

Digital Divide and Policy Reforms for Promoting E-Commerce in the CAREC Region



Dr. Qaisar Abbas
Chief of Research Division, CAREC Institute

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E-COMMERCE

Background of Digital Divide in the CAREC Region

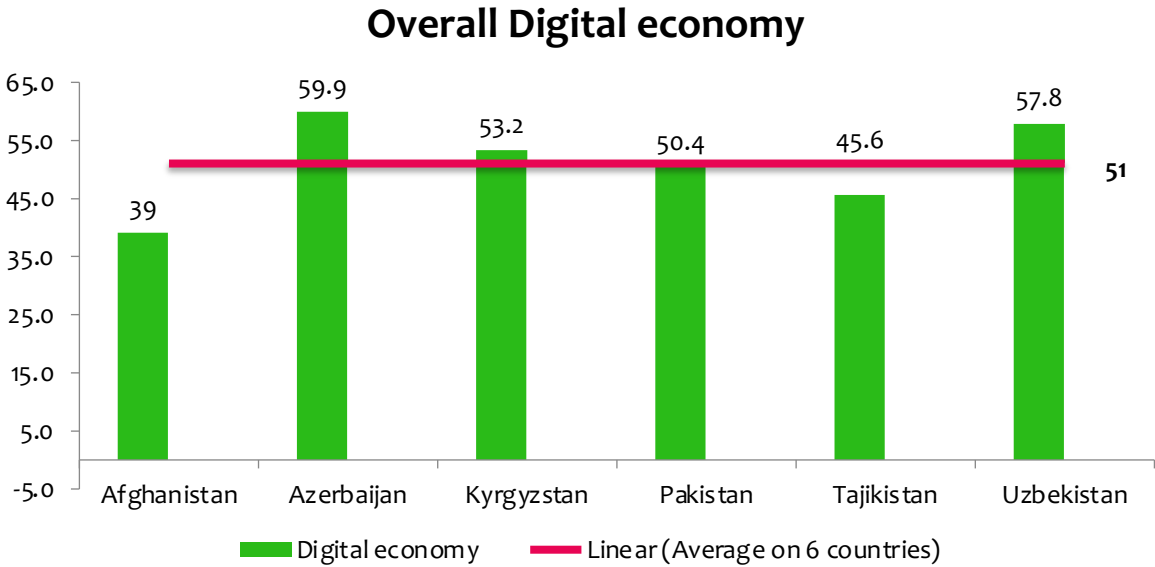
In the recent era of digitalization, the digital gap (divide) is the key hindrance faced by developing countries today, which yields income inequality, causing social conflict and loss of competitiveness, and polarizing people within/across countries, leading to digital hegemony and threatening sustainable growth.

The CAREC region has not fully benefited from the digital economy transformation. Digital Divide analyze digital performance of CAREC economies and devise policies to narrow the prevailing digital gaps in infrastructure and non infrastructure factors, including e-commerce.

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- CAREC region has not fully benefited from the digital economy including digital trade or e-commerce.
 - Digital Infrastructure, Digital Payments, E-commerce, and Internet Access are examined for Afghanistan, Azerbaijan, Kyrgyzstan, Pakistan, Tajikistan, and Uzbekistan.
 - Digital infrastructure and internet access are top performing indicators of digital development in the CAREC region, while **digital payments and e-commerce** report the lowest score. Notably, a lower score indicates a higher digital divide in respective dimension and vice versa.
 - The indicators scores are substantially varied across CAREC countries.

Key Findings: Digital Divide in the CAREC Region

Area/indicator	Afghanistan	Azerbaijan	Kyrgyzstan	Pakistan	Tajikistan	Uzbekistan	Average for 6 countries
Digital infrastructure	50	75	71.4	71.4	60.7	67.9	66.1
Digital payments	45.8	50	50	54.2	50	54.2	50.7
E-commerce	31.3	43.8	37.5	34.4	34.4	34.4	35.9
Internet Access	29.2	70.8	54.2	41.7	37,5	75	51.4
Overall Digital Economy	39	59.9	53.2	50.4	45.6	57.8	51



Key Findings: Digital Divide in the CAREC Region

E-commerce	Digital Payments
<ul style="list-style-type: none"> • Absence of e-commerce platforms to carry out cross-border trade • Inability to directly register on international marketplaces to sell cross-border. • Lack of institutional mechanisms for regulating e-commerce • Imperfect and insecure systems of online payments and lack of systems for delivery of goods and services • Slow adaptation of the mobile or online payments. • Inefficient after-sales service & Consumer protection issues • Cases of counterfeit product sales. Unauthentic websites. • Poor marketing among the population • Lack of confidence in buying online, cyber security concerns • Lack of e-skills and trust in government structures. • In 2 out of 6 countries, the “green transport corridor” has not been introduced (this hinders the increase in cross-border trade) • Absence of a legal framework for cross-border electronic data exchange • Absence of e-signature use for cross-border transaction 	<ul style="list-style-type: none"> • Lack of awareness on the use of cashless payment methods. • Lack of trust in online payments • Low level of cashless transactions • Limited digital banking services • Rapidly growing services require investment in infrastructure and legislative support • High restrictions on the transfer of money abroad, high threshold of the minimum service fee • Impossibility to register on international payment systems for receiving payments
Digital Infrastructure	Internet access
<ul style="list-style-type: none"> • Lack of e-skills and cultural issues for use of online services • Low-level of public confidence in digital documents and services • Security concerns and Internet shutdowns • Most of remote areas do not have access to digital infrastructure • No precise data on the amount of FDI on different sectors/areas • Low-level use of digital technologies in the social sphere 	<ul style="list-style-type: none"> • Lack of e-skills for using the Internet • No access to digital infrastructure due to poor connectivity or instability of electricity supply • High Internet costs • Problems with Internet accessibility in remote areas

E-commerce Development and regulations in the CAREC Region




E-commerce

E-Commerce Development and regulation's overview in the CAREC Region

The CAREC Integrated Trade Agenda (CITA) 2030 emphasizes the critical role of e-commerce in linking CAREC member countries with global value chains and in diversifying economies.

The COVID-19 crisis has seriously changed an outlook on the future of international trade in traditional goods and services. While numerous studies have measured the benefits of e-commerce, the COVID-19 pandemic has dramatically illustrated its importance.

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- The findings of Digital Divide (Phase 1) and other studies on E-Commerce (Phase 1 & 2) endorse that CAREC region has not fully benefited from the digital economy including digital trade or e-commerce.
 - Individual CAREC countries have different levels of digitalization, some being champions and some having difficulties with access to the internet.
 - CAREC presents a strong contrast in e-commerce development. PRC leads the world in online retail and is cited as a role model for the future of e-commerce. E-commerce in most of the other CAREC countries is underdeveloped and way below its potential.
 - E-commerce development in the CAREC region is highly heterogeneous in terms of its hardware, the e-commerce infrastructure, and its soft components including regulatory, legal and institutional framework.
 - Outdated regulations, varied digital infrastructure, and fragmented governance are examples of roadblocks from realizing E-commerce in the CAREC region's potential.

Overview of E-Commerce-Related Legislation in the CAREC Region

Legislation	Afghanistan	Azerbaijan	People's Republic of China	Georgia	Kazakhstan	Kyrgyz Republic	Mongolia	Pakistan	Tajikistan	Turkmenistan	Uzbekistan
E-transactions	*	•	•	•	•	•	•	•	•	•	•
E-documents	*	•	•	•	•	•	•	•	•	•	•
E-signatures	*	•	•	•	•	•	•	•	•	•	•
International certificates and foreign signatures	*	•	•	•	•	•	•	•	•	•	•
Privacy	*	•	•	•	•	•	*	*	•	•	•
Cybercrime	•	•	•	•	○	○	○	•	○	○	○
Consumer Protection	•	•	•	○	•	○	•	*	*	•	○

• = specific legislation or modern statutes are available that are generally compliant with international instruments (with minimum provisions applicable to e-commerce transactions).

○ = there is no specific legislation but there is general legislation (such as civil or criminal codes) that is applicable to all kinds of transactions and is considered media-neutral legislation or statutes.

* = there is incomplete legislation, outdated provisions, or a law has yet to be enacted.



Recommendations for Narrowing Digital divide and E-commerce Development for CAREC Region

Recommendations

Infrastructure

- Digital infrastructure is a basic foundation of the **digital divide** on which subsequent gaps formed. Particularly the adoption **e-Commerce** is largely based on the prevailing infrastructure and regulatory framework.
- CAREC countries need for improving internet infrastructure—such as, expanding last-mile coverage; launching 5G networks; enhancing digital literacy; promoting enterprise e-commerce use; developing business-oriented infrastructure; and establishing backbone networks, internet exchange points, data centers, and cloud.
- Replace conventional cable-based transmissions with fiber optic to increase internet (upload/download) speed (Mbps) (Particularly in Afghanistan, Pakistan, Tajikistan).
- Encourage Multinational firms to invest in the (digital FDI) ICT sector by offering lucrative tax rebates and swift approvals for new ventures from respective ministries through one-window operations (All countries).
- Public-Private Partnership is an optimal solution to fund and manage infrastructure expansion projects. Afghanistan, Turkmenistan, Mongolia, Uzbekistan, and Pakistan are falling behind their peer countries in 4G network coverage.

Recommendations

Infrastructure

- There is a need to widen financial inclusion, enhance **payment system** capacity and speed, increase the availability and use of smartphones, and enable merchant accounts or payment procedures and consider regional payment cards to improve payment systems.
- **Logistics** require the expansion of home delivery coverage, increasing the quality of delivery networks, improving logistics services, addressing cross-border trade constraints and, as much as possible, the adoption of a uniform minimum value.
- In developing the **e-commerce market**, it is important to develop an e-commerce strategy, improve the measurement of e-commerce markets, and support the establishment of e-commerce associations and funding for startups and small business ecosystems.

Recommendations

Inclusive Model for E-Commerce

- Develop a dedicated eCommerce framework (development strategy, programs) aligned with SDG 9c
- Support funding for startups and small businesses especially engaged in e-trade activities
- Developing a digital e-commerce platform meeting the international standards for cross-border trade
- Work on strengthening consumer protection issues (All countries):
 - ❖ Return of goods purchased online
 - ❖ Introduce e-court system in charge of e-trade disputes
- Further development of e-commerce infrastructure:
 - ❖ Implementation of the pilot project EU4Digital Virtual warehouse in CAREC countries to develop cross-border trade between CAREC and European countries.
 - ❖ Make appropriate measures in legislation to ensure the use of international payment methods and cards (All countries).
- Introduce cross-border electronic data exchange between customs agencies (Kyrgyzstan, Tajikistan, Uzbekistan)
- Introduce “green transport corridor” system/approach (Afghanistan, Uzbekistan).

Recommendations

Laws and Regulation

- To facilitate implementation of recommendations, all CAREC members should collectively decide as a priority to ensure that their laws support electronic commerce, including rules on privacy, cybercrime and consumer protection, both domestically and among themselves.
- •Towards this goal, each state should take the following steps: Establish a dedicated multi-ministry task force with support at the highest levels.
 - Include private-sector representation on some version of this group.
 - Coordinate legal advice across government. Different departments or agencies must end up with consistent opinions on key matters.
 - Ensure that all parts of the government and other players have the right and capacity to communicate electronically.
 - Replicate the national work at the international level, and coordinate the both national and international levels.
 - Work closely with ESCAP technical and legal working groups, if not already doing so. This can be done even before becoming a member of the Framework Agreement.

Recommendations

Digital Payments and Regulations

- Ensure the wide range of major payment methods used worldwide to sell and pay for goods on the major marketplaces (All countries).
- Strengthen the legal framework for cashless payments, implement programs and marketing campaigns to increase the volume of cashless payments (All countries).
- Increase the use of digital technologies in social spheres (All countries).
- Introduced the drive of virtual economy across the whole supply chain (manufacturing, wholesaling, retailing), where each transaction pair will be connected through a digital framework.
- Government may follow the famous quote “charity begins with home” to expand digital penetration by restricting all public offices to make virtual payments, documents submissions, clearance of contracts, salaries disbursements, financial appraisals, claims, etc.

Recommendations

Internet Cost and Affordability

- Cost of internet is imperative factor for consumers to use e-Commerce services.
- Regularization of internet cost (less than 2 % threshold of Gross National Income) as per target of UN Broadband Commission. Notably, the cost of the internet is too high in Afghanistan, Kyrgyz Republic, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan. In CAREC regions, only China, Georgia, and Azerbaijan are exceptional countries where internet costs are within the accepted threshold.
- Sales tax waiver for consumers on recharge of mobile and broadband internet packages can help to reduce internet cost.
- A national blanket policy for affordable internet is required to achieve low-cost internet targets.

Recommendations

Digital Security

- On legal grounds, cyber security regulations need to be implemented and updated regularly. Most of the CAREC countries secured the lowest score in digital security.
- Particularly, Afghanistan, Kyrgyz Republic, Mongolia, Tajikistan, Turkmenistan are the most vulnerable countries in **e-Commerce safety**, trust in government websites and apps, trust in information from social media, trust in non-government websites and apps, and trust in online privacy. Therefore, it is recommended an inclusive digital security policy that adheres to all of these concerns.
- On technical grounds, Increase the number of secured internet servers.
- At the organizational level, implementation of the company's cyber security framework.
- Established dedicated hierarchy of cyber security under IT ministry for evaluations.
- Increase awareness of cyber security to control scams, hacking, and digital frauds.
- Public-Private Partnership is imperious in designing and implementing national cyber security framework and their implementations.

Summary

Digital Divide and e-Commerce

- Digital Divide is the key hinderance for e-Commerce development and digital transformation.
- Lacks of digital infrastructure and digital skills restrict the adoption of basic digital technologies and virtual transaction mechanism.
- Weak governance, digital security, and consumer protection reduce the penetration of e-Commerce at firm's and consumers end.
- E-Commerce development can only be achieved by narrowing digital divide whilst implementing inclusive regulations for both firms and regulators.



Thank You for Attention