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Are the digital and inclusive growth agendas compatible? Implications for trade policy in developing countries

Everyone seems to be talking about the Fourth Industrial Revolution (4IR) and its power to disrupt the socio-economic order, both in positive and negative ways. As the 4IR or digital era is constantly evolving, though, it is difficult to predict how things will play out – especially as countries and regions are at different levels of economic and technological development. While the digital era gains momentum, it would also appear that the phenomenon of inequality is spreading in certain parts of the world – mainly *within* countries.

Can the digital economy help to alleviate the problem of inequality and forge more inclusive growth or will it exacerbate divisions as time goes by, to the detriment of those countries (including South Africa, India and Brazil) that have among the most unequal societies in the world? And what are the implications for trade policy, especially in developing countries?

These were the questions that **Wilma Viviers** (WTO Chair and research professor) and **Ali Parry** (extraordinary research scientist) from North-West University's TRADE research entity tackled in the paper they presented at the **WTO Chairs Programme Annual Conference in Geneva, Switzerland on 2 July 2019**. In their paper, titled '**Are digital advances and inclusive growth compatible goals? Implications for trade policy in developing countries**', they explored what inclusive growth – which is often but sometimes carelessly referred to in commentaries and debates – actually means, drawing on an extensive body of literature that provides both broad descriptions and more nuanced, quantitative measures. They also reflected on the digital era and its various manifestations (including e-commerce, robotics, artificial intelligence, the Internet of Things (IoT) and 3D printing) and whether there is a discernible alignment in the goals and patterns of digital growth and inclusive growth, respectively.

"As part of our ongoing digital research programme, we are looking at the impact of digital developments on inclusive growth in a number of African countries, using different digital and inclusive growth indicators to reveal positive or negative correlations," said Wilma. "This quantitative approach helps to paint a more precise picture of the dynamics between the two phenomena, which should help to facilitate better decision-making in the countries concerned – especially as there is no 'one-size-fits-all' route to inclusive growth through digital developments. For example, a positive or negative association between Internet roll-out and GDP per capita or female employment would warrant a particular policy response, along with tailored support measures to ensure that the positive power of Internet connectivity is leveraged."

Employment is a major concern of policymakers the world over and goes to the core of the inclusive growth debate, with groups such as women, the youth, rural inhabitants and small, survivalist businesses typically being among the most economically vulnerable or excluded. In the developing world in particular, governments and their partners in business and civil society are under pressure to find ways to enable vulnerable groups to catch up and keep up with the more economically resilient segments of society, thereby encouraging more level playing fields and greater social stability. This is becoming increasingly urgent, given the rising tide of discontent among communities that feel marginalised in their societies and neglected by their governments.

"Inclusive growth should not be viewed simply as the redistribution of economic opportunities and resources," said Ali. "It should be about growing the economic pie – which will help to create jobs – and making the economy more productive, with more value-added goods and services on offer – which will boost incomes."

Ali continued: "Those countries that have prioritised economic and export diversification, built strong trade capacity and invested heavily in human capital development appear to be reaping the rewards of the digital era. On the other hand, countries that are not moving swiftly enough to leverage digital developments face the risk of being left behind, with the so-called digital divide widening."

Not surprisingly, developing countries are at far greater risk of being riven by the changing digital landscape than the advanced economies, although the latter are not immune to the problem. Unfortunately, widespread economic and social exclusion, including its causes, often receives insufficient attention at the policy level. Although a fair amount of organic growth does take place within the different vulnerable groups, it is not enough to turn a whole sector, like the small business sector, around. For that, a realistic policy and regulatory framework is needed, with inputs from all affected parties and commitment-laden action plans.

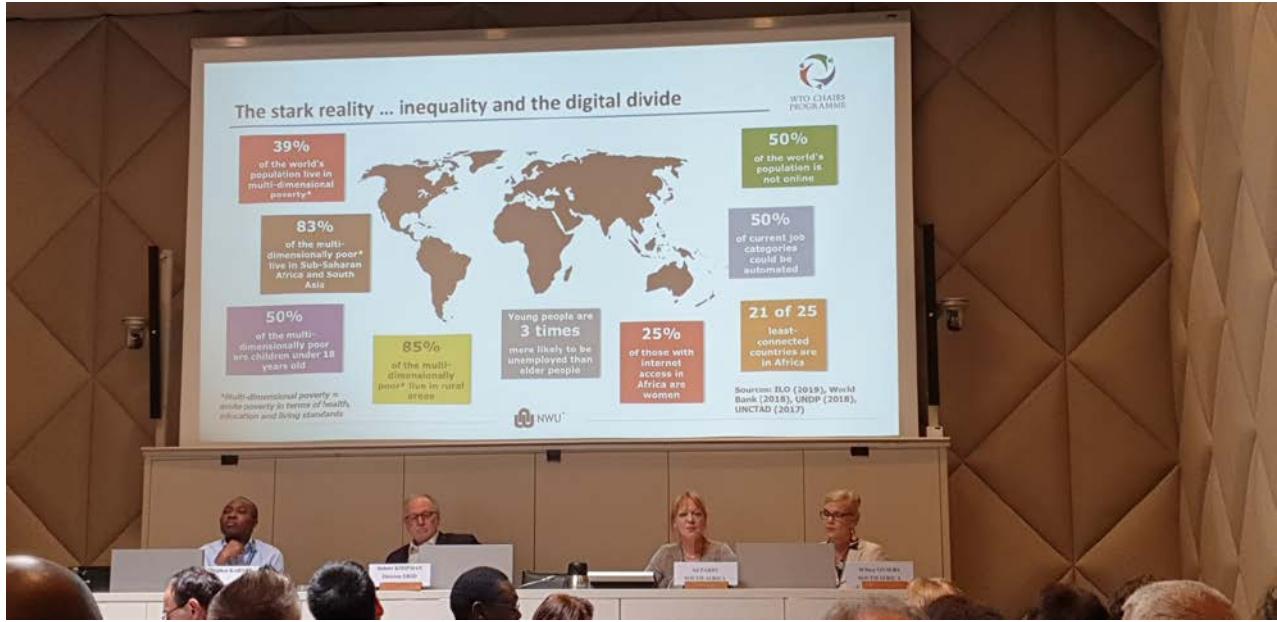
"Ultimately, inclusive growth is not only about ensuring that the benefits of economic growth are widely shared," remarked Wilma. "It is also about ensuring that the process itself is representative and inclusive of all relevant stakeholders. And while digital advances can accelerate this process, they do not in themselves provide a short-cut solution to countries' economic or export development challenges."

Speaking on the sidelines of the conference, co-author of the paper **Adelia Jansen van Rensburg** (a senior lecturer in North-West University's School of Economic Sciences), said:

"When it comes to trade, each country must navigate the opportunities and uncertainties in its own way and formulate trade policy in line with its development status and priorities. While traditional trade policy focuses on achieving optimal levels of trade liberalisation and trade facilitation, digital trade policy has an added complexity – the liberalisation and facilitation of data across borders, with increased concerns about privacy and security of information, intellectual property rights and competition."

How governments use their policy space to encourage innovation and competitiveness while also creating new opportunities for economic and social inclusion, particularly via education and training, will be a key determinant of countries' long-term sustainability. As digital applications and machines continue to encroach on traditional jobs, skills like critical thinking and relationship-building will emerge as the new focus areas for entrepreneurs, company employees and those in leadership positions – the human elements that are difficult to replicate in a digitised form, even using the most sophisticated hardware and software. Capacity-building among policymakers is an essential ingredient in this process as without it, they, too, risk joining the ranks of those left behind.

For more information about the WTO Chairs Programme, contact Wilma Viviers on: wilma.viviers@nwu.ac.za. To learn more about the work of the TRADE research entity, visit the TRADE website: <http://commerce.nwu.ac.za/trade>.



R to L: Prof Wilma Viviers and Ali Parry, joined by Dr Robert Koopman, Chief Economist at the WTO (chairman of the session) and Stephen Karingi, Director: Regional Integration, Infrastructure and Trade at the UN Economic Commission for Africa (UNECA) (discussant for the session)