



United Nations
Office for South-South Cooperation



South-South Ideas

Digital Trade Integration: Role of South-South and Triangular Cooperation

Copyright: UNOSSC/UNDP and UNDP, 2022
All rights reserved

United Nations Office for South-South Cooperation

United Nations Development Programme
304 East 45th Street New York, NY 10017 USA

Disclaimer

The views expressed in this publication are those of the authors and do not necessarily represent those of the United Nations, UNDP or the United Nations Member States. The designations employed and the presentation of materials on maps do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations or UNDP concerning the legal status of any country, territory, city or area or its authorities, or concerning the delimitation of its frontiers or boundaries.



SDPI
Sustainable Development Policy Institute

SOUTH-SOUTH IDEAS PAPER

Digital Trade Integration: Role of South-South and Triangular Cooperation

September 2022

TABLE OF CONTENTS

List of Acronyms	6
Acknowledgments	8
Executive Summary	9
1. Introduction and Background	13
2. Research Methodology	16
3. Cooperation for Digital Trade Integration	18
4. Current Assessment in Afghanistan, Pakistan and Sri Lanka	23
4.1 Trade Scenario	25
4.2 Review of Trade Agreements	27
4.3 Provisions on Digital Trade Integration in Domestic Policies	36
4.4. Impact of Digital Platforms	40
5. COVID-19 and Regional Digital Trade	42
5.1 Pandemic-induced Barriers to Digital Trade in Global South	43
5.1.1 Income impacts of pandemic in the South	44
5.1.2 Impact on SMEs	44
5.1.3 Impact on Start-ups	45
5.1.4 Impact on women-led enterprises	45
5.2. How have selected countries tried to overcome barriers during the pandemic?	46
5.3. How SSTC promoted technological and knowledge exchange amid COVID-19?	47
6. Survey of Digital Sector Firms and Hopes from SSC and SSTC	47
7. Policy Recommendations	50
8. Conclusion	55
References	56



List of Acronyms

ADB	Asian Development Bank
APEC	Asia-Pacific Economic Cooperation
APTTA	Afghanistan-Pakistan Transit Trade Agreement
ASEAN	Association of Southeast Asian Nations
AU	African Union
B2C	Business-to-Consumer
BIT	Bilateral Investment Treaty
CAF	Corporación Andina de Fomento
CBPR	Cross-Border Privacy Rules
CGAP	Consultative Group to Assist the Poor
CoO	Certificate of Origin
COVID-19	Corona Virus Disease 2019
CPC	Central Product Classification
ECOTA	ECO Trade Agreement
ECOWAS	Economic Community of West African States
ESCWA	Economic and Social Commission for Western Asia
FBR	Federal Board of Revenue
FTA	Free Trade Agreement
GATS	General Agreement on Trade in Services
GDP	Gross Domestic Product
GSMA	Global Systems for Mobile Communications Associations
GST	General Sales Tax
GSTP	Global System of Trade Preferences
HS	Harmonized System
ICT	Information and Communication Technologies
IPR	Intellectual Property Rights
ISFTA	India-Sri Lanka Free Trade Agreement
IT	Information Technology
ITA	Information Technology Agreement
ITC	International Trade Centre
ITU	International Telecommunication Union
LCD	Liquid Crystal Device

LDC	Least Developing Countries
LED	Light Emitting Device
NRI	Network Readiness Index
OECD	Organisation for Economic Co-operation and Development
PBS	Pakistan Bureau of Statistics
PDP	Personal Data Protection
PKR	Pakistani Rupee
PSFTA	Pakistan-Sri Lanka Free Trade Agreement
PTA	Preferential Trade Agreement
SAARC	South Asian Association for Regional Cooperation
SADC	Southern African Development Community
SAFTA	South Asia Free Trade Agreement
SATIS	SAARC Agreement on Trade in Services
SBP	State Bank of Pakistan
SDGs	Sustainable Development Goals
SECP	Security and Exchange Commission of Pakistan
SLC	Sri Lankan Customs
SMEs	Small and Medium-sized Enterprises
SSC	South-South Cooperation
SSTC	South-South and Triangular Cooperation
TRCP	Telecommunications Research Project Corporate
TTA	Transit Trade Agreement
UN	United Nations
UNCITRAL	United Nations Commission on International Trade Law
UNCTAD	United Nations Conference on Trade and Development
UNCOMPACT	United Nations Global Compact
UPU	Universal Postal Union
USAID	United States Agency for International Development
WTO	World Trade Organization

Acknowledgments

This research work was carried out with financial and scientific support from the United Nations Office of South-South Cooperation (UNOSSC). The authors of this report are grateful to Naveeda Nazir, Shams Banihani, and Juliana Gargiulo and Naveeda Nazir for their valuable comments and suggestions during various phases of this research. The research project was implemented during the COVID-19 pandemic with the continuous support of various units at the Sustainable Development Policy Institute (SDPI). We also acknowledge the support of teams involved in field surveys across Afghanistan, Pakistan and Sri Lanka.

The authors of this research study are extremely grateful to the United Nations Office for South-South Cooperation (UNOSSC) and the United Nations Development Programme (UNDP) for their sponsorship of this research project under the 'South-South Global Thinkers - the Global Coalition of Think Tank Networks for SSC' initiative.

Suggested Citation

Ahmed, V. and Javed, M. Digital Trade Integration: South-South and Triangular Cooperation in South Asia (unpublished). South-South Idea Paper Series, United Nations Office for South-South Cooperation (UNOSSC), Washington D.C. New York, 2022.



Executive Summary

This study presents a pathway for fostering regional digital trade integration through South-South and Triangular cooperation. Our main study goals include answering the following questions:

- » What are the challenges faced in the digital trade sector of Afghanistan, Pakistan and Sri Lanka? How can these be overcome through various cooperative models?
- » How can inclusive regional and free trade agreements help to overcome barriers and enable digital trade integration?
- » What can Small and Medium Enterprises (SMEs) dealing with digital trade-related products learn from literature on South-South and Triangular cooperation?
- » How could South-South and Triangular cooperation help in reducing risks in digital trade, for example as a result of digital security issues or other shocks?
- » How could South-South and Triangular cooperation be effective in leveraging the potential advantages available to firms in the digital sector during normal and in testing times?
- » Why the public sectors in selected countries tend to be significantly behind in terms of digital usage in comparison to the private sector and general populations?
- » To examine the factors that help to optimize inter-operability between public/private sector and how digital uptake from public sector can be expedited.
- » Factors like change managed issues, with public sector avoiding digital integration for fear of losing jobs to digital.

The COVID-19 pandemic has generated an urgency to look at digital trade integration as a measure that could help governments and the public pivot better. For example, improvements in digital connectivity at home and across borders is helping trading firms cut their costs and enhance export volumes, which in turn positively impacts job market outcomes. Common and harmonized rules to assist cross-border digital trade, especially a provision creating a trusted environment for digital exchanges, provide swift and timely knowledge-sharing. These potential benefits are sometimes also overlooked by governments due to perceived online security threats and high costs associated with the mitigation of such risks.

Our research and past literature indicate that the various factors that influence the ability of economies to integrate in digital trade include market friendly regulations, an enabling infrastructure, and availability of relevant skills. Integration through regional trade cooperation arrangements has also helped in the past depending upon how inclusive the design of such agreements are. A regional trade agreement (RTA) also supports the country's ability to adopt and incorporate digital trade frameworks into various other national policies, including national trade, industrial and investment policies.

International digital trade integration presents an immense challenge due to the absence of clearly defined global rules. There is a lack of coherence in rules and guidelines to enable trading partners to ensure a free flow of digital trade across borders. This limits



The COVID-19 pandemic has generated an urgency to look at digital trade integration as a measure that could help governments and the public pivot better.

the clear classification of digital trade-related products and creates a challenge for countries working towards a well ordered well-ordered digital trade integration.

While efforts at the multilateral level remain slow, the prevailing trade rules and regulations have proven to be too dated to allow for an expansion in IT and ICT trade in developing economies. Lack of a shared understanding at the multilateral level also implies that countries have introduced their own – and at times multiple – legal frameworks around digital trade. This results in higher policy uncertainty and increased transactions costs for trading firms.

For the countries considered in this report (Afghanistan, Pakistan and Sri Lanka), this report also notes that subnational rules often differ or contradict national-level rules resulting in businesses resorting to the courts for clarifications. A national-level harmonized understanding could prevent the policy anomalies across provincial domains. We also note in our findings that for smaller firms the costs of digital trade integration remain higher and often act as a barrier to entry or scale-up.

The strategic recommendations offered in this study are summarized below:

- » As a starting point the Governments of Afghanistan, Pakistan and Sri Lanka could develop a tripartite working group for a regular dialogue on how South-South and Triangular cooperation could expedite the digital trade integration. This report recommends that this working group has a secretariat in the Ministry of Science and Technology for three years (with representation organized on a rotational basis among the three countries).
- » Collaboration in data infrastructure could help reduce capacity-building and skill development costs in the IT and ICT sectors. Over time increasing the skills of involved personnel will help regional digital trade integration. This task could be undertaken by Ministry of IT and Telecom in each of the three economies. It would be ideal if all three countries also pursued this at a South Asia level within the South Asian Association for Regional Cooperation (SAARC) framework.
- » Initiating national drives on digital inclusion would help to bridge the various forms of digital divide that currently exists in all three economies. In that regard, public investment programmes will need to be designed, particularly in areas where markets have failed. This particularly applies for initial digital infrastructure investments in far flung areas. In case government budgets lack space for expanded public investments, then other modes such as blended finance, including public private partnerships, may be explored.
- » A recommendation related to the above is South-South and Triangular cooperation in select research and development areas where production and skills development costs could be shared. Gaps in research could also be readily identified through knowledge exchanges which could take place thanks to such cooperative models. The South Asia University under the auspice of SAARC Secretariat also presents a model which could be replicated.
- » Promotion of regional-wide e-commerce stands to benefit the services and commodity producing sectors alike. In that regard, enhanced in-person and



virtual business-to-business engagements through private sector associations, e.g. Chambers of Commerce and Industry, could go a long way in fostering new collaborative activities. Pakistan-Afghanistan Joint Chambers of Commerce and Pakistan-Sri Lanka Business Forum could now be extended to a tripartite business forum. Tajikistan has also officially requested to be part of Afghanistan and Pakistan transit and trade agreements.

- » An enabling environment for online payment systems, including security of transactions and information, across the region is important. The central banks in all three countries would have to regularly engage on this. Information- and data-sharing protocols may also be put into place by the relevant authorities.
- » Online and in-person capacity-building programmes in IT and ICT for youth, women and the public, specifically in rural areas, are not possible without sustained medium-term public investment or donor support. Here again, the three governments should join hands and pitch a joint proposal to development partners who may be keen to adopt economies of scale. Private sector entities who win bids for installation of connectivity infrastructure in rural areas should also be required to cover part of the capacity building costs. This will eventually help them grow a market for their services.
- » Local and trade taxes levied on IT and ICT goods across the three countries require rationalization. Both the number of taxes and the rates may be reduced. This will allow economic access to inputs from the outside and contribute to increased trade flows in the region. Improved custom clearance process will also help in streamlining the tax administration. Pakistan Single Window is an example, which could be replicated by Afghanistan and Sri Lanka.
- » During the initial wave of the pandemic, several firms in the digital sector lacked finance and funding for scale-up. Many resorted to informal financing sources. In that regard, national and regional funding facilities are required. Innovative finance could come through public, private or a combination of both sources. Multilateral institutions may also advice in that regard.
- » The adoption of electronic authentication and verification mechanisms is required to help credible firms in all three countries. Pakistan recently embarked on a process of registration of local vendors with Amazon. This learning and experience could be shared with Afghanistan and Sri Lanka.
- » Digital trade integration could remain a work in progress during the medium- to longer-term. In that regard, the mechanisms for sharing best practices and successful experiences should be revisited. Academia may be encouraged through research, travel and conference grants to play this role.
- » The national government bodies responsible for aid effectiveness could ensure that South- South and Triangular cooperation are built into the above-mentioned proposals on digital trade integration. Likewise, development partners working in these three countries could improve the design of programmes by encouraging triangular cooperation.
- » Trade integration alone does not ensure optimal socio-economic gains. It is therefore important that cross-border investment cooperation be encouraged via government-to-government, government-to-business and business-to-business

arrangements. Over time this would result in joint ventures in the IT and ICT sectors which could allow more frequent exchange of knowledge, ideas and learning.

- » Development of a Digital/Trade Occupation taxonomy may be undertaken, which at national level can identify which occupation/sectors are most urgently in need of digital infrastructure support to enhance cross-border trade. Development partners may have to cover some of the infrastructure financing needs. This is especially pertinent given balance of payments and fiscal issues faced by all three countries.
- » A development partners or donor coordination group across the three countries could also help synchronize the funding and implementation in digital infrastructure space. This task could be driven by the UN Resident Coordinator office in Islamabad.
- » The B2B linkages between SMEs across these countries are needed to ensure the self-learning mechanism of digital trade integration. It is also advised to develop the SME toolkit for customized applications that could be helpful in flourishing the digital integration and B2B linkages within and across the countries.



1. INTRODUCTION AND BACKGROUND

The COVID-19 pandemic has changed the landscape of businesses, supply chains and ways of working across the globe. Accordingly, the examination of barriers to digital exchange and trade has become critically important. SMEs, start-ups and women-led enterprises face higher sunk costs in embracing digital technologies (Ahmed et al. 2013). Furthermore, the ways in which South Asian countries, the focus of this report, pivoted and coped with the rising barriers to digital trade need to be studied. Some coping strategies also gave rise to new avenues and created further opportunities during the pandemic which we aim to document here.

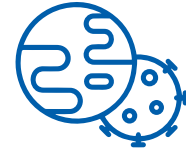
A number of significant barriers to digital trade exists especially in countries like Afghanistan, Pakistan and Sri Lanka. In addition to high tariff rates, the barriers to digital trade integration includes strict localization requirement, limitations on cross border data flow, infringement of intellectual property rights, limitation on technology transfer, cyber-crime exposure, digital divide across gender, among others (Elsig, Manfred and Sebastian, 2021; and Fefer, Akhtar and Morrison, 2017).

To overcome these barriers, the role of SSTC in helping economies pivot and promote learning is now being emphasized globally. There is also a case for optimal utilization of free trade agreements (FTAs) and other trade-based cooperative arrangements and how these could help businesses in the South to integrate in global digital value chains (Mitchell and Mishra, 2020). Therefore, using a firm-level inquiry in this study, we also assess how FTAs could help Southern firms explore new markets and promote regional cooperation.

A key beneficiary of increased volumes in the digital sector was the gig economy. This term characterizes a workplace where employers and workers communicate over an online platform. It involves full-time, part-time, self-employed, outsourced and crowd work. In crowd work, people take jobs from employers and outsource them to other workers over the internet. It provides the worker a choice of when to work, how much to work and from where to work. Employers are free to look for cost effective and efficient labour. Be it due to the advancement in technology, decreasing costs of accessing digital platforms, or increased use of social media, as time passes, these digital markets are ever expanding.

Although a drastic temporary reduction in employment opportunities was observed after the pandemic in 2020 in the non-digital sectors, the nature of the job market meant a shift took place towards intangible and non-traditional jobs, such as the gig economy. The balance of costs and benefits has shifted in favour of informal employment thus making the informal sector more attractive for even formal workers due to its flexible and resilient nature.

Digital trade integration is not only necessary to boost trade integration, but also key in bridging the gender divide. Technology adoption is helpful in exploring and grasping



The COVID-19 pandemic has changed the landscape of businesses, supply chains and ways of working across the globe. Accordingly, the examination of barriers to digital exchange and trade has become critically important.



A number of significant barriers to digital trade exists especially in countries like Afghanistan, Pakistan and Sri Lanka. In addition to high tariff rates, the barriers to digital trade integration includes strict localization requirement, limitations on cross border data flow, infringement of intellectual property rights, limitation on technology transfer, cyber-crime exposure, digital divide across gender, among others.

new opportunities, for it provides the information to tackle problems in the most efficient way and is useful in eradicating any misinformation (Ingram, 2021). The digital divide and digital trade have a strong nexus. A boost in digital trade is helpful in diminishing the digital divide as it promotes opportunities.

The expansion in the reach of ICT has changed the economic landscape. From a more labour-intensive South, these economies are now moving fast towards IT-enabled production and exchange processes. Skills enhancement programmes have also increased in this area. Capacity building on digitalization of import/export procedures is also a preceding priority. Lack of understanding of digital tools involved in trade procedures risk making SMEs less competitive, and larger private sector entities tend to benefit more for having a better grasp of digital tools. As compared to the Global South, the developed world is the key employer on digital labour platforms and digital labour which is being hired at a lower cost from Southern countries (see Figure 1)¹.

The use of integrated applications for provision of services has improved accessibility and inclusivity for the majority. The availability of e-commerce platforms is connecting Southern firms with global market places in a more cost-effective manner.

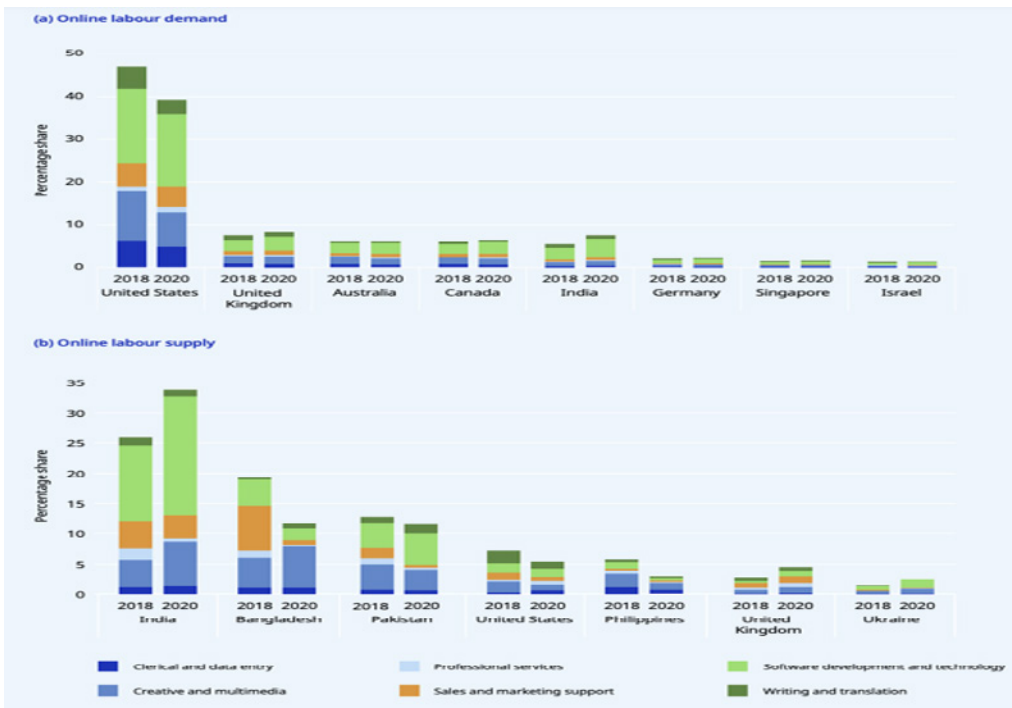
COVID-19 has introduced new avenues, especially in the field of professional services. The concepts, such as "remote working", "working from home" and other flexible arrangements, already available to the freelance industry, has changed the way traditional occupations, especially in the ICT sector, operate.² The rise of the ICT-based job market amid the COVID-19 outbreak led to substantially increasing the proportion of online platform workers. The firm registrations in IT and ICT space also increased in all developing economies.

1 Online labour index data by University of Oxford. <https://ilabour.oii.ox.ac.uk/online-labour-index/>.

2 Sana Ajmal and Mutee ul Rehman, Informal Labour and Untapped Potential of ICT during COVID-19, Capacity Analytics Working Paper Series 03 (Capacity Analytics, Islamabad, Pakistan, 2021). <https://www.analytics.org.pk/wp-content/uploads/2021/08/updated-Working-paper-03.pdf>



Figure 1: Supply and Demand of Online Labour



Source: ILabour Project

This report provides recommendations on exploring the potential ways in which South-South and Triangular cooperation could help digital trade integration. In that regard, the authors have examined bilateral and multilateral cooperation in South Asia and how such cooperative arrangements help the digital trade integration process. They have studied the current state of digital trade in Afghanistan, Pakistan and Sri Lanka. A review of provisions in domestic policies related to digital trade integration and the impact of digital platforms has been conducted for these countries. A set of policy recommendations is to be developed to strengthen South-South and Triangular cooperation at the regional level.

2. RESEARCH METHODOLOGY



This research makes use of a mixed-methods approach. First, the focus is to evaluate the existing gaps in terms of definitional differences regarding digital goods and services and the classification of these products across countries. Secondly, the treatment of digital trade integration in regional trade agreements is studied.

The problem this research focuses on is to evaluate the gaps in terms of defining and classifying digital trade-related goods and services. This first step will help in exploring the trade agreement across the three selected countries in terms of their use to harness the digital trade. In addition, the problems being faced by all three selected countries are not the same. For this reason, the scope of this study must be larger and cover all the constraints being faced in enhancing digital trade integration.

This research makes use of a mixed-methods approach. First, the focus is to evaluate the existing gaps in terms of definitional differences regarding digital goods and services and the classification of these products across countries. This exercise will help to analyse what practices are being followed in other countries and the differences among them. We accomplish this through analysing all the articles and provisions associated with e-commerce and other digital products in national legal and policy framework documents.

Secondly, the treatment of digital trade integration in regional trade agreements is studied. Several global agreements include e-commerce provisions and SME-related articles in regional trade agreements. By reviewing these accords, it would be possible to explore what kind of provisions are included by countries in the Global South. The authors are also interested to assess if South-South and Triangular cooperation could help arrive at a shared understanding as to which provisions in FTAs could help digital trade integration. Some of these provisions could include:

- i. The applicability of trade rules to digital goods and services;
- ii. Non-discrimination for digital products;
- iii. Size of e-commerce chapters/articles;
- iv. Pledge to avoid unnecessary regulatory barriers to digital trade;
- v. Consumer protection;
- vi. Free flow of information and data;
- vii. Paperless trade administration;
- viii. Articles in RTAs related to SMEs; and
- ix. Customs facilities.

The already signed draft trade agreements of Afghanistan, Pakistan and Sri Lanka with the Global South have also been studied in detail. This includes an analysis of regional arrangements, such as South Asia Free Trade Agreement (SAFTA).



In this research, three countries from the South are selected for the survey and analysis. The basic rationale for country selection is as follows:

- x. All these three countries are located in the same region;
- xi. All three are the part of SAFTA;
- xii. The digital trade endowment and connectivity infrastructure is the same across the region;
- xiii. All share some similar socio-economic characteristics (the selection of countries was made before the U.S. pulled out of Kabul and the political transition in Afghanistan);
- xiv. These countries are in their early stages of digital trade integration and penetration.

Thirdly, this report focuses on the goods and services that appear in the negative list in each of the RTAs. A case is then built as to whether South-South cooperation can help ease some of the perceived fears thereby helping to reduce this list (Mitchell and Mishra, 2020).



Thirdly, this report focuses on the goods and services that appear in the negative list in each of the RTAs.

Fourthly, the emphasis is on exploring the challenges and opportunities faced in defining, classifying and scheduling the digital trade-related products. In the absence of clear classification of digital goods and services, it would not be possible to benefit from RTAs. In that regard, the Central Product Classification (CPC) has been updated three times, most recently in 2007, but ongoing negotiation at the WTO is still based on the 1991 CPC. A consultation workshop was held as part of the research to address this point.

In addition to gauging the opinion of public institutions, the perspectives of SMEs in e-commerce and digital trade-related industries were also captured. A survey of 75 SMEs (25 firms from each of three selected countries) from these countries was helpful in understanding how South-South and Triangular cooperation can help support digital trade integration. These SMEs mostly belonged to manufacturing (textile, leather, food and beverages, transport and chemical) and to the services sectors (IT/ICT and consultation services) sectors. Existing barriers and opportunities were also noted while interviewing the management of SMEs (Alvarez, 2013).

Finally, after extracting the results from an extensive literature review, from a survey of firms and of focus group meetings, the draft policy recommendations for the public sector were presented during a public-private dialogue forum. This helped to validate our recommendations.

3. COOPERATION FOR DIGITAL TRADE INTEGRATION



Digital trade integration is helpful in increasing trade cooperation between countries across different regions. This cooperation is multilateral or bilateral and boosts cooperation between countries in the Global South, as well as with Global North. This section focuses on explaining digital trade-led cooperation among South-South and Triangular Cooperation.

Digital trade integration is helpful in increasing trade cooperation between countries across different regions. This cooperation is multilateral or bilateral and boosts cooperation between countries in the Global South, as well as with Global North. This section focuses on explaining digital trade-led cooperation among South-South and Triangular Cooperation.

a. Multilateral Cooperation

South Asia is home to low- and middle-income countries. Although they do not have competitively available technologies and access to mature value chains, they can reap the benefits from opportunities presented through digital trade. Businesses, particularly small- and medium-sized enterprises (SMEs) from developing countries, can enter and integrate with global or large firms using digital platforms with ease. Digital trade significantly reduces the distance between buyer and seller by nearly one-third as online transactions enhance efficiency and reduce operational costs (Lendle et al., 2016).

Driven by artificial intelligence, the Fourth Industrial Revolution is now presenting more inclusive opportunities. The Global Industry Vision 2025 presented by Huawei suggests that the digital economy is expected to grow to US\$23 trillion by 2025. Behind this US\$23 trillion digital economy is a “wealth starting line” delineated by ICT industry development. Everyone can find their own opportunities to prosper, including in industry, transportation, energy and media. There are opportunities to be found in the intelligent ecosystem for both small and large enterprises.³ Multilateral cooperation will play a pivotal role in shaping this digital revolution and could substantially lessen the amount of public and private investment needed for digital trade integration of the South. Left-behind countries are encouraged to learn from the experience of countries with well-established digital trading systems to track and boost digital trade by using emerging technologies like blockchain, for example.

3 Huawei’s Global Industry Vision 2025. https://www.huawei.com/minisite/giv/Files/whitepaper_en_2018.pdf



Table 1: International Cooperation Categories

OECD ASEAN	World Bank CGAP ADB ASEAN ITU	SAARC ASEAN ADB World Bank ESCAP
Holistic approach to digital societies development	Focused on addressing digital ecosystem development beyond connectivity	Focused on establishing preconditions, e.g. connectivity
Looking to prepare frameworks in an integrated manner, with a more forward-looking approach.	A detailed and often technical focus on areas such as security, human capacity-building and IPR. Focused on promoting digitization and bringing an increasing number of key services online and on promoting interconnection, interoperability, and convergence through innovation.	Working to bridge digital divides
Seen to be advocating frameworks that are flexible and "future-proof" in preparation for convergence and digital transformation	Emphasis on the development and dissemination of best practices and standards	Working to promote inclusive digital access and usage

Source: Telecommunications Research Project Corporate (TRPC) and Global System for Mobile Communications Association (GSMA)

b. South-South and Triangular Cooperation

South-South cooperation presents a collaborative framework among countries in the South in political, economic, social, technical and environmental areas. It may involve two or more countries on a bilateral, regional, intraregional, or interregional basis. These acts of cooperation may be based on sharing knowledge, skills, expertise and resources (Bergamaschi and Tickner 2017).

Triangular cooperation is a collaboration among traditional donor countries and multilateral organizations to facilitate South-South initiatives through the provision of resources, training, technology transfer and the sharing of solutions, including all other kinds of support (Walsham 2020).

Both South-South and Triangular Cooperation have been termed crucial for Digital Trade Integration – a complex, multidimensional process that helps to integrate regulatory structures, digital technologies and business processes along the entire regional and global digital value chain (Mitchell and Mishra, 2020).

South-South cooperation is a means, method, and series of tools for Global Southern countries to work together through a participatory process in economics, social affairs, culture, environment, politics, governance framework and technical development. And triangular cooperation is the provision of support by the developed countries and multilateral organizations to promote South-South initiatives.



South-South and Triangular cooperation can help in achieving sustainable digital trade integration as it encourages the exchange of best practices and provides support among developing countries and donor countries in the common pursuit of development objectives.

South-South and Triangular cooperation can help in achieving sustainable digital trade integration as it encourages the exchange of best practices and provides support among developing countries and donor countries in the common pursuit of development objectives. To reap the benefits of digitalization and globalization, the Global South needs to enhance cooperation in every sector for industrial digitalization. The goal of industrial digitalization cannot be achieved with the current state of limited capacities in developing countries. Hence, cooperation that reduces initial costs is necessary.

SSC in combination with regional integration processes, has become widely accepted tool across development policies. Some examples of such initiatives are smart cities in South Asia, China's Belt and Road Initiative and others. South-South cooperation and regional integration have the potential to pave the way for a digital single market.

Inclusivity in economic gains is another outcome which is possible through cooperation. Learning via South-South cooperation and technical support via triangular cooperation helps smaller and medium- sized firms to scale up the digital economy ladder and to integrate in complex value chains. The role of SMEs has been termed important for timely achievement of Goal 1 and Goal 8 of the SDGs (Hassan et al., 2016). Both goals are ultimately achieved once economic growth results in wage- and self-employment gains for the poorest of the poor (Khan et al. 2016).

From the Southern perspective, the core of sustainable digitalization is that of industry. In that regard, the United Nations Conference on Trade and Development (UNCTAD) has developed an agenda (UNCTAD, 2019) to cater to the needs of developing countries in meeting the digitalization of industry and economy requirements which include:

- » Connectivity in terms of hardware and software
- » Management of networks and traffic for cross-border data exchange
- » Broadband coverage for all through social protection to ensure socio-economic inclusive development
- » E-resilience to cater for security
- » Cyber security to ensure safety for e-commerce

Increased opportunities for innovation can be provided to micro, small and medium enterprises in the Global South for localized and contextualized platforms with the fulfilment of the aforementioned requirements. This will help to accelerate the pace of growth. E-commerce is another economic system that provides opportunities to SMEs for integration with global value and supply chains. In that regard, South-South and Triangular cooperation address the knowledge gaps pertaining to digital trade integration. Moreover, it helps policies that improve internet penetration, cross-border data flows and other logistical and tax-related issues.



The GSMA Mobile Connectivity Index 2019 has been developed for 170 countries. Out of these, 119 countries comprise the Global South, the remaining 51 being part of the Global North. GSMA categorizes them as leader, advanced, transitional, emerging or discoverer based on the index value⁴.⁵ A comparison of Global South and North is as presented below:⁶

Table 2: North vis-à-vis South Country Index Score (grouped according to GSMA categories)

Total Number of Countries	Category	Total Number of Countries		
4	United Arab Emirates (78.2), Uruguay (76.7), China (76)	Leader	Australia (90.5), Singapore (89.3), New Zealand (87.6)	34
19	Chile (73.2), Saudi Arabia (72.6), Bahrain (71.2), Thailand (70.9), Malaysia (69.2), Kazakhstan (67.5), Ukraine (66.9)	Advanced	Russia (74.9), Malta (74.9), Latvia (74.8), Slovakia (74.8), Romania (72.5), Greece (70.6), Bulgaria (70.4), Turkey (67.1), Mexico (67.6)	11
44	Vietnam (64.6), Paraguay (64), Indonesia (62.9), Iran (59.6), India (56.6), Sri Lanka (56.5)	Transitional	Moldova (63.8), North Macedonia (59.7), Bosnia and Herzegovina (56.9), Armenia (56.2)	5
32	Uzbekistan (46.8), Bangladesh (46.5), Tajikistan (41.7), Pakistan (40.6), Eswatini (39.2)	Emerging		1
20	Mozambique (34.9), Afghanistan (28.9), Niger (18.3)	Discoverer		0

Source: GSMA Mobile Connectivity Index

The key attributes of the index include infrastructure, affordability, consumer readiness and content and services. Accordingly, the dimensions covered include network coverage, network performance, other enabling infrastructure, spectrum, mobile tariffs, handset prices, taxation, inequality, mobile ownership, basic skills, gender equality, local relevance, availability, and online security.

4 GSMA Mobile Connectivity Index. <https://www.mobileconnectivityindex.com/#year=2019&globalRankings=overall&globalRankingsYear=2019>

5 GSMA Mobile Connectivity Index. <https://www.mobileconnectivityindex.com/#year=2019&globalRankings=overall&globalRankingsYear=2019>

6 Ibid.



Building regional arrangements which collaborate through collective data collection, e-commerce, online payments, e-government systems, smart cities and through promoting innovation in digital technology can enhance the capacities and movement towards sustainable digital trade integration.

The countries in difference categories in the North are collaborating with the Global South to overcome the challenges in diffusing a low level of technology. The blockchain technology-based platforms (Ethereum, IBM Blockchain, Hyperledger fabric, PYPL PayPal Holdings etc.) created by the leaders and advanced Northern countries (as per GSMA Connectivity Index) are being extensively used by the transitional, emerging and discoverer countries in the Global South for international trade (Buri, 2021). The collaborative measures are also helping to improve financial inclusion and connectedness.

Building regional arrangements which collaborate through collective data collection, e-commerce, online payments, e-government systems, smart cities and through promoting innovation in digital technology can enhance the capacities and movement towards sustainable digital trade integration (Wu, 2017).



4. CURRENT ASSESSMENT IN AFGHANISTAN, PAKISTAN AND SRI LANKA

The selected countries for the purpose of this study are all at different levels of digital integration readiness. The country index score discussed in the previous section terms Afghanistan as a discoverer, Pakistan as emerging and Sri Lanka as transitional. A detailed score for each dimension across the four enablers of this connectivity index for our three selected countries is presented in Table 3:

Table 3: Country Index Score for Three Selected Countries

Dimension	Sri Lanka	Pakistan	Afghanistan	Enabler
Network coverage	83.10	67.00	38.48	Infrastructure
Network performance	43.00	51.27	20.81	
Other enabling infrastructure	62.02	48.07	55.13	
Spectrum	25.23	20.14	17.62	Affordability
Mobile tariffs	81.45	60.74	32.70	
Handset prices	45.33	35.28	3.46	
Taxation	68.46	28.93	67.90	Consumer readiness
Inequality	60.00	69.50	85.50	
Mobile ownership	81.86	45.46	58.58	
Basic skills	62.15	30.52	26.75	Content and services
Gender equality	62.48	18.80	18.25	
Local relevance	51.85	43.61	30.74	
Availability	34.37	34.56	4.36	Online security
Online security	46.60	40.70	17.70	

Source: World Economic Forum

The World Economic Forum's Network Readiness Index (NRI) has ranked 134 economies measuring various aspects of digital transformation (Network Readiness Index, 2021). Pakistan and Sri Lanka have been ranked in this report, but Afghanistan could not be assessed due to lack of basic data. NRI dimensions include technology, people, governance and impact to cover issues ranging from future technologies (e.g., artificial intelligence and the internet of things) to the role of the digital economy in reaching the SDGs.

According to the NRI 2020, the ranking for Pakistan and Sri Lanka for harnessing information technology is 111 and 83 respectively out of 134 countries. Table 4 below shows the ranking of both countries across each of the NRI pillars:

Table 4: Network Readiness Index 2020

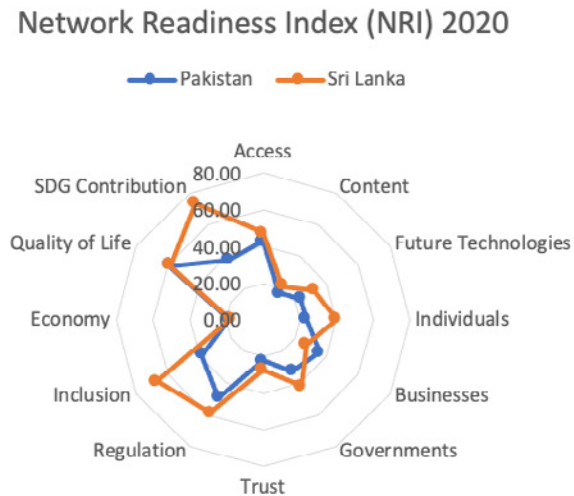
Country/ Economy	NRI Ranking	Technology	People	Governance	Impact
Afghanistan	n/a	n/a	n/a	n/a	n/a
Pakistan	111	98	106	115	110
Sri Lanka	83	84	94	81	74

Source: World Economic Forum

Each of the four dimensions have sub-pillars. The sub-pillars under “technology” are access, content, and future technologies. The sub-pillars for “people” are individuals, businesses, and government. The sub-pillars alluding to “governance” include trust, regulation, and inclusion. The sub-pillars for considering “impact” comprise the economy, quality of life and SDG contribution.

Figure 2 shows the score of Pakistan and Sri Lanka against each of the NRI’s sub-pillars in the form of a radar graph. The three strongest sub-pillars for Pakistan relate to future technologies, businesses and the economy. And the three strongest sub-pillars for Sri Lanka relate to SDG contribution, future technologies and inclusion.

Figure 2: NRI Sub-pillars for Pakistan and Sri Lanka





4.1. Trade Scenario

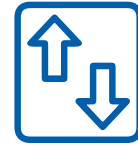
The three economies have a different geographical context when it comes to trading across borders. Afghanistan is a landlocked country and mostly depends on regional countries for imports and exports. Data availability for Afghanistan is also limited. Pakistan shares its borders with Afghanistan, China, India, and Iran. It also has a coastal line along the Arabian sea. Sri Lanka is an island country, sharing a maritime border with India and the Maldives.

The features of merchandise imports and exports of our selected countries are similar as they all export raw, intermediate, or low value-added products. And their import basket is inelastic due to oil and related energy sector imports.

Major exports of Afghanistan include fruits, nuts, vegetables, and cotton. Major imports include wheat flour, fuel, oil and vehicles. Pakistan's major exports include textile products, rice, and leather products. Major imports include fuel, oil, and machinery. Major Sri Lankan exports include textile products, coffee, and rubber. Major imports include fuel and machinery.

The services exports of all the three selected countries appear to be somewhat different from each other. The major services exported by Afghanistan include commercial services and business services. Import of services includes commercial services and transport. Pakistan's major export services include commercial services and telecommunication and computer and information services. Services imported by Pakistan include commercial and business services.

Major services exported and imported by Sri Lanka include commercial services and transport. Major services exported and imported by Sri Lanka include commercial services and transport. Sri Lanka-based firms provide advanced services to blue-chip global clients, including Emirates Airlines, Google, Lenovo, Microsoft, Nokia, JPMorgan, the London Stock Exchange and Santander Bank.



The features of merchandise imports and exports of our selected countries are similar as they all export raw, intermediate, or low value-added products. And their import basket is inelastic due to oil and related energy sector imports.

Some of the available trade statistics for Afghanistan, Pakistan and Sri Lanka for 2020 are presented in Table 5:

Table 5: Trade Statistics (2020)

Category	Afghanistan	Pakistan	Sri Lanka
Merchandise exports (million US\$)	783	21,976	10,137
Service exports (million US\$)	699	5,353	7,474 (2019)
Communications, computer, etc. (% of service exports)	25.85%	21.03%	1.18% (2019)
Merchandise imports (million US\$)	6,475	45,847	15,993
Service imports (million US\$)	1,103	7,542	4,624 (2019)
Communications, computer, and others (% of service imports)	7.31%	6.92%	2.43% (2019)

Source: World Development Indicators

The harmonized commodity description designated for trade of ICT services is 09. Trade within each subcategory for our selected group of countries is presented in Table 6:

Table 6: Trade in Services 2020 (US\$ 000)

Code	Service Description	Trade Flow	Afghanistan	Pakistan	Sri Lanka
9	Telecommunications, Computer, and Information Services	Export	54,766	1,715,000	994,802
9.1	Telecommunications Services		54,749	373,000	24,000
9.2	Computer Services		17	1,342,000	970,802
9.3	Information Services		-	-	-
9	Telecommunications, Computer, and Information Services	Import	23,622	466,000	288,470
9.1	Telecommunications Services		17,154	78,000	31,700
9.2	Computer Services		6,039	375,000	256,770
9.3	Information Services		429	13,000	-

Source: Trade Map by International Trade Centre (ITC)



The state of foreign direct investment inflow and outflow for our selected countries is also presented in Table 7. It is expected that foreign direct investment will rebound after the lockdown measures to contain the pandemic are eased.

Table 7: Foreign Direct Investment 2020 (US\$ million)

		Afghanistan	Pakistan	Sri Lanka	
Inward Flow	Information & communication	12.97 (total)	-55.69	2105 (total)	433.87 (total)
	Telecommunications		-77.61		
	Computer programming, consultancy, and related activities		21.92		
Total Outward Flow		37.11	34	14.54	

Source: Investment Map by ITC

4.2. Review of Trade Agreements

Global, regional, and bilateral trade agreements play an important role in promoting digital trade integration by allowing for the mutual understanding of rules and regulations that in turn facilitate movement of digital goods and services. South Asian countries reached an agreement for free trade in 2004 at the 12th SAARC summit in Islamabad with the objectives of promoting and enhancing mutual trade and economic cooperation. This agreement is known as the South Asian Free Trade Agreement (SAFTA). The selected countries for our research, i.e., Afghanistan, Pakistan and Sri Lanka, are part of this agreement along with five other South Asian countries i.e., Bangladesh, Bhutan, India, the Maldives and Nepal.

The agreement aims to eliminate barriers (tariffs and non-tariffs) to trade, to facilitate the cross-border movement of goods and to establish a framework for further regional cooperation to expand and enhance the mutual benefits of this agreement (Ahmed 2012). SAFTA is confined to goods and excludes all services such as information technology.

The agreement stipulates eliminating tariffs gradually in a maximum period of 8 years after the parties become signatories. However, the agreement fails to address various important issues since it does not highlight preferential sectors or key products. Nevertheless, it provides preferential treatment to least developed contracting countries specified by the United Nations by recognizing their special needs. Some member countries have provided HS Codes relating to digital trade related products/ goods as part of their sensitive lists.



Global, regional, and bilateral trade agreements play an important role in promoting digital trade integration by allowing for the mutual understanding of rules and regulations that in turn facilitate movement of digital goods and services.

The agreement mentions the adoption of trade facilitation and other measures and the progressive harmonization of legislations by the Contracting States in the relevant areas. The trade facilitation measures under the agreement are:

- » Harmonization of standards, customs, classifications. Simplification of banking procedures, licensing, registration, transit, business visas, among other facilitation measures.
- » SAFTA required developing countries in South Asia (India, Pakistan, and Sri Lanka) to bring their duties down to 20 percent in 1st phase of the two-year period ending in 2007. This measure to decrease the tariffs is motivated to increase the cross-border trade among SAARC countries.
- » SAFTA agreement requires the least developed countries (LDCs –Afghanistan, Bangladesh, Bhutan, the Maldives and Nepal – had an additional three years to reduce tariffs.

The instruments to help fulfil these objectives include a trade liberalization programme, rules of origin, institutional arrangements, consultations, and dispute settlement procedures and safeguard measures.

The agreement is an effective tool to enhance trade and economic cooperation among the contracting states. However, the agreement does not explicitly have any provisions regarding digital trade and facilitation mechanisms for e-commerce except that it mentions general facilitation measures, e.g., simplification of banking procedures, licensing, registration, transit and business visas.

The selected countries for this report's research are also part of the SAARC Agreement on Trade in Services (SATIS). This agreement was signed in 2010 with the objective of promoting and enhancing trade in services. This framework for liberalization and promotion of regional trade in services accords with the General Agreement on Trade in Services (GATS). Its main objective is enhancing trade in services among the contracting states, such that it is mutually beneficial thanks to the establishment of a framework to liberalize and promote trade in services.

A limitation of SATIS is that it does not apply to government procurement services supplied in the exercise of governmental authority, transportation, and non-transportation air services, i.e., aircraft repair and maintenance services, the selling and marketing of air transport services and computerized reservation system services. The limitation of SATIS is that it curtails its scope and the benefits that the SAARC countries could acquire from cross-border trade in services. It also hampers the SAARC countries in benefiting from the experiences of other countries in digital trade.

The agreement has mostly failed to achieve its objectives and has not contributed to a significant increase in trade in services across states due to various political, technical, and institutional issues. One of the major concerns has been its limited scope that prevents countries in the region from maximizing from its benefits.



In addition to such regional agreements, bilateral agreements exist between Pakistan-Afghanistan and Pakistan-Sri Lanka. The Pakistan and Afghanistan bilateral agreement is a transit trade agreement. Talks are also underway for signing a Preferential Trade Agreement (PTA) between Pakistan and Afghanistan. Pakistan and Sri Lanka have a free trade agreement (FTA) and a bilateral investment treaty (BIT). Moreover, an MoU between the Board of Investments of Pakistan and Sri Lanka also exists for strengthening cooperation in all investment sectors of both of both countries.⁷



In addition to regional agreements, bilateral agreements exist between Pakistan-Afghanistan and Pakistan-Sri Lanka.

The Afghanistan Pakistan Transit Trade Agreement (TTA) provides all necessary provisions regarding conventional trade procedures and rules. The agreement includes regulations on the right of transit, transit transport corridors, facilitation of transit trade, general conditions for transport in transit, requirements for the admittance of road vehicles, custom controls, documentation, duties taxes, charges and payment procedures dispute settlement and the creation of an Afghanistan-Pakistan Transit Trade Coordination Authority.

The Pakistan-Afghanistan TTA eliminates custom duties and taxes on goods in transit regardless of their destination and purpose. The agreement provides freedom of transit through the territory of both countries providing greater mobility and access for goods. It allows transit for all modes of transportation, including ports, airports, rail, and land stations incentivizing both countries to improve their infrastructure to facilitate more trade.

Facilitation is provided in the form of accepting domestic driving licenses, vehicle registration documents, domestic inspection certificates, coordination, and communication to expedite customs clearance, authorize importation of containers without the payment of duties and taxes subject to reexport, a priority regime for border crossing for perishable items and even direct transport of perishable goods without transshipment.

Moreover, facilitation also provided via limiting documents, procedures, and formalities for traffic in transit, harmonizing codes and descriptions, establishing enquire points for traders and transporters, eliminating customs duties and taxes on goods in transit and granting transporters of the other country national treatment.

Although trade facilitation is addressed in the Pakistan-Afghanistan TTA, the agreement does not talk about digital trade integration or any separate facility for digital trade and digital trade platforms. For a private sector perspective on this agreement and its outcomes see Ahmed and Shabbir (2016).

The Pakistan-Sri Lanka Free Trade Agreement (PSFTA) was signed in 2002 and came into effect in 2005. In accordance with the respective commitments under the PSFTA, Pakistan implemented its set of commitments in March 2009, while Sri Lanka completed its phasing out commitments in November 2010.

⁷ See Ahmed et al. (2010) for an early evaluation of the Pakistan-Sri Lanka FTA.

Sri Lanka's 206 products were provided immediate duty-free access in Pakistan's market and Pakistan was given duty-free access for 102 products. All other products (other than those included in the "negative list") were to be granted duty-free access eventually before the end of the phasing out period. In 2009, Pakistan completed its phasing out commitment and provided duty-free market access to more than 4,500 Sri Lankan products. The overarching objectives of the PSFTA are well beyond market access per se and include:

- » Promoting the harmonious development of economic relations between Pakistan and Sri Lanka through expanding the trade in goods and services
- » Providing fair conditions of competition for trade in goods and services
- » Contributing to the harmonious development and expansion of bilateral and global trade by removing barriers to trade in goods and services

Some of the key features of this agreement include:

- » Removal of all tariff and non-tariff barriers to allow free movement of goods
- » Both countries cannot increase or add new tariffs to the then existing tariffs on goods
- » Both countries can suspend preferential treatment provisionally if facing a balance of payment challenge
- » The FTA contains a negative list against which protection on import of goods is maintained

The FTA contains a concession list against which Pakistan will receive 100 percent duty free access. Most pertinent product categories include food, processed food and fruits; textile and garments; chemicals; tubes, pipes, sanitary ware, and parts thereof; and electric goods, such as capacitors and fuses.

The FTA between Pakistan and Sri Lanka does not cater to the provisions on digital trade. It needs updating to ensure that the requirements for digital trade integration are suitably added to this agreement to promote and facilitate digital trade between the two countries.

The review of all the aforementioned agreements suggests the need for revisiting the agreements among the three countries for broader measures to support digital trade integration. Communications/advocacy, especially targeting SMEs and businesses, are crucial to optimize the benefits from FTAs. Due to the lack of awareness among traders, countries could not make full use of the market potential and benefits under the free trade agreement. Better understanding of the FTA and its provisions will enable entrepreneurs and exporters of the two countries to explore new markets and avenues in their economies.

One should emphasize that to increase the current bilateral trade, countries need to diversify their products through research, innovation, and value addition, thereby calibrating their response to demands in both markets. Unrestricted communication



needs to be fostered/institutionalized (in future FTAs) between the business communities to increase and strengthen the bilateral trade and trade relationships.

Accordingly, separate schedules on Trade in Services akin to the Pakistan China FTA or the Pakistan Malaysia FTA may be added, or provisions relating to trade facilitation, such as cross-border data flows, may be added to these agreements. Existing trade agreements between Pakistan and Sri Lanka are explored more in the manufacturing sector. But their utilization has been quite limited in services, especially IT/ICT sectors.

To further improve the utilization of FTAs, more provisions are needed to incorporate legal, regulatory/regulatory, and technical frameworks, and supporting paperless trade systems should be made binding, such as electronic customs declaration, electronic certificate of origin, electronic single window facility, e-port management systems, framework act of electronic transaction, among others. Most of the trade agreements need to be updated with incorporation of these provisions, as can be observed in trade agreements between the Global-North⁸.

8 Fact sheet on U.S and Japan Trade Agreement. Compiled by Office of the United States Trade Representative. See <https://ustr.gov/about-us/policy-offices/press-office/fact-sheets/2019/september/fact-sheet-us-japan-trade-agreement>

Box 1: FTA Analysis

The provisions in free or preferential trade agreements relating to the following help to bolster digital trade integration: SMEs, women-led enterprises, e-commerce, digital payments, digital trade platform, intellectual property rights, data protection, data transfer, data sharing, data localization, paperless trade, electronic authentication, e-signature, online consumer protection, personal information protection, cross-border transfer of information via electronic means, cyber security, environmental regulations and provisions related to labour-rights.

AFGHANISTAN	
1. Lapis Lazuli Route Agreement (Afghanistan, Azerbaijan, Georgia, Turkey, Turkmenistan)	No relevant provisions
2. Afghanistan - India PTA	No relevant provisions
3. Agreement on International Transportation Routes between Afghanistan, Iran and Tajikistan	No relevant provisions
4. Agreement on International Transportation Routes between Afghanistan, Iran and Uzbekistan	No relevant provisions
5. Afghanistan - Kazakhstan FTA	No relevant provisions
6. Pakistan - Afghanistan Transit Trade Agreement	No relevant provisions
7. Afghanistan - Russia FTA	No relevant provisions
8. Afghanistan and Tajikistan Agreement on Promotion and Protection of Investment	
I. Intellectual property rights Article 1 (d) defines Intellectual property rights as "investments", whose protection and promotion isare the focus of this agreement	
9. Afghanistan - Turkey FTA	No relevant provisions
10. Afghanistan - Turkey MoU on SMEs The agreement exclusively focuses on SMEs in both countries, with regard to regarding their improvement, communication and international exchange. It is a relatively comprehensive agreement on bilateral improvement of SMEs.	
11. Afghanistan - USA Agreement on Development of Trade and Investment	
I. Intellectual property rights Preamble 12: commits to better adherence of Intellectual Property Rights. Article Two established a joint US-Afghanistan council, and Article Three mentions IP Rights provisions as one of its goals.	
II. Environmental regulations Preamble 14: Commits to sustainable development through better environmental policies. Article Two established a join US-Afghanistan Council, and Article Three mentions environmental provisions as one of its goals.	
III. Provisions related to labour-rights i.e. right to bargain, abolition of child labour, elimination of discrimination, follow-up of international labour standards and corporate social responsibility Preamble 13: Recognizes the importance of workers' rights and improvement of labour standards. Article Two established a joint US-Afghanistan Council, and Article Three mentions labour provisions as one of its goals.	
12. Afghanistan - Uzbekistan Agreement on Transit Goods	No relevant provisions



PAKISTAN

1. ECO Trade Agreement (ECOTA) between Pakistan, Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyzstan, Tajikistan, Turkey, TurkmenistanTurkmenistan, and Uzbekistan

I. Intellectual property rights

Article 19 is about Protection of Intellectual Property Rights. The article comprehensively defines these and puts into place detailed provisions for their protection.

2. Pakistan-Afghanistan Transit Trade Agreement (APTTA)

The PTA does not offer any direct input upon the required provisions and is focused on establishing and defining physical trade routes.

3. Pakistan-ASEAN FTA

The FTA is under study by both sides as of now. However, there is talk of proposed provisions over science and technology, which has the potential to extend to provisions relating to data transfer, cyber security and online services.

4. Pakistan-China FTA in Goods and Investment

I. Digital payment

Article 9 Paragraph 2 requires that a list of fees/charges be available on the internet for import and export. No other provision on digital payment is identified.

II. Intellectual property rights

Chapter IX: Investments. Article 46: Definitions. Provision 1(d) defines IP rights as part of investments.

III. Personal information protection

Article 45: Confidential Information. The provision protects individuals and financial institutions from revealing data/information by means of this agreement.

IV. Cross border transfer of information via electronic means

Article 40: Transparency. Electronic communication of proposals and notifications between Parties.

V. Environmental regulations

In the Preamble to the agreement, mention is made to environmental conservation and regulation (paragraph 4) where the Parties commit to environment conservation. However, no other provisions are present to realize this in practice.

VI. Provisions related to labour-rights, i.e. right to bargain, abolition of child labour, elimination of discrimination, follow-up of international labour standards and corporate social responsibility.

Article 34: Committee on Sanitary and Phytosanitary Matters. This comprehensively addresses concerns with regards to sanitary and phytosanitary issues.

Article 49: Expropriation. Paragraph 1(c) mentions discrimination.

Article 47: Paragraph 3. Anti-discriminatory policy in terms of Promotion and Protection of Investment.

5. Pakistan-China Agreement on Trade in Services

No relevant provisions

6. Pakistan-Indonesia PTA

No relevant provisions

7. Pakistan-Iran PTA

Small and medium enterprises

Article 14, point (b) ensures that regulations creating obstacles in trade are not put into place. This does not directly address SMEs, but indirectly benefits them as SMEs are the most vulnerable to such regulations.

No other relevant provisions are identified

<p>8. Pakistan – Malaysia FTA</p> <p>I. Digital payment Although article 82 mentions flexibility in Payment or Transfers, no specific attention is given to digital methods of payment.</p> <p>II. Digital trade platforms Although trade platforms are not pointed out, Article 45 “Information and Communications Technology” establishes a basis for communication through digital platforms for improvement of custom procedures and addressing concerns.</p> <p>III. Intellectual property rights Chapter 10: Intellectual Property Articles 104-108 Pages: 64-65 Article 106 specifically proposes actionable measures to improve cooperation in teams of IP rights. It primarily focuses on exchange of information which can be crucial in protecting these and promoting bilateral policy dialogue. Article 107 also specifies a focal point for each country to oversee this provision.</p> <p>IV. Paperless trade Although there are no direct provisions about paperless trade, Article 51 requires that all provisions concerning regulatory procedures should be displayed on the internet.</p> <p>V. Cross-border transfer of information via electronic means Exchange of information with regards to Intellectual Property Rights has been discussed. See vi. Intellectual Property Rights.</p>	
<p>9. Pakistan-Mauritius PTA</p> <p>I. Small and medium enterprises Article 1, Objectives, part (f) states that competition among enterprises is one of the objectives of the PTA. However, the agreement does not directly state anything concerning SMEs.</p> <p>II. No other relevant provisions identified</p>	
<p>10. Agreement on South Asian Free Trade Area (SAFTA)</p>	No relevant provisions
<p>11. Pakistan-Sri Lanka FTA</p>	No relevant provisions
<p>12. Pakistan-US Trade and Investment Framework</p> <p>I. Intellectual property rights Preamble Clause 12 commits to ensuring the protection of intellectual property rights</p> <p>II. Environmental regulations Preamble Clause 14 again reaffirms the Doha Declaration and commits to sustainable development and protection of the environment.</p> <p>III. Provisions related to labour-rights, i.e.i.e., right to bargain, abolition of child labour, elimination of discrimination, follow-up of international labour standards and corporate social responsibility.</p> <p>IV. Preamble Clause 13 reaffirms the Doha Declaration and recognizes the importance of the protection of workers’ rights and implementation of local laws to ensure sound labour standards.</p>	
SRI LANKA	
<p>1. Asia-Pacific Trade Agreement</p>	No relevant provisions
<p>2. Agreement on the Global System of Trade Preferences Among Developing Countries (GSTP)</p>	No relevant provisions
<p>3. India - Sri Lanka FTA</p> <p>I. Electronic authentication and e-signature Article 3.2.5 (b): “Process of Registering a Company to Export Under the India-Sri Lanka Free Trade Agreement (ISFTA) and Acquiring the Certificate of Origin (CoO) in India” provides online facilities to issue CoOs.</p>	
<p>Pakistan Sri Lanka FTA</p>	No relevant provisions
<p>Agreement on South Asia Free Trade Area (SAFTA) (SAARC)</p>	No relevant provisions



Digital products should be provided non-discriminatory treatment. The study has derived a provisional list of digital products using the Central Product Classification by the United Nations. The agreements made by our selected countries which indicating digital products in a negative or sensitive list are presented in Box 2.

Box 2: Digital Product Inclusion in FTAs

PAKISTAN MALAYSIA FTA			
Pakistan Schedule:			
3922	For cathode ray tubes	5810	Radio remote control apparatus
	Diodes, other than photosensitive of light emitting diodes	5843	Indicator panels incorporating liquid crystal devices (LCD) or light emitting diodes (LED)
5745	Microphones having a frequency range of 300 Hz to 3.4 KHz with a diameter not exceeding 10 mm and a height not exceeding 3 mm, for telecommunication use	5850	Fixed capacitors designed for use in 50/60 Hz circuits and having a reactive power handling capacity of not less than 0.5 kvar (power capacitors)
5747	Single loudspeakers, mounted in their Enclosure	5868	Other variable resistors, including rheostats and potentiometers
5787	For reproducing sound only	5952	Electronic Micro assemblies
5797	Point to point digital radio system for access networks and mobile networks	5976	Telephone cables
Malaysia Schedule: Same as Pakistan schedule with different serial numbers.			
PAKISTAN - SRI LANKA FTA			
Pakistan Negative list:			
491	Loudspeakers; single, mounted in their enclosures		
SOUTH ASIAN FREE TRADE AGREEMENT (SAFTA) - (only analysed for Pakistan and Sri Lanka)			
Sensitive list of Pakistan:			
1046	Fixed capacitors designed for use in 50/60 Hz circuits and having a reactive power handling capacity of not less than 0.5 kvar (power capacitors)		
1053	Variable or adjustable (pre-set) capacitors		
1055	Printed circuits		
Sri Lanka Sensitive List:			
85.27	Reception apparatus for radiotelephony, radio-telegraphy or radio-broadcasting whether or not combined, in the same housing, with sound recording or reproducing apparatus or a clock		
85.28	Reception apparatus for television		

The inclusion of these and other digital products in the sensitive or negative list may hamper the efforts towards digital trade integration. Adding provisions on e-commerce, digital payments, digital trade platform, intellectual property rights, data protection, data transfer, data sharing, data localization, paperless trade, electronic authentication, e-signature and other trade facilitation measures can lead to higher trade volumes. Keeping in view the less developed nature of the region, this will benefit SMEs the most and ultimately will support the job creation goals of these economies. Increased implementation of national single windows leads to supply chain integration.

4.3 Provisions on Digital Trade Integration in Domestic Policies

The issues relating to digital trade integration are complex and diverse. In that regard, the Organisation for Economic Co-operation and Development (OECD) has developed a digital trade inventory⁹ to help countries keep track of their progress in this digital trade environment (Table 8).

Table 8: Digital Trade Inventory 2021

Issue areas	International instruments	Afghanistan	Pakistan	Sri Lanka
	JSI participants Yes=1			
E-transaction frameworks	UN Electronic Communication Convention			1
	UNCITRAL Model Law on e-commerce		1	1
	ESCWA Cyber Legislation Directives			
	SADC Model Law on Electronic Transactions and Electronic Commerce			
E-signature	UNCITRAL Model Law on Electronic Signatures (2001)			
	ECOWAS Supplementary Act A/SA.2/01/10 on electronic transactions			
Consumer protection	OECD Recommendation of the Council on Consumer protection in e-commerce			
Paperless trading	WTO Trade Facilitation Agreement	1	1	1
	The Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific			
	ASEAN agreement on Customs			
E-transferrable records	UNCITRAL Model Law on Electronic Transferable Records			
Cross-border data transfer/Privacy	OECD Privacy Guidelines			
	APEC Privacy Framework			
	APEC Cross-Border Privacy Rules (CBPR) system			
	Convention 108			

9 Organisation for Economic Co-operation and Development (OECD). <https://www.oecd.org/trade/topics/digital-trade/>



	AU Malabo Convention			
	ASEAN PDP Framework			
	ECOWAS Supplementary Act A/SA. 1/01/10 on Personal Data Protection			
	Data Protection Standards of the Iberic-American States			
	Jurisdictions influenced by international instruments on protection of personal information			
Cybersecurity	OECD Recommendation on Digital Security Risk Management for Economic and Social Prosperity			
	OECD Recommendation on Digital Security of Critical Activities			
	Wassenaar Arrangement			
	The Convention on Cybercrime of the Council of Europe (Budapest Convention)			1
	ECOWAS Directive C/DIR/1/08/11 on Fighting Cyber Crime			
Telecoms	WTO Telecommunications Reference Paper (Code 2 represents a state partly committed to the Reference Paper)	1	1	1
Open government data	G8 Open Data Charter			
	OECD Recommendation on Public Sector Information			
Access to online platform/Competition	2014 OECD Recommendation concerning International Co-operation on Competition Investigations and Proceedings			
ICT products that use cryptography	OECD Guidelines on Cryptography Policy			
Goods market access	The Information Technology Agreement	1		
	Updated ITA concluded in 2015			

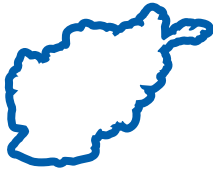
Source: OECD

This inventory is a compilation of existing rules, principles and standards that hold importance about digital trade. Afghanistan, Pakistan and Sri Lanka have ratified the WTO Trade Facilitation Agreement and are committed to the WTO Telecommunications Reference Paper¹⁰.

Although the overall objective of domestic policies for each of these countries is to promote digital trade integration and their broader contours resemble each other in terms of implementation, all three countries are at different levels and have reached varying

¹⁰ WTO Telecommunication Reference Papers. https://www.wto.org/english/tratop_e/serv_e/telecom_e/telecom_e.htm

stages of digital trade development. The clauses and policy provision of the commitments and agreements are contextualized based on local needs.



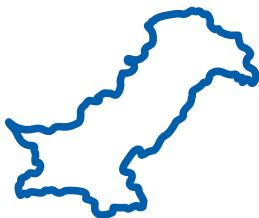
Afghanistan faces various challenges, including weak economic performance due to civil war; lack of quality infrastructure for internet, the high cost of internet and a lack of a secure online payment methods.

Afghanistan

Afghanistan faces various challenges, including weak economic performance due to civil war, lack of quality infrastructure for internet, the high cost of internet and a lack of a secure online payment methods. According to International Telecommunication Union data for 2017, in Afghanistan only 11 percent of the population has access to the internet. Locally, some businesses have begun to go digital and can make digital payments up to a certain amount.¹¹

Afghanistan introduced its first Afghanistan National Trade Policy in 2019, which is a five-year plan to address challenges faced by Afghan businesses in accessing international markets. However, the trade policy lacks any provisions on digital trade. Afghanistan does not have a specific e-commerce policy in place to regulate and facilitate digital trade.

The Government of Afghanistan introduced the Law on Electronic Transactions and Electronic Signature of Afghanistan in 2020 which provides regulations regarding electronic signatures and transactions¹². Effective implementation of the law can benefit local businesses and can lead to developing a digital ecosystem in the country. This newly introduced law includes provisions regarding data message interchange, electronic communications, electronic transactions, contracts and electronic signatures. However, the law has various weaknesses as it lacks any regulations regarding dispute resolution and has not clearly defined the “private sector”. The implementation of this law is also in question since the Taliban-led government assumed power¹³.



Pakistan is among three countries with the highest scores implying a most restrictive environment for digital trade. To respond to this challenge, Pakistan has introduced a comprehensive policy framework for trade development and digitalization.

Pakistan

According to Digital Trade Restrictiveness Index, Pakistan is among three countries, i.e. Argentina, Brazil and Pakistan, with the highest scores implying a most restrictive environment for digital trade. To respond to this challenge, Pakistan has introduced a comprehensive policy framework for trade development and digitalization. The Digital Pakistan Policy 2019, E-commerce Policy 2019, Strategic Trade Policy Framework, National Small

11 National Inception Workshop on E-Commerce in Afghanistan 2021. <https://www.unescap.org/events/2021/national-inception-workshop-e-commerce-afghanistan>

12 The law of Electronic Transactions and Electronic Signatures (2020). http://www.rlslegal.com/wp-content/uploads/2020/09/Draft-Law-on-Electronic-Transactions-and-Electronic-Signature-of-Afghanistan_English.pdf

The law was published in the Official Gazette 1389, dated 15 October 2020. <https://kakaradvocates.com/afghan-laws-regulations>

13 “Justice and Law Enforcement in Afghanistan Under the Taliban: How Much is Likely to Change?” <https://www.ojp.gov/ncjrs/virtual-library/abstracts/justice-and-law-enforcement-afghanistan-under-taliban-how-much>



and Medium Enterprises Policy and other business-enabling policies on public-private partnerships and on industrial development are key tools to enhance competitiveness in the private sector (Ahmed 2018).

According to International Telecommunication data, the percentage of individuals using the internet in Pakistan has doubled to 15.5 percent in 2017 from 8 percent in 2010. The percentage of households with access to the internet has also increased from 5.7 percent to 22.1 percent in the same time period.

Pakistan announced its first e-commerce policy in 2019, which aims to ensure support to the ecosystem underpinning the digital sector. The policy aims to empower SMEs, youth and women entrepreneurs through enhanced digital connectivity. An implementation framework for this e-commerce policy has been approved and actual implementation is being overseen by federal and provincial e-commerce councils.

The policy will also allow for unfettered coordination among key public sector ecosystem players, including the Securities and Exchange Commission, the Federal Board of Revenue, and the Central Bank. Under the policy, the e-SME programme was launched for capacity-building and connecting 50,000 SMEs in rural areas to online marketplaces. The policy also aims to enhance trade promotion globally. The policy envisions establishing e-Courts for quick resolution of consumer cases in the digital sector. The policy aims to ensure converting high levels of cash on delivery payments into e-payments within 10 years. Financial inclusion is another goal that is being addressed. Provincial governments and the revenue authorities will harmonize the General Sales Tax (GST) on Services regime.

The Ministry of Commerce, with the support of its attached entity, the Trade Development Authority of Pakistan, and other relevant agencies, are tasked to launch a one-window or single Digital Trade Portal (website) which will contain comprehensive information about e-trade procedures and up-to-date data for various trade actors.

The Strategic Trade Policy Framework identifies information and digital technology as priority services sectors which will be receiving preferential treatment under the fiscal policy. According to fiscal year 2020 data, on average Pakistan applies a 10.2 percent tariff rate on digital products which goes up to 35 percent for some products.

Sri Lanka

The International Telecommunication Union (ITU) reports 34.1 percent of the population having regular access to the internet in 2018. The expansion of 3G and 4G has enabled the public to have better internet access. Since 2010 the Government's "Mahinda Chintana - Vision for the Future" has set ambitious GDP and export growth targets through the development of services and industrial sectors. Sri Lanka is revising tariffs downwards under various trade agreements and trying to introduce conducive border measures which could help its export promotion strategy. In 2016, Sri Lanka implemented a single



In Sri Lanka the expansion of 3G and 4G has enabled the public to have better internet access and the country is also revising tariffs downwards under various trade agreements and trying to introduce conducive border measures which could help its export promotion strategy.

window for custom procedures which allows all trade entities to submit required regulatory information and electronic payments via a single electronic gateway.

Domestic business to consumer (B2C) e-commerce sites are reported to have witnessed significant growth in recent years. The Government of Sri Lanka has implemented various policy interventions to encourage use of online payments, applications for government services, payment of taxes and renewing of revenue licenses. The government has established the Sri Lanka Trade Information Portal which provides all the necessary information to facilitate importers and exporters.

Sri Lanka introduced the Electronic Transactions Act 2015 which removes legal barriers and ensures legal certainty of e-commerce and e-contracts in Sri Lanka and internationally. The Evidence Act No. 14 of 1995, the Payment and Settlement Systems Act No. 28 of 2005, the Payment Devices Frauds Act No 30 of 2006 and the Computer Crimes Act of No 24 of 2007 are some of other laws which in some ways cover e-commerce.

In addition, Sri Lanka also initiated the automation of issuance of Certificate of Origins (e-CoO), the mechanization of registration and monitoring of National Organic Control Unit, and a monitoring tool for the National Trade Facilitation Committee for implementation of WTO.

On the other hand, Sri Lanka currently does not have specific e-commerce policy in place to facilitate and develop digital trade capacities and there is no local body to regulate digital trade.

4.4. Impact of Digital Platforms

Digital platforms are helping boost economic growth in the three countries studied in this report. There is a learning opportunity via South-South Cooperation and all three economies can provide lessons to the private sector in the region.

An International Telecommunication Union (ITU) study from 18 countries studies shows how broadband provision has led to an increase in trade. The study estimates that a 10 percent increase in mobile broadband penetration leads to a 1.5 percent rise in GDP in the Asia-Pacific region.¹⁴

A Corporación Andina de Fomento (CAF) analysis based on the Digital Ecosystem Development Index for digital progress estimates that for a 10 percent increase in the digital ecosystem development index, GDP per capita increases by 1.89 percent. Likewise, a report published by the Global System for Mobile Communications estimates that the economic contribution of the mobile industry will reach US\$24 billion in Pakistan by 2023, accounting for 6.6 percent of GDP.

14 The economic contribution of broadband, digitization and ICT regulation. Econometric modelling for the Asia-Pacific region 2019. https://digitalregulation.org/wp-content/uploads/D-PREF-EF.BDT_AP-2019-PDF-E.pdf



Going forward, digital platforms have the potential of connecting a greater number of people much faster than before. This continues to enhance efficiency of businesses in the trade sector. Some start-up digital platform initiatives, which have now burgeoned in the region, are mentioned below.

Top Digital Platforms in Afghanistan:

Digital trading and online shopping are still at their early stages in Afghanistan due to lack of efficient internet services and absence of the rule of law. The impact of the political transition in Afghanistan and changes after 2020 on online shopping is not known due to lack of data¹⁵. The top five e-commerce portals in Afghanistan in 2020 were:

- » Sawda.af
- » Justwish.af
- » Jvbazar.com
- » Afghanfashion.com
- » Mrn.af



Digital platforms have the potential of connecting a greater number of people much faster than before. This continues to enhance efficiency of businesses in the trade sector.

Top Digital Platforms in Pakistan:

The top five digital platforms operating and providing online shopping services in Pakistan during 2020 follow below.

- » Daraz.pk
- » OLX.com.pk
- » Amazon.com
- » Aliexpress.com
- » Alibaba.com

A gradual increase in various thematic digital platforms has also taken place like zameen.com and graana.com.

Top Digital Platforms in Sri Lanka:

The list of the top five digital platforms in Sri Lanka during 2020 are as follows:
Kapruka.com

- » Daraz.lk
- » Takas.lk
- » Ikman.lk
- » Wow.lk

¹⁵ Online shopping businesses were growing, but now due to political upheaval in the country this trend has decreased and future trajectories are also difficult to anticipate in Afghanistan. <https://www.ojp.gov/ncjrs/virtual-library/abstracts/justice-and-law-enforcement-afghanistan-under-taliban-how-much>

- » Pickme
- » Uber/Uber Eats
- » ODoc

Platforms in the domestic retail sector continued to see an increase even during the pandemic.



The emergence of the pandemic affected the Global South as the trade volumes plunged to new lows. The rapid digitization of trade has helped economies pivot since the start of 2020. However, most countries in the South experienced a lack of general digital readiness, infrastructure, and regulatory frameworks to support online businesses. The pandemic is expected to have widened the inequalities between digital have and have-nots.

5. COVID-19 and Regional Digital Trade

The emergence of the pandemic affected the Global South as the trade volumes plunged to new lows. The rapid digitization of trade has helped economies pivot since the start of 2020. However, most countries in the South experienced a lack of general digital readiness, infrastructure, and regulatory frameworks to support online businesses. The pandemic is expected to have widened the inequalities between digital have and have-nots. For instance, access to information through digital platforms and availability of the internet are considered important.

According to the “technology and digital connectivity” dimension of the Asian Development Bank’s (ADB) Asia-Pacific Regional Cooperation and Integration Index, Afghanistan, Pakistan, and Sri Lanka already have a low value of 0.24, 0.45 and 0.57 respectively.¹⁶ A higher value denotes greater regional integration. This dimension covers trade in ICT goods, intraregional research output, intraregional patent applications, mobile subscriptions, internet penetration and international internet bandwidth.

Another index on business-to-consumer (B2C) activities by UNCTAD measures the performance of economies against four indicators: number of secure internet servers per million people, the proportion of adults with a bank or mobile money accounts, the proportion of individuals using the internet, and the Universal Postal Union (UPU)’s Postal Reliability Index (UNTCAD Manual for Production of Statistics on the Digital Economy, 2020)¹⁷.

The 2020 digital preparedness index suggests a huge inequality among developed and developing countries. These inequalities are thought to have widened during COVID-19. Most countries with the highest scores are from Western Europe along with China and Singapore from the Asia-Pacific region. Afghanistan, Pakistan and Sri Lanka rank 142, 114 and 87 respectively out of 152 countries.¹⁸

The pandemic impacted consumer behaviour and changed the global shopping trend, with buyers forced to shop online because of restrictions. In this way the pandemic worked as a catalyst paving the way for digital trade integration as global value chains started working differently.

16 Asia Regional Integration Centre. <https://aric.adb.org/database/arcii/downloads>

17 UNCTAD Manual for Production of Statistics on the Digital Economy.

https://unctad.org/system/files/information-document/210319_UNCTAD_StatisticsManual_WEB.pdf

18 The UNCTAD B2C E-Commerce Index 2020.



UNCTAD had reported that the global trade in goods might fall by 9 percent and services by 15 percent in 2020 compared to 2019.¹⁹ However, every country had a different experience regarding e-commerce in the pandemic era as production and technology is unevenly distributed. The majority of online transactions that took place in 2020 were in the Asia-Pacific region which is also the most populous region in the world – 62 percent of total e-commerce trade took place in this region followed by North America and Western Europe. The Middle East, Africa and Latin America accounted for only 3 percent of total e-commerce volume in 2020.

Consumers in Afghanistan, Pakistan and Sri Lanka face a similar type of issues as these countries lack speedy and economical access to the internet, internet coverage, have low digital literacy and low awareness and knowledge on digital platforms and there is no secure online transaction system. The trust for grievance redressal mechanisms in the wake of an online fraud also remains weak.

In addition, all the three selected countries are experiencing severe economic woes. Afghanistan is going through an economic crunch since the evacuation of the USA, Pakistan is facing a serious current account deficit and recently announced an economic emergency, and Sri Lanka is witnessing a fuel crisis due to rise in price and shortage of fuel in the country. All these various type of economic woes makes it difficult to adopt and apply emerging digitalized trade-related measures in short run. However, this agenda to improve digital trade integration should not be put off the table. In addition to tackling the current economic situation, the countries should also come up with new solutions to solve old problems through a combination of digitalization and trade integration.

5.1. Pandemic-induced Barriers to Digital Trade in Global South

The spread of COVID-19 led to manifold crises globally. It started as a public health crisis and turned into an economic and social crisis. The lockdowns were regarded as the main measure to cope with its effects. On the other hand, due to the lockdowns industries were shut down leading to job and income losses, the break-up of supply chains and shrinking economies.²⁰ The global economies suffered serious downturns and the tangible sectors of the economy, which were a key source of formal employment, had to face prolonged uncertainties during the COVID-19 lockdowns (Neilson et al., 2020). The production of intermediate and final goods in the ICT space also suffered. The transportation of these goods also remained a challenge amid logistical breakdowns. In addition, border closures also affected the e-commerce negatively.

The literature and evidence indicate that the above-mentioned challenge was exacerbated by the following barriers to digital trade in the Global South:

19 Covid-19 and E-Commerce. A Global Review Report 2020.

20 Ajmal and ul Rehman, op cit. <https://www.analytics.org.pk/wp-content/uploads/2021/08/updated-Working-paper-03.pdf>



The spread of COVID-19 led to manifold crises globally. It started as a public health crisis and turned into an economic and social crisis.

- » High cost of access to internet
- » Infrastructure and connectivity gaps
- » Gaps associated with electronic transactions
- » Lack of secure online payment systems
- » Southern buyers lacking awareness on digital trade
- » Lack of cross-border data flow mechanisms
- » Lack of protection systems of confidential systems
- » Discriminatory regulatory frameworks for digital trade
- » Lack of taxation systems that aid digital trade
- » Logistical weaknesses preventing efficient and timely delivery of goods
- » Lack of innovative financing for digital sector firms
- » Travel- and visa-related constraints for service providers.

5.1.1. Income impacts of pandemic in the South

According to the Pakistan Bureau of Statistics' (PBS) recent "Special Survey for Evaluating Socio- Economic Impact of COVID-19 on Well-Being of People", 46 percent of the workers have faced job losses or decreases in their income in the industrial sector, whereas 49 percent of workers in services sector (wholesale and retail trade, transport and storage, and others) lost their jobs during COVID-19. As agricultural activities were allowed to open up quickly, therefore only 5 percent of the working population in the agriculture sector faced this impact. A total of 55.74 million (35 percent) people were economically active before COVID-19. However, during the first and second wave of COVID-19, the economically active population declined to 35.04 million (by 22 percent).²¹

5.1.2. Impact on SMEs

SMEs around the world are the backbone of global value chains and domestic economy. In Afghanistan, SMEs contribute to approximately half of country's GDP and constitutes 80 percent of Afghan businesses.²² In Sri Lanka, SMEs comprise 75 percent of total business and provide 45 percent of total employment.²³ For Pakistan, SMEs comprises 90 percent of all the enterprises and contribute 40 percent of total GDP.²⁴

Closed borders and restricted movement of labour increased the challenges faced by SMEs, along with limited access to international markets due to missing information, capacity and resources. The health and hygiene standards required after the pandemic also increased production and transportation costs. While small and medium-sized digital firms in these three economies expanded locally within national boundaries due

21 Special Survey for Evaluating Socio-economic Impact of COVID-19 on Well-Being of People.

22 Small and Medium Enterprises Development and Regional Trade in Afghanistan, Afghanistan Research and Evaluation Unit Working Paper 2014.

23 Small and Medium Enterprises, National Human Resource and Employment policy Government of Sri Lanka.

24 Small and Medium Enterprise Development Authority (SMEDA).



to opportunities provided by the pandemic, this report did not find clear evidence as to whether firms from these countries were able to increase their exports.

5.1.3. Impact on Start-ups

Digital and other start-ups, mostly led by young entrepreneurs, were most vulnerable to negative shocks during the pandemic. One of the main issues faced by the start-ups is the lack of an enabling ecosystem and effective policy support. A large number of the start-ups during the pandemic could not ensure sustainability and had to shut down their businesses. However, in the digital space start-ups able to continue working remotely or online (e.g. software developers, graphic designers, data labellers) were able to pivot, even managing to increase their freelance incomes via online platforms.

This cohort experienced two types of effects during the pandemic:

- » The distancing effect: demand for online work grows as companies switched from onsite contractors to remote freelancers.
- » The downscaling effect: demand for online work diminishes as companies facing declining revenues reduce non-essential spending, including external contractors.

In Pakistan, the largest sector of digital markets is that of writing and translations. Trends from data of online workers show that the number of workers in writing and translations along with, clerical and data, creative and multimedia, and software development and technology have increased, while the amount of digital labour in sales and marketing and professional services decreased after 2018. Overall, in Pakistan the average increase across all these sectors stood at 29 percent between 2017 to 2020. In fact, the digital markets around the globe is expected to experience a significant impact with the increased number of workers switching to online, stay-at-home and digital work.

Governments, with the help of business associations and other stakeholders, need to implement effective systems for the inclusion of start-ups in the digital trade by ensuring relevant information, resources, capacity-building initiatives, and easy access to finance to increase their contribution. In this way, start-ups and other than freelance workers can also be sustained in difficult times.

5.1.4. Impact on women-led enterprises

Gender equality in employment is another common issue faced by these three selected countries for this case study. Moreover, women-led enterprises mostly remain part of the informal sector as many of them are private, unincorporated businesses. The informal economy is usually deemed less productive with limited innovative capacity and accessibility to capital. However, the informal economy can be a great potential of social innovation due to its resilient nature against various types of shocks, sudden demands and can adversely impact competition in the formal sector (Sassen, 1994; Portes and Haller, 2005; De Beer et al., 2013; ILO, 2018 b; Stuart et al., 2018; Web, Ronald and Sigrid, 2020).



Women-led enterprises mostly remain part of the informal sector as many of them are private, unincorporated businesses.



Women are significantly underrepresented in the workforce, businesses and the digital economy and they experience unequal access to skills, information, networks, social protection and resources.

Women traditionally tend to be part of care and domestic work and lack decision-making power due to social, political, and economic structure in these countries. Women are significantly underrepresented in the workforce, businesses and the digital economy and they experience unequal access to skills, information, networks, social protection and resources.

Businesses and SMEs owned by women in Afghanistan, Pakistan and Sri Lanka are generally smaller, hence vulnerable to economic shocks, to interrupted global value chains, to volatile global prices and to changes in trade regulations. Uncertainty in time of the pandemic has exacerbated existing inequalities faced by women in the trade sector. Data on these economies is still pouring in as to how many women-led businesses were actually affected by the pandemic. A key lesson for policymakers is to customize the response for women entrepreneurs who also have to bear a larger burden of household chores during disaster times.

5.2. How have selected countries tried to overcome barriers during the pandemic?

Pakistan launched various economic measures to tackle the trade and production issues. The government provided more than 20 million people from low-income groups with PKR12,000 (equivalent to US\$73.61) for four months and introduced a PKR200 billion (US\$122 million) package for daily wage earners. Pakistan abolished the 2 per cent import tax on pulses and dry milk, allocating PKR50 billion (US\$ 306 million) for procuring medical supplies and imposed a ban on exports of medical and surgical instruments, medicines and protective garments. It opened international border routes with Afghanistan to diversify trade traffic and various other requirements were relaxed for enhancing trade volumes.

Sri Lanka introduced various policy reforms to address the challenges of the pandemic. Sri Lanka issued a framework for a paperless export process and implemented interim measures to ensure smooth trade operations. It introduced a provisional goods clearance framework and streamlined routine cargo selectivity criteria for essential items. Online procedures were adopted provisionally to verify certificates of origin and to grant preferential tariff treatments for transactions.

The Central Bank of Sri Lanka introduced relief measures by offering a six-month debt moratorium for both capital and loan interests. It also provided working capital loans through licensed financial institutions at a 4 per cent interest rate, and took various policy initiatives for trade finance facilitation, funding SMEs and introducing the simplification of customs procedures and expedited clearance.

An early lockdown was implemented in Afghanistan to slow the spread of COVID-19. In order to ease tax compliance, the government extended the filing of returns deadline from March 2020 to July 2020. Other measures included controlling the price of essential items and budgetary allocations for the provision of aid and relief to the public. Amid political chaos and economic upheaval in the country the Afghan Government took no



significant measures to reduce trade barriers²⁵. The government did remain more focused on social protection needs and boosted health facilities, while also providing rationed packages to the needy through local community representatives²⁶.

5.3. How SSTC promoted technological and knowledge exchange amid COVID-19?

In the South Asia region, at the height of political differences between India and Pakistan, South Asian Governments came together to discuss the impacts of COVID-19 and how SSTC could help keep health, food security and trade processes on track.²⁷ These regional arrangements also discussed how less developed countries in the region could be supported through SSTC.



In the South Asia region, at the height of political differences between India and Pakistan, South Asian Governments came together to discuss the impacts of COVID-19 and how SSTC could help keep health, food security and trade processes on track.

Regional solutions took the form of cross-border telemedicine and online education initiatives – areas where the digital sector played a pivotal role. To help ensure food requirements in marginalized areas the strengthening of SAARC Food Bank and SAARC Seed Bank initiatives were discussed during the first wave of the pandemic. Here again instead of taking a conventional approach the discussion focused on how Agri-tech solutions could come to the rescue of farmers and all other stakeholders in the value chains. There was a dire need to protect stored supplies. SSTC allowed a shared understanding on how to implement COVID-19 standard operating procedures for health and safety of stored agricultural output and supplies in transit.

Similarly, the blockchain initiatives improved the traceability of food supplies and tracking of national and regional prices. There is still a vast potential for how SSTC can allow this to happen in all and not just select economies of the Asia-Pacific region. According to a survey by UNESCAP in 2017, only 50 countries globally have an e-certification facility for exports, and even fewer have the applied e-certification for imports. Most countries in Global South still requires SPS certificates and do not recognize online versions (Ababa, 2019).

6. Survey of Digital Sector Firms and Hopes from SSC and SSTC

As part of our survey to determine the impact of COVID-19 on the digital sector and to gauge how SSTC could help, 50 valid responses were received from firms in Afghanistan, Pakistan and Sri Lanka. The respondent firms are from varied subsectors, including web development services, advertising and marketing services, internet marketing, content

25 COVID-19 and Trade – Afghanistan: No trade measures taken in response to the crisis. https://www.wto.org/english/tratop_e/covid19_e/covid_details_by_country_e.htm?country=AFG

26 Coping with COVID-19 and conflict in Afghanistan. <https://cic.nyu.edu/sites/default/files/coping-with-covid19-conflict-afghanistan.pdf>

27 “Press Release – SAARC Health Ministers’ Video Conference to address the COVID-19 pandemic, 23 April 2020”. <https://www.saarc-sec.org/index.php/press-release/284-press-release-saarc-health-ministers-video-conference-to-address-the-covid-19-pandemic-23-april-2020> (accessed on 5 February 2022).

writing, online education and training, graphic design services, mobile applications development, data entry and visual arts. All firms in the sample are active in the global and regional trade-in-service and all had trade relations with economies in the South.

The report first discusses the impact of the pandemic on business turnover and general functioning. In the latter part of this section the report explains how Covid-19 is likely to impact on SSTC and vice versa.

A total of 60 percent of firms have reported an increase in their turnover while 40 percent reported a decrease during the pandemic. The firms with a higher number of international clients were able to expand, while firms catering largely to the domestic market faced difficulties. This also implies that local buyers of digital sector output in South Asian economies (Afghanistan, Pakistan and Sri Lanka) faced a temporary shutdown in their activities or could not afford some of these services.

A total of 65 percent of firms received a new contract during the lockdown period while others either lost business or continued to rely on pre-pandemic contracts. Firms that received new contracts had actually taken active measures to improve their systems and processes as part of the pivoting approach during the pandemic. For example, a majority of them used the time to learn new and marketable skills and built their social media presence. Others increased their online interaction with new markets in the region and beyond. This greater level of interaction was supplemented with newer forms of marketing, including special deals to customers.

Our inquiry reveals that firms in all three economies could not change their charge out prices, in fact most firms had to lower the rates to keep their clients' interest. Thus, despite a higher demand for digital services in these countries, we did not find evidence of improved gains in the revenues relative to the pre-pandemic period.

The most significant challenges to this sector during COVID-19 include difficulty in finding new contracts, fewer orders during and after lockdowns, permanent changes in working patterns, temporary inability of clients to pay as per the agreed schedule, cancellation of in-person networking events and uncertainty of cash flows. In all three countries, some pre-pandemic structural issues made pivoting difficult.

These issues included challenges in receiving large payments from abroad, time delays in receiving payment through online means, sending payments abroad, the presence of a large incidence of indirect taxes, and lack of connectivity and internet penetration in areas facing fragility, security and law and order difficulties. In all three countries, the fiscal response to help SMEs could not overcome challenges relating to employee skills, energy supply, access to credit, complex rental arrangements, import of software and duties on import of software – all necessary spheres to help build back better.

Most firms in this sector did not apply for government support during the pandemic. The reasons for not obtaining this support include a cumbersome documentation process, delays in processing of loan applications, insufficient support, support was available only



for limited activities within the digital sector, and there was a lack of collateral or personal guarantees to obtain credit.

Key suggestions to help recovery in the digital sector include improvement in the connectivity infrastructure, easy e-invoicing and improvements for online banking channels, better online security, facilitation in reaching online customers across South Asia, particularly in food, pharmaceuticals, textile and garments, footwear and light engineering.



Key suggestions to help recovery in the digital sector include improvement in the connectivity infrastructure, easy e-invoicing and improvements for online banking channels, better online security, facilitation in reaching online customers across South Asia, particularly in food, pharmaceuticals, textile and garments, footwear and light engineering.

The respondents expected SSTC to grow due to greater connectivity among the countries in the Global South and to more readiness to engage with each other for new opportunities amid the pandemic. Improvement in connectivity infrastructure²⁸ and online facilities amid lockdowns was one of the leading factors that contributed to SSTC. This was especially the case in higher education where universities continued to function online and extended their services beyond national boundaries.

An important aspect of cooperation through infrastructure development is the involvement of public and private stakeholders. Moreover, improvements to online banking channels could also play a vital role in translating cooperation efforts into tangible trade gains. The trend in efficiency of banking channels through online transactions has already been noted (Johnson et al., 2008).

Our respondents referred to another example of SSTC and noted that to enhance agricultural output through trade-oriented SSTC, WFP helped to develop the logistical framework and the resilient supply chain network in the Global South. Experts from the South now related better to regional and local contexts. These initiatives were helpful in promoting cooperation in the Global South and with development partners. They also helped to ensure food security amid skyrocketing food inflation (World Food Programme, 2021) and production via mechanized agriculture (COMSATS, 2019).



An important aspect of cooperation through infrastructure development is the involvement of public and private stakeholders.

In the case of trade-in-goods, firms explained how non-tariff measures, high customs compliance cost, taxes by importing countries, complex documentation and delays in existing supply chains, continue to adversely impact the digital trade flows in all three economies – an area which according to them should be discussed actively at future SSC forums.²⁹

While trading with the Southern countries, firms have asked for greater trade facilitation reforms which bring down exporting and importing costs. On this point firms noted how desired trade facilitation measures for digital firms were supposed to be different from those pertaining to conventional trade. Therefore, triangular cooperation in this case could help build capacities of commerce and customs departments in these three economies. Examples were cited of how EU's trade bodies helped to do this under GSP+ arrangements in some South Asian countries.

28 A total of 55 percent of connectivity infrastructure projects in the South are usually a result of SSTC (United Nations, 2014).

29 The channels through which this takes place are provided in Bartels and Jebamalai, 2009.

In total, 25 percent of firms view SSC as a tool for finding new business opportunities. Firms were less clear whether, as a result of COVID-19, competing with developed countries would be easier. However, they did point towards increased possibilities for joint ventures. In this case a proposal was put forward that SSC could bring Southern countries closer – due to their large populations vast new business opportunities could open up in the future.

The responses to the improvement in Intellectual Property Rights (IPR) is the most varied. Our respondents highlighted that the lack of enforcement of IPR was not allowing foreign investment to flow into the digital sector in these three economies. This could also indicate a lack of updated knowledge regarding what these governments may be doing with good intent to improve the overall IPR regime. SSC tools could allow for an improved public-private dialogue on this subject, both locally and at a regional level.

In summary, the share of the digital sector in the overall exports of services from Afghanistan, Pakistan and Sri Lanka increased due to COVID-19. More firms in the digital sector reported a positive impact from COVID-19 on their turnover. The number of firms with international clients also increased, which is also an indication of an increased regional value chain integration and shows greater SSC potential.

Our respondents recommended that the public sector and regulators could help firms to capitalize on these opportunities. An expedient implementation of an e-commerce policy in all three economies could help, in addition to improved internet connectivity, easy e-invoicing, improved online security, the expansion in online demand channels and reduction in tax compliance costs. Existing agreements, such as SAFTA and SATIS, should investigate enhancing the potential of digital trade integration. Once again, reviving SSC efforts with the larger economies in South Asia, particularly India, could help the SAFTA and SATIS process.

7. Policy Recommendations



Establishing an e-commerce regulatory body is crucial for digital trade integration.

Afghanistan and Sri Lanka are advised to introduce a comprehensive regulatory and institutional framework to support e-commerce in the country. It is recommended that Afghanistan and Sri Lanka formulate and ensure effective implementation of an e-commerce policy which will entail issues such as policy, regulatory questions, skill development, awareness-raising, investment and other systemic interventions to benefit from the potential of digital trade. Establishing an e-commerce regulatory body is crucial for digital trade integration. Pakistan needs to ensure effective implementation of its newly formed e-commerce policy. Its policy could serve as an apt template or starting point for Afghanistan and Sri Lanka.

Policy recommendations for reforms in domestic policies:

Reforms and their sequencing can be learned from the region and beyond. This is where SSTC holds vast potential. The Governments of Afghanistan, Pakistan, and Sri Lanka face similar kinds of barriers in achieving greater digitalization and enhancing trade. There is a



case for increased sharing of knowledge, learning and technologies which over time promote digital trade integration. Following is a few suggestions which could be initiated at a national and subnational levels.

- » Initiate a tripartite working group dialogue on how digital trade integration can be helped through SSTC modes and enhanced engagement at the SAARC level. The primary objective of such a dialogue should be to promote intra-regional peer learning and exchange of technologies. The SAARC Secretariat could play a vital role in promoting SSC across the region, particularly in sectors such as telemedicine, EdTech and Agri-tech.
- » Improving the digital ecosystem will require improvements in connectivity infrastructure across these countries through the following (United Nations, 2014):
 - SSC in data infrastructure and data security. For example, improved availability of data in the agriculture sector in these three economies would help to eliminate the asymmetric information that causes food insecurity, high prices or shortages.
 - The logistics infrastructure in these economies, even where available, is far behind the Asia-Pacific average. This is where triangular cooperation holds promise. Relevant UN bodies, including the International Trade Centre and UNCTAD, have expertise which could be requested.
- » Ensure digital inclusion by bridging the urban and rural divide. Developing countries offer more resilient solutions in terms of political context, institutional environment and economic conditions that could suit other developing countries (Robert, 2011). Therefore, learning on digital inclusion could be sourced from within these three economies and factored into domestic digital trade policy and regulatory frameworks.
- » Women-in-trade has been a neglected theme. Women in all three countries face gender specific barriers for conducting business and cross-border trade. Triangular cooperation and the tools therein could come to the rescue. The Buenos Aires Plan of Action (BAPA) endorses the “integration of women in development” to enhance technical cooperation among developing countries, which then transformed into UNOSSC. It highlights the importance of gender equality and ensures women’s participation in the Global South.
- » Local research in all three countries on the sector-specific potential of SSTC is missing. For example, use of technology during the pandemic was a luxury only for those who could afford it.³⁰ Yet there were social innovations that could have been diffused in these three economies via SSC. An inventory of such social innovations at the local level could be developed through regional collaborative research efforts where one or more think tanks and universities could join hands. The South Asia University, with its quota for all SAARC member countries, is a good model which could be encouraged in other sectors beyond higher education.

30 Information on cooperation across the South. <https://en.unesco.org/themes/education/south-south-cooperation>

- » The introduction of open budgets and e-governance could help the three countries see how plans that use SSTC are translated into budgets. Improved monitoring and evaluation of public investments to promote digital businesses can also be learnt from each other.
- » Greater engagement among digital sector business associations of these three countries is called for to foster cross-country partnerships and joint ventures. B2B engagement was curtailed by the pandemic, but can be encouraged by the Ministries of Commerce in a post-pandemic milieu. Business associations could benefit from UNIDO's South-South and Triangular Industrial Cooperation (SSTIC) initiative to enhance the linkages with governments, other business associations and development partners. UNCOMPACT's efforts could help bring greater corporate social responsibility processes towards social enterprises and NGOs that focus on digital inclusion.
- » An enabling environment for regional online payment systems is a priority. Currently, Afghan firms are facing difficulties in their online transactions with Pakistan. This is an aspect where the above-mentioned tripartite working group could deliberate and propose the next steps.
- » Launch specific ICT capacity-building programmes for youth, women and the public specifically in rural areas to provide practical training in e-commerce, tailored to local job markets (Hassan et al. 2016). The SSC approach could help and reduce the costs of capacity-building therefore such programmes should be offered at SAARC level under the auspices of the SAARC Secretariat.
- » The inclusion of disability to all three countries. Digital platforms tend to not pay specific attention to disability inclusion (especially visual impairment), and greater facilitation of disability inclusion could further enhance more digital/trade usage. Tri-partite programmes/lessons learned can be leveraged for cohesive improvement. UNDP accelerator labs in these countries can be leveraged to support these programmes.
- » The adoption of digital technologies at the border to enable efficient and secure movement of goods is often not possible at the Afghan border. The United States Agency for International Development (USAID) has been supporting this initiative in the past, however, with NATO's exit, other development partners need to step up efforts to support the Kabul administration.
- » Recent temporary increasing tariffs on ICT goods are harmful to enable digital trade and help bring the countries at par with the regional average.
- » Conventional banks often do not fund digital trade start-ups. In that regard, institutions like the SAARC Development Fund or the ECO Bank could help. However, even these regional funds require capacity-building which could be provided through triangular cooperative arrangements. For example, SAARC office learning from counterparts at ASEAN Secretariat. The Digital Trade Inventory by OECD also provides some funding and financing.



Recommendations for bilateral and regional trade agreements:

It is crucial that the Governments of Afghanistan, Pakistan and Sri Lanka adopt a comprehensive and multifaceted response to remove digital trade barriers. In order to address the crisis generated by COVID-19, a nuanced and multifaceted response needs to be adopted. This can be undertaken by effectively handling digital trade integration in bilateral and regional trade agreements.

Regional economic cooperation through mutually benefiting trade agreements and mechanisms for digital trade facilitation will result in greater integration, enhancing efficiencies and lowering costs of trade. The EU is an example which could benefit SAARC economies.

Currently, no provisions exist related to digital trade in the agreements between Pakistan and Afghanistan and between Pakistan and Sri Lanka. Moreover, no trade agreement has been signed between Afghanistan and Sri Lanka as yet. In case of trade agreements with other countries, only the Pakistan-China Free Trade Agreement and the Pakistan-Malaysia Free Trade Agreement to some extent deal with the provisions on digital payment, digital trade platforms, intellectual property rights, personal information protection, paperless trade, cross-border transfer of information via electronic means, environmental regulations and provisions related to labour-rights. Afghanistan and Sri Lanka could adopt such clauses or better ones in future agreements.

The three Ministries of Commerce will also have to forge closer ties to remove discriminatory rules and obsolete requirements for licensing and certification, and to address restricted cross-border data flow and geo-blocking.

Enhanced SSTC could inform how trade agreements should allow for the following:

- » Securing electronic payment services to be offered by Afghanistan, Pakistan and Sri Lanka among themselves and with other contracting states
- » Adopting electronic authentication and verification mechanisms
- » Logistics and postal mechanisms, especially for small-value shipments common in the transactions of MSMEs
- » Electronic measures for trade-related data and documents

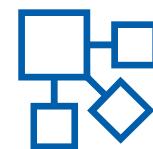
Recommendations for South-South Cooperation and Triangular Cooperation:

As discussed above, triangular cooperation under the auspices of ITC and UNCTAD could help put in place mechanisms for sharing best practices and information relating to digital trade and electronic commerce; collaborations relating to logistics mechanisms; regulatory coherence at national and regional level; and regular monitoring of implementation on provisions for electronic commerce to identify bottlenecks.

The importance of South-South cooperation and triangular cooperation has been reinforced by the pandemic. Countries and regions in which there is already extensive trade cooperation, including free trade agreements, collaborative customs arrangements and



It is crucial that the Governments of Afghanistan, Pakistan and Sri Lanka adopt a comprehensive and multifaceted response to remove digital trade barriers.



The importance of South-South cooperation and triangular cooperation has been reinforced by the pandemic. Countries and regions in which there is already extensive trade cooperation,, were better placed to maintain international commerce.

harmonization of standards, were better placed to maintain international commerce. Enhanced appetite for cross-border e-commerce can encourage Southern nations to sign mutually beneficial trade agreements.

The digital goods trade often suffers from high product standards and complex certification requirements, characteristics often missing with firms from the South. The tripartite group recommended above could help effect a mutual understanding on product standards for trade among the three economies. This body may also put in place a medium-term cooperation agenda for both digital goods and services trade. This body can be a new setup or an enhanced role assigned to an existing setup (e.g. subgroup under SAARC) to work effectively towards digital trade integration.

Academic and university regulatory bodies could also study digital trade as a case where SSTC could help open avenues in the health and education spaces, thereby ultimately improving the low levels of human development index in these economies and the region.



8. Conclusion

SSTC is one of the tools for achieving a better and more egalitarian multilateralism. The COVID-19 pandemic has fostered South-South cooperation efforts, while exposing the weaknesses of North-South cooperation, especially in terms of equitable access to vaccines, knowledge-sharing and digital trade. Nevertheless, a prolonged COVID-19 crisis and the lockdown created an urgency in the Southern economies for use of digital platforms, for promoting e-commerce and for a greater volume of trade in digital goods and services.

Various actions must be taken by the stakeholders in the South to ensure inclusive benefits from digital trade integration. SSTC can help national governments and regional cooperation bodies. Governments will need to embed SSTC in sectoral policies for infrastructure and social sector development and trade policy. SSTC measures can also help regional trade agreements to include cooperation in digital spaces.

The three governments will also need to prioritize national digital readiness to make local businesses, particularly start-ups and MSMEs and buyers, go digital. An enabling ecosystem for e-commerce will also help firms grow fast and become part of value chains abroad. Investment in digital infrastructure has to be accompanied by capacity-building and regulatory facilitation, e.g. in the form of frameworks for security and for ease in online payments. The understanding on these aspects is weak and will require triangular cooperation initiatives.

Public investment in digital entrepreneurship is a necessary step to benefit from e-commerce potential. Digitalization of SMEs and capacity-building of young entrepreneurs, women, and rural businesses are key steps for Afghanistan, Pakistan and Sri Lanka. This can be followed by public-private collaborations to share best practices and to increase the frequency of data and information-sharing which could help foster better understanding of regional business opportunities. Universities already engaged in SSC in Pakistan and Sri Lanka could take a leading role.

This paper has identified the gaps that exist at the domestic and regional level when it comes to expediting digital trade integration and how SSTC could help. The challenges that the various business spheres face due to the missing pieces of digital trade integration have been captured through a detailed literature review, the study of current policies in digital space and a rapid firm-level survey. The authors of this report hope that this study will initiate a more extensive discourse on the subject and help contribute to South Asian economies assigning priority to this agenda.

References

- Ababa, A. "Digitalization, Food safety and Trade". International Forum on Food Safety and Trade. World Health Organization (WHO), Geneva, 2019. https://www.who.int/docs/default-source/resources/digitalization-food-safety-and-trade-en.pdf?sfvrsn=a11a03b8_2
- Ahmed, Saira, Ahmed, Vaqar and Sohail, Safdar. "Trade agreements between developing countries: a case study of Pakistan - Sri Lanka free trade agreement". MPRA Paper, University Library of Munich, Germany, 2010. <https://EconPapers.repec.org/RePEc:pra:mprapa:29209>.
- Ahmed, V., Towards a South Asian model of inclusive and sustainable growth. Global Recovery, New Risks and Sustainable Growth, 1970 (1980s). 2012.
- Ahmed, Vaqar and Shabbir, Saad. "Trade and Transit Cooperation with Afghanistan: Results from a Firm-level survey from Pakistan". Sustainable Development Policy Institute, 2016. <http://hdl.handle.net/11540/6693>.
- Ahmed, V. Pakistan Agenda for Economic Reforms. Oxford University Press, 2018.
- Ahmed, V., Abbas, A. and Ahmed, S. "Public infrastructure and economic growth in Pakistan: a dynamic CGE-microsimulation analysis". Infrastructure and economic growth in Asia, 2013.
- Ahmed, V. et al. "National Study on Digital Trade Integration in Pakistan". United Nations Economic and Social Commission for Asia and the Pacific: Bangkok, 2020. (unpublished)
- Bartels, F.L. and Jebamalai, V. South-South Cooperation, Economic and Industrial Development of Developing Countries: Dynamics, Opportunities and Challenges. United Nations Industrial Development Organization, Vienna, 2009. <https://www.unido.org/api/opentext/documents/download/10081762/unido-file-10081762>
- Bergamaschi, I. and Tickner, A.B. Introduction: South-South Cooperation beyond the myths—A critical analysis. In South-South Cooperation Beyond the Myths. Palgrave Macmillan, London, 2017.
- COMSATS. "South-South and Triangular Cooperation: COMSAT's Experience". Commission on Science and Technology for Sustainable Development in the South, February 2019. http://comsats.org/wp-content/uploads/2019/02/South_South_Triangular_Cooperation_Feb_2019.pdf
- Dutta, S. and Lanvin, B. The Network Readiness Index 2019. Portulans Institute, Washington D.C., 2021. <https://networkreadinessindex.org/countries/>
- Khan, A et al. The role of youth in sustainable development: Perspectives from South Asia. Overseas Development Institute, 2016.
- Lendle, A. et al. "There goes gravity: eBay and the death of distance". The Economic Journal, 126(591), 26 May 2016.
- Mayer, J. Digitalization and industrialization: friends or foes? UNCTAD Research Paper No. 35. 11 October 2018.



Mitchell, A.D. and Mishra, N. Working Paper. Digital trade integration in preferential trade agreements. ARTNeT Working Paper Series, No. 191. Provided in Cooperation with Asia-Pacific Research and Training Network on Trade (ARTNeT), Bangkok, 2020.

Raihan, Selim et al. "The Pandemic and Economic Fallout in South Asia". Economic and Political Weekly. Vol. 55, Issue No. 46, 21 Nov. 2020.

Rajan, S. Irudaya, Editor. South Asia Migration Report 2017: Recruitment, Remittances and Reintegration. Routledge India, 2019.

Robert, N. South-South Cooperation Development Strategies for Rural Renewable Energy. September 2011. <https://www.e-ir.info/pdf/13846>

United Nations, State of South-South Cooperation: Report of the Secretary-General (A/69/153). New York, 17 July 2014.

United Nations Economic and Social Council. Background Study for the UN Development Cooperation Forum "Trends in South-South and triangular development cooperation". New York, April 2008. https://www.un.org/en/ecosoc/docs/pdfs/south-south_cooperation.pdf

Walsham, G. "South South and triangular cooperation in ICT4D". Electronic Journal of Information Systems in Developing Countries, 86(4). July 2020.

World Food Programme. Evaluation of WFP South-South and Triangular Cooperation Policy. Centralized Evaluation Report – Vol.1, Office of Evaluation, World Food Programme, October 2021. https://docs.wfp.org/api/documents/WFP-0000132671/download/?_ga=2.66085740.316624494.1642063694-1512529900.1642063694



United Nations
Office for South-South Cooperation