activities are not affordable, such as connectivity and ICT infrastructure, must review their legal and regulatory functions that negatively impact digitalization. Access to affordable telecommunication services is essential for participation in the increasingly digital global economy. Governments must therefore adopt regulatory approaches to telecommunications which results in more affordable access. One key such measure is the International Telecommunications Union’s ICT Regulatory Tracker, which consists of 50 indicators grouped into four main groups³:

1. Regulatory authority (focusing on the functioning of the separate regulator)
2. Regulatory mandates (who regulates what)
3. Regulatory regime (what regulation exists in major areas)
4. Competition framework for the ICT sector (level of competition in the main market segments)

Another measure is the **Network Readiness Index (NRI)**⁴, one of the leading global indices on the application and utilization of information and communication technology (ICT). The redesigned NRI is based on four pillars: Technology, People, Governance and Impact. Each pillar is further composed of three sub-pillars:

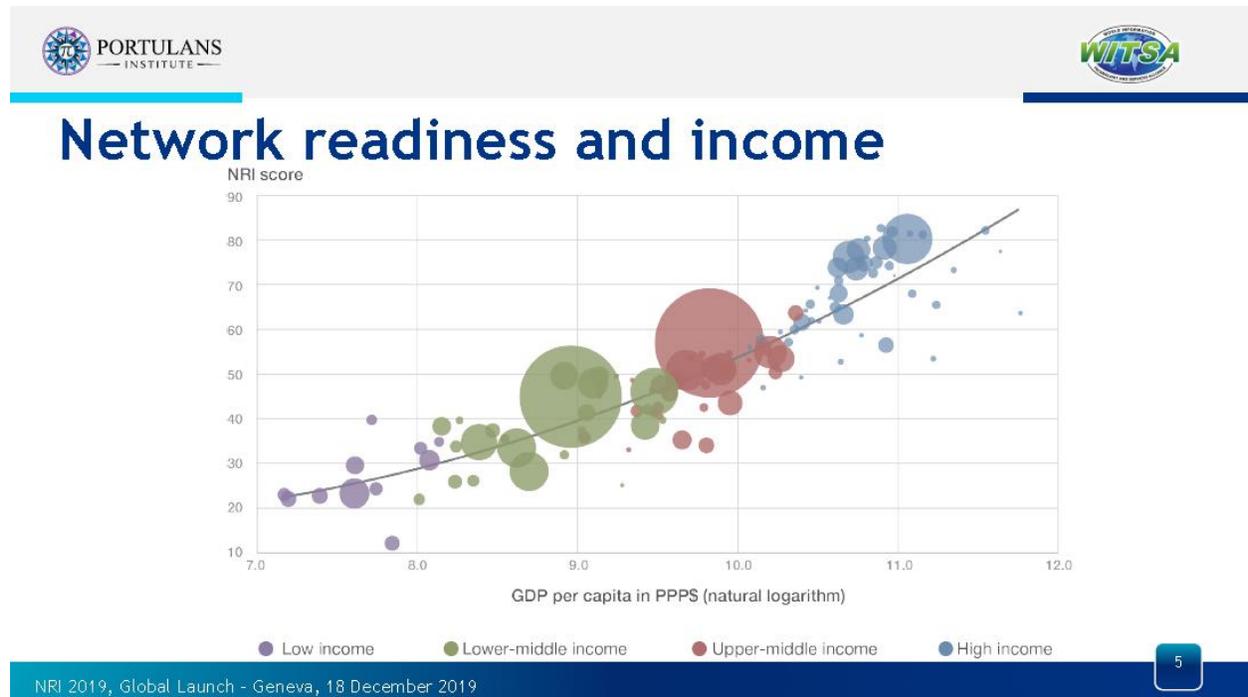
³ <https://www.itu.int/net4/itu-d/irt/#/tracker-by-country/regulatory-tracker/2019>

⁴ <https://networkreadinessindex.org/>



Note: SDG = Sustainable Development Goal.

The Network Readiness Index 2019 ranks a total of 121 economies based on their performances across 62 variables. The 2019 NRI was released by the Portulans Institute, a Washington D.C. based technology and innovation think tank, in collaboration with the World Information Technology and Services Alliance (WITSA). Among its key findings, there is a direct correlation between connectivity and network readiness and prosperity:



“WITSA encourages all developing and emerging countries to eliminate tariffs on ICT products and services by signing on to the WTO Information Technology Agreement”

Beyond telecommunications regulations enabling more affordable broadband, governments must also ensure affordable ICT hardware and services – in particular, the elimination of tariffs on essential ICT products such as lap-top computers. In developing countries, such tariffs can exceed 35 percent. WITSA therefore encourages all developing and emerging countries to eliminate tariffs on ICT products and services by signing on to the WTO Information Technology Agreement (ITA I and ITA II).

Several other areas of government policy also are essential to the growth of a connected and digitized economy, namely:

1. **Legislation supporting electronic transactions** – accepting digital signatures as equivalent to ink-signed equivalents, for example, which supports consumers purchasing goods online, as well as business-to-business online transactions, and accepting the terms and conditions electronically, among other examples.
2. **Consumer protection legislation** – key to facilitating the trust of consumers in online transactions.
3. **Data protection legislation** – this is key to consumers’ trust in how their personal information will be used, but it is also fundamentally important to facilitating business-to-business trade online, especially the participation of businesses in global value chains where the processing of personal information is even incidentally an element of the data. This is because the operators of value chains in developed economies face sanctions from their data protection authorities if any of their suppliers do not sufficiently protect personal information.
4. **Cybercrime legislation** – identifies standards of acceptable behavior for information and communication technology (ICT) users; establishes socio-legal sanctions for cybercrime; protects ICT users in general; and mitigates and/or prevents harm to people, data, systems, services and infrastructure.

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Government Policy Actions to Build a Thriving ICT Sector

Information and Communications Technologies’ profound impact on competitiveness, innovation and all aspects of life in advanced economies as well as its impact on social and economic development throughout the world is indisputable. The strategic importance of ICT for enabling national development and poverty alleviation strategies supported and implemented by all countries striving to gain a

competitive advantage. Throughout economic history, the cumulative lessons and transformations involved in using ICT and the rapid progression of this wave of technological change is evidence that a wait-and-see attitude will keep uninitiated developing countries behind in a technological revolution no less profound than the last industrial revolution. There is therefore a clear need for all countries to develop national strategies for ICT-enabled development.

In order to build a thriving ICT sector, the development of ICT infrastructures and affordable ICT solutions must be top priorities for developed and emerging economies alike. Moreover, taxation regimes must recognize the costs and risks of innovation, and schools and education systems must prepare people with skills both to develop and effectively use ICT. Additionally, governments must promote the free flow of highly skilled personnel to facilitate and sustain the growth of the ICT sector.

Developing nations could consider coming out with an IT industry development policy that specifically lay down guidelines for local language support, standards which encourage interoperability, as well as very specific guidelines on security, privacy, cybercrime and IP management.

Changes to trade rules should be discussed with all the stakeholders, taking into account business led rules development, and must be internationally coordinated if possible. Regulatory schemes affecting global commerce must be non-discriminatory, and in accordance with WTO agreements.

Self-Assessment: Is Your Government Taking the Necessary Steps to Build a Thriving ICT Sector?

Does your government support investment in a comprehensive ICT infrastructure which enables affordable connectivity, with widely available broadband network capacity in place, reinforced by extensive mobile services?
Does your government help build an ICT infrastructure which promotes well defined standards, mechanisms for promoting security, and the ability to appropriately address cybercrime and privacy?
Does your government embrace ICT as a tool to transform the public sector and the delivery of public services, capturing the benefits they offer citizens through better outcomes, and taxpayers through lower costs and reduced demand for scarce resources?
Does your government actively help build a knowledge-based economy through the development and adoption of ICT?
In your country, do <i>schools and education systems adequately prepare people with skills</i> both to develop and effectively use ICT?
Does your government have a focus on supporting small and medium sized enterprises (SMEs), startups and growth entrepreneurship through tax incentives, financing, and by creating generally favorable business conditions?
Does your government take into account the constantly evolving and inherently international nature of digital commerce by supporting business-led rules development where possible, and engaging in thorough discussions with all stakeholders?
Is your government committed to free market principles, including the rule of law, respect for private property, open trade and investment, competitive markets, and efficient, effectively regulated financial systems?

Does your government support internationally coordinated and non-discriminatory regulatory schemes affecting global commerce?

“Digital trade will benefit everyone in creating jobs, investment, trade and prosperity to a wider section of the global population. Leading countries involved in WTO ecommerce negotiations should ensure the agenda addresses digital and data-related barriers that directly affect developing countries”

Making Digital Trade Work for Everyone

Despite the challenging political environment, there is one area of policy where we have a consensus to move forward; digital trade, or ecommerce, as the World Trade Organization (WTO) call it. There are 76 countries, including the EU, China and USA, now negotiating a WTO Ecommerce Agreement in Geneva - together covering over 80 percent of the global trading environment. It is the first time in over 20 years that we have a major breakthrough in modernizing the global governance of digital trade and one area of policy where there is a consensus.

Unbeknown to most people, the digital trade world operates on a set of rules that date back to 1998, the WTO Declaration on Global Electronic Commerce⁵, before smartphones even existed. We now have the chance to establish a common set of rules to open up opportunities across the 76 participating countries and perhaps more, but we must make the case for how digital trade benefits everyone and, importantly, go and support the WTO trade negotiators to design the policies we know work.

There are many reasons why we need a global e-commerce agreement – to begin with a global agreement is in part a solution to at least 12 of the UN Sustainable Development Goals, covering everything from poverty reduction to economic growth. If we want to promote financial inclusion and empower more women in the economy, digital trade is a proven solution. The same goes for rural communities where infrastructure costs are too high for small businesses . Countries like Kenya, Nigeria and Rwanda are all shining examples of how to master mobile technology to circumvent the need for expensive infrastructure, and to create opportunities for local communities to benefit from the global trade economy.

The argument for more investment in digital infrastructure is compelling. Aid for trade and multilateral bank budgets spend just 1 percent on ICT capability building. That is inadequate when we desperately need infrastructure, skills, governance and policy frameworks in place to enable digital trade. Digital

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[https://www.wto.org/english/thewto_e/minist_e/mc11_e/briefing_notes_e/bfecom_e.htm#:~:text=The%20Declaration%20on%20Global%20Electronic,WT%2F2F274\).&text=This%20is%20known%20as%20the%20moratorium%20on%20e%2Dcommerce.](https://www.wto.org/english/thewto_e/minist_e/mc11_e/briefing_notes_e/bfecom_e.htm#:~:text=The%20Declaration%20on%20Global%20Electronic,WT%2F2F274).&text=This%20is%20known%20as%20the%20moratorium%20on%20e%2Dcommerce.)

trade and development must go hand-in-hand if the opportunity of a global agreement is to become a reality for everyone. We should not be in a position where there is disagreement between business and NGOs, or developed markets versus less developed countries. Digital trade will benefit everyone in creating jobs, investment, trade and prosperity to a wider section of the global population. Leading countries involved in WTO ecommerce negotiations should ensure the agenda addresses digital and data-related barriers that directly affect developing countries.

The WTO e-commerce negotiations should also tackle cross-border Internet connection issues, such as commitments from data transit countries to provide open and fair access to the global Internet. Many developing countries, in particular landlocked economies, depend on Internet access from a small number of countries with backbone infrastructure (such as submarine cables) and are often subjected to expensive, limited capacity and unreliable terrestrial connections. Most importantly, the WTO negotiations should take into account the regulations and costs associated with accessing these cross-border cables, such as interconnection charges, transit data costs, and accounting fees as well as local access charges. A lack of standards and systems interoperability between neighboring countries result in high costs of cross-border data transit.

Trade policy can help ensure that developing countries have open and fair access to the global Internet. While WTO members have made commitments in the past, including under GATS, the Annex on Telecommunications, and the Reference Paper on Telecommunications, these commitments are outdated and should be reinforced and updated through the ongoing e-commerce negotiations in Geneva, resulting in common principles on the transparent and fair regulation of Internet interconnection for developing and emerging countries.

As a founding member of the Digital Trade Network (DTN), WITSA is actively monitoring the Joint Statement Initiative (JSI) e-commerce negotiations in Geneva. Through DTN, WITSA works with a number of other partner organizations to build an impartial, broad base of international supporters to work with the WTO, the UN Conference for Trade and Development (UNCTAD), the International Trade Centre (ITC), and related economic policy agencies in Geneva with a focus on the networked economy. COVID-19 has increased the urgency of developing global rules on digital trade and that these negotiations are seen as a key test for the WTO to respond to modern commercial realities.

Conclusion

It is imperative that government leaders, in cooperation and partnership with the private sector embraces and employees the use of Digital technologies. ICT must be at the core all of decision made by government leaders.

In a Digitally driven world economy, the need to fully join the Digital Age is no longer just a smart thing to do, -it is required for a nations' future. It is up to governments, in partnership with industry and other stakeholders to shape e-commerce and the digital economy by adopting rules that favor the adoption of ICTs and economic growth. In many developing countries, this is an enormous challenge that will involve reforming existing policies, laws and regulations in many areas. Unfortunately, the digital economy is still relatively uncharted territory in many emerging countries around the world, and policies and regulations are failing to keep pace with the ever-accelerating digital transformations taking place.

National policies and ICT strategies are crucial in preparing countries to ICTs to develop electronic commerce and prosperity. A whole-of-government response to these challenges is necessary to establish the policies necessary to achieve the benefits and address challenges related to connecting populations and building a sustainable economy that benefits all.

WITSA highly recommends that nations take the follow actions immediately, if they have not already:

1. Develop a long-term National Agenda or Plan protected from political change and whims.
2. Commit to fully digitalizing their nations-to include long-term financing and funding.
3. Commit to providing affordable and reliable broadband connectivity for all of their citizens.
4. Liberalize trade/adopt enabling polices and laws: Trade rules must take into account the constantly evolving and inherently international nature of digital commerce and business, and any *changes should be implemented only after a* thorough discussion with all stakeholders and governments should support business-led rules development where possible.
5. Nations benefit the most where there is an ecosystem that encourages entrepreneurship, innovation and protection of intellectual property. Economic reforms will succeed where grounded in a commitment to free market principles, including the rule of law, respect for private property, open trade and investment, competitive markets, and efficient, effectively regulated financial systems. These principles are essential to economic growth and prosperity and have lifted millions out of poverty, while significantly raising the global living standards.
6. *Whenever government regulation is necessary, these must be internationally coordinated if possible.* Incompatible national laws create a fragmented global market with significant uncertainty as to the rules that apply. Uncertainty means risk, and risk defeats investment and innovation.
7. Regulatory schemes affecting global commerce must be non-discriminatory, and in accordance with WTO agreements.

About WITSA

WITSA is a global consortium of leading ICT industry association members from over 80 countries/economies. WITSA members represents over 90% of the ICT industry.

As the leading recognized voice of the global ICT industry, WITSA aims to drive transformation and expand the use of ICT globally; given that ICT is the key driver of the global economy.

WITSA's members and stakeholders comprise national associations, multinational corporations, institutions and organizations, researchers, developers, manufacturers, software developers, telecommunication companies, suppliers, trainers and integrators of ICT goods and services. As such, they represent a large and obviously vital constituent group for whom the effective balancing of concerns and rights affecting the security, privacy and information capability provided by ICT products and services underpins business development and economic activity.

WITSA is a founding partner of the Digital Trade Network ([DTN](#)), a new initiative providing a permanent private sector resource for digital trade policy makers in Geneva. Through DTN, WITSA works with a number of other partner organizations to build an impartial, broad base of international supporters to work with the WTO, the UN Conference for Trade and Development (UNCTAD), the International Trade Centre (ITC), and related economic policy agencies in Geneva with a focus on the networked economy.