The global digital divide is reminiscent of colonialism

*Colonialism in the digital era does not require armies, weapons and ships, argues **Dhwani Goel** (LSE). All you need is a tech giant that has captured the digital markets of the Global South, a government willing to push for the global liberalization of e-commerce, and an international organization that prioritizes corporate interests in rule-making.*

If data is the new oil, then developing countries and Least Developed Countries (LDCs) are the new oil fields. These countries are witnessing rapid growth in the digital sector driven by increasing access to technology among their large populations. For example, the number of internet-connected devices in Indonesia is expected to increase by three times in a span of only five years. Despite the large market size and potential for growth, the wealth generated by the digital revolution is not concentrated in the Global South.

The global digital divide

There exists a clear dichotomy between countries that produce vast amounts of digital data and countries that harness it for their benefit. Unlike the traditional North-South divide in the global economic order, the digital gap is being led by tech companies from the United States and China. Microsoft, Apple, Amazon, Google, Facebook, Tencent and Alibaba together account for two-thirds of the total market value of the global digital economy. These tech giants have expanded their services to the Global South, capitalizing on the vast amounts of data produced there. Developing countries lack the infrastructure to fully exploit the data they produce.

The ‘super platforms’ have used their technological prowess to multiply profits in developing markets and reinforce their market dominance. As a result, local businesses have witnessed declining profits and some even face an existential threat. For example, Google and Facebook are driving local advertising agencies out of business in South Africa, and Netflix is threatening television services in the African region. Local Micro-, Small and Medium-sized Enterprises (MSMEs) find it particularly difficult to compete against e-commerce giants like Amazon that invest heavily in increasing consumer engagement. In contrast to the generally held belief that big foreign players contribute to economic growth and innovation, tech giants actually invest very little to improve local digital infrastructure compared to the profits they derive from developing markets. Facebook’s largest consumer market is India, yet none of its 15 data centres is located in the country, or in any developing country for that matter.

A colonial reminiscent?

Several writers have labelled the global digital divide as ‘digital colonialism’. In the colonial era, the periphery was merely a source of raw materials and natural resources, while manufacturing and profit-making activities took place in the core. In the digital era, the Global South is merely a supplier of digital data, while the benefits from processing this data are concentrated in Silicon Valley. In the colonial era, Europe industrialized at the expense of deindustrialization in the periphery. In the digital era, super platforms are oligopolizing the digital sphere by eliminating domestic e-commerce platforms. In the colonial era, the periphery was subject to external governance, while in the digital era, the Global South is subject to rules made in organizations like the WTO which are driven by corporate interests.

The digital trade agenda in the WTO calls for the liberalization of e-commerce. This means that firms must be free to collect personal data of consumers, transfer it to data centers abroad, and use it for their business needs. Governments must remove barriers to digital trade such as data localization requirements, custom duties on digital products, disclosure of source codes, etc. The underlying argument is that an unrestricted e-commerce system will benefit all countries by encouraging innovation, strengthening their path to digitalization, and allowing MSMEs to participate in the global market.

However, liberalization of e-commerce would strongly favour dominant e-commerce giants. Unfettered access to data creates a cycle wherein more data helps create better and targeted services, which attracts more users, which further generates more data. Free cross-border data flows thus help in maintaining the oligopoly of super platforms and prevent the growth of MSMEs in developing countries. Furthermore, the lack of regulation does not incentivize tech giants to invest or innovate in developing markets.

Much like the colonial era, digital colonialism in the WTO exploits the resources of the Global South with minimal benefits reciprocated. It strips developing countries and LDCs of the ability to develop a level playing field in the digital sector and exercise sovereignty on the use of their data. It strengthens the oligopoly of tech giants by shaping global rules on digital trade as per their business needs. It reinforces and fuels global inequalities.

Calls for an inclusive digital regime

A number of countries have opposed the WTO negotiations and refused to remove domestic barriers to digital trade. This group consists of several LDCs and developing countries, and is being led by India. Their underlying concern is that liberalization will not allow all members to benefit equally from a global e-commerce regime. They demand that an agreement should account for developmental needs, strengthen their institutional capacity, and provide enough policy space for domestic objectives such as privacy protection and infant industry protection. In other words, the global digital divide should be closed before e-commerce is liberalized. India has also expressed concerns about the plurilateral nature of the Joint Statement Initiative. It has argued that an inclusive agreement must be embedded in the multilateral WTO framework, rather than being negotiated by a subset of countries.

India could be the key player in finding an agreement that balances the interests of big players like the US with the needs of the developing world. Its digital sector is one of the fastest growing in the world. One report estimates that by 2025, India’s core digital sectors could double their GDP level, its newly digitizing sectors could generate $150 billion each, and the digital economy could create 65 million jobs. India has adopted a rigid protectionist position to allow its companies to gain a competitive advantage in the global digital economy. It demands that foreign tech companies store the personal data of citizens locally and disclose source codes for technological transfer. It is also keen on suspending the WTO moratorium on customs duties on electronic transmissions.

Given the size of India's e-commerce market, it is simply impossible to ignore its demands for an inclusive agreement that addresses development needs. Post-Brexit UK is seeking to strengthen its economic ties with developing countries. The proposed UK-India Free Trade Area could be a good starting point to build their partnership on e-commerce. At a time when India is looking to assert itself as an economic leader and an alternative digital hub to China, the UK could strategically use this opportunity to soften India's position on e-commerce. The two parties could reach a compromise that balances corporate interests with development needs. This compromise could later be translated into a plurilateral or multilateral agreement in the WTO.

The calls for an inclusive e-commerce regime represent the Global South's opposition to the traditional prioritization of the interests of advanced economies in the WTO. It shows that the South wants to protect its economic sovereignty and take charge of how its data is used. The strong pushback from countries in the South is not merely a protectionist position on digital trade – it is retaliation against neo-colonialism and corporate exploitation.

This post represents the views of the author(s) and not those of the Brexit blog, nor of the LSE. This blog post introduces is part of a series on digital trade that emanates from an extended and detailed simulation of the current WTO negotiations on e-commerce by LSE Masters students in the International Relations Department.