

# The Digital Economy and Economic Governance:

## Recent Trends and Considerations for Inequality and Sustainability

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## INTRODUCTION

The increasingly digitalized global economy has highlighted a series of opportunities, as well as risks, to the achievement of sustainable development objectives, including the fulfilment of the targets set out in Sustainable Development Goal (SDG) 10 on inequality. (United Nations, 2015) While the digital economy has many dimensions, much of the attention in the field of trade is being devoted to the subject of electronic commerce and how it is transforming the way that goods and services are exchanged across borders, and by whom. It is also transforming the very nature of these goods and services: whether these are physical and tangible, for example, or instead are provided solely through digital means.

Whether and how to address electronic commerce in economic governance frameworks has also fueled a wide-ranging debate spanning the subjects of cross-border data flows and data privacy, online consumer protection, data localization, and the agglomeration of market power in certain large tech firms, as well as what it means for non-tech firms that increasingly do much of their business online. In recent years, various countries have debated whether it is necessary, or even appropriate, to negotiate binding rules governing electronic commerce in regional and multilateral trade agreements, and if so where and to what ends. The rise of large technology companies, such as Amazon, Facebook, or Alphabet – the parent company of Google – and the sheer volume of transactions that take place online and involve users based across jurisdictions, has fueled myriad initiatives at the national and international levels aimed at addressing tax-related issues involving the revenues generated by this digitalized economy.

The inequality implications of this digital evolution are numerous, though difficult to grasp given the nature of the issue: what will this boom in new technologies mean for access to markets, for example, for low and low-middle income economies that are still working to develop the necessary infrastructure for improving their connectivity. How the emergence of new technologies may reshape manufacturing processes is another question, along with how these may then impact the structure of value chains and trade flows. Michael Kende and Nivedita Sen of the Graduate Institute have categorized the main issues involving digital commerce as falling broadly within the categories of online transactions; trade facilitation and goods-related market access; data generation, privacy, and cross-border data flows; and “complementary issues” such as intellectual property rights, among others. (Kende and Sen, 2019)

The issue of cross-border flows is especially contentious, and many trade agreements deal with them in a limited way, while stressing their importance in facilitating cross-border trade. José-Antonio Monteiro and Robert Teh note, for example, that generally trade agreements will include cooperation-focused provisions in that regard, and that far fewer agreements will go further to include language on the importance of such data flows or facilitating it more directly. (Monteiro and Teh, 2017) One of the central reasons for why terminology on cross-border data flows is so sensitive is because of concerns that facilitating these data flows, while making conditions more attractive foreign companies interested in doing business in recipient



countries, could come at the risk of that same data being used if sufficient privacy protections are not in place during data transfer and beyond. (Lopez Gonzalez, 2019)

Other issues that have become increasingly common in discussions involving electronic commerce include data localization requirements, i.e. whether a country should be able to require an overseas company that processes data from that country's inhabitants to store that same data domestically, such as by setting up local computer servers. (APEC, 2017, and Monteiro and Teh, 2017) Electronic authentication, electronic signature, and paperless trading are also frequent features of regional trade agreements, and often feature language recognizing such electronic signatures as having the same weight as physical versions of the same, and outlining whether electronic authentication methods have to be in line with certain "performance standards" and whether parties are prevented from establishing jointly what serves as a recognized form of authentication, among other terms. (CPTPP, 2018, Wu, 2017)

Also key is the question of whether to prohibit customs duties on electronic transmissions. While there is a moratorium in place across the WTO membership, this needs to be renewed biennially, and countries negotiating trade agreements normally include this same prohibition in those newer deals. While it is longstanding practice not to charge customs duties on e-books, music, films, and other digital products traded across borders, experts have long debated whether this practice is a benefit or a hindrance to trade in those products, and what it means for developing countries' economic competitiveness, as well as the loss of government revenue from not being able to charge such duties. (WTO, 2018) Other questions that have emerged at the level of regional trade agreements includes whether to ban such customs duties only for digital goods and services from the parties of that agreement, or whether these should apply universally, regardless of origin. (Wu, 2017) The need to involve a wider spectrum of actors in the discussions on new e-commerce trade rules, including other intergovernmental agencies, the private sector, and civil society, has been highlighted by Kende and Sen, among other analysts, particularly given the implications for areas that span beyond trade. (Kende and Sen, 2019)

On trade facilitation with electronic commerce, the World Bank has flagged among the particular challenges the limitations that border agencies have for dealing with newer technologies, suggesting that automation of some of these processes could help lower transaction costs. Another one of the various facilitation challenges includes "last mile" logistics that cannot keep pace with these same developments. (World Bank, n.d.) Other challenges flagged by the World Bank and others include the particular challenges of small and medium-sized enterprises in this vein, which in turn has implications for market access. A related question that has emerged not just with trade facilitation, but also with services and goods, is how existing WTO rules in these areas relate to e-commerce and whether these are appropriate to account for the nuances of this digital form of trade, and what they mean for WTO members and the commitments they understood they were taking on when negotiating the General Agreement on Trade in Services, for example or the WTO's Trade Facilitation Agreement.



This paper seeks to provide a non-exhaustive overview of national, regional, and international developments in this field. This includes the World Trade Organization's (WTO) 1998 e-commerce work programme and the nascent "joint initiative" among nearly 80 WTO Members aimed at eventual negotiations on trade-related aspects of e-commerce. It also covers various regional and plurilateral trade agreements or negotiations, ranging from the Comprehensive and Progressive Agreement on Trans-Pacific Partnership (CPTPP) to the stalled talks for a Trade in Services Agreement (TiSA). Aside from trade negotiations, the paper covers efforts aimed at developing national and near-global taxes on digital revenues, as well as processes underway in other intergovernmental agencies, such as the United Nations Conference on Trade and Development (UNCTAD), as well as the Working Group process on e-commerce at the United Nations Commission on International Trade Law (UNCITRAL).

## WTO: FROM E-COMMERCE WORK PROGRAM TO JOINT INITIATIVE

The World Trade Organization launched in 1998 a work program on electronic commerce that was meant to deepen Members' understanding of select areas involving cross-border electronic commerce, along with whether there was a need to develop related recommendations to that effect. During the WTO's Second Ministerial Conference, held in Geneva in May 1998, ministers adopted a declaration on global economic commerce that directed the organization's General Council to develop "a comprehensive work program to examine all trade-related issues relating to global electronic commerce, including those issues identified by Members." (WTO, 1998a) That work program defines the term electronic commerce, in that context, to cover "the production, distribution, marketing, sale or delivery of goods and services by electronic means" and also indicates that this program would look at infrastructure-related issues that affect e-commerce. (WTO, 1998b)

The work program split the discussions between four WTO bodies: the Council for Trade in Services, the Council for Trade in Goods, the Council for Trade-Related Aspects of Intellectual Property Rights (TRIPs), and the Council for Trade and Development. The General Council, meanwhile, would play the role of reviewing these bodies' work on executing the work program, along with considering issues that spanned across multiple areas, and any recommendations resulting from the work of these bodies. (WTO, 1998b)

The work program was not designed with the objective of eventually negotiating new rules: instead, it would build a better understanding around issues such as how the General Agreement on Trade in Services (GATS) treats e-commerce issues, including topics such as competition, electronic services market access, developing country participation, and "protection of privacy and public morals and the prevention of fraud," among others. It would look at similar questions relating to goods under the General Agreement on Tariffs and Trade (GATT) 1994, along with questions involving rules of origin and standards; issues of intellectual property rights protection and enforcement and access to new and existing technologies; and how electronic commerce affected small and medium-sized enterprises in



developing countries and how to improve the participation of those same countries in e-commerce. (WTO, 1998b)

In practice, the implementation of the work program has been varied, and in some cases sporadic, across these WTO bodies. The lowest level of recent activity has been in the context of the TRIPS Council, which has only featured the subject of e-commerce on its agenda only rarely. (ICTSD, 2017) Separately, it is worth noting that the WTO houses a plurilateral agreement cutting tariffs on a host of information and community technologies, known as the Information Technology Agreement (ITA), which was recently updated by a subset of the ITA parties to reflect newer products and technologies. . (WTO, n.d.)

Notable from the WTO's 2017 Buenos Aires Ministerial Conference was the launch of a joint initiative for exploratory talks on the potential negotiation of trade rules on electronic commerce. (WTO, 2017) The list of participants now numbers at nearly 80 WTO Members, who in January 2019 announced their intent to negotiate on trade-related aspects of e-commerce in the WTO context. (WTO, 2019) The meetings have transitioned to substantive discussions this year, with the objective of formally launching negotiations at the WTO's Twelfth Ministerial Conference (MC12) in Nur-Sultan, Kazakhstan. The full extent of what is being considered, however, is difficult to know given that some of the submissions are restricted documents that are not available to the wider public.

From what is publicly known, ideas and subjects that have been raised in the submissions to date include, but are not limited to, whether the process should focus on clarifying existing rules and/or developing new ones; whether to tackle topics such as domestic regulatory frameworks; how to define "trade-related aspects of electronic commerce"; whether to make the moratorium on duties on electronic transmissions permanent; whether to include provisions on paperless trading, electronic signatures and authentication; the protection of proprietary information, such as source code; electronic contracts; cybersecurity; market access; data localization; trade-related ways to address infrastructure gaps; and domestic regulatory frameworks on e-payments, among others. (WTO, 2019c) Sources say the form is likely to take that of a plurilateral agreement under the WTO umbrella, though institutional questions such as dispute settlement or whether and how special and differential treatment will be addressed are not yet clear at this stage.

## ELECTRONIC TRANSMISSIONS: WTO AND OTHER FORUMS

One of the main recurring items in any discussion on electronic commerce and the negotiation of trade agreements is whether and how to include a moratorium on duties on electronic transmissions, such as e-books or music files. (UNCTAD, 2017a) There is currently a moratorium on such duties at the WTO level, which has been renewed at every WTO Ministerial Conference since its inception, and largely codified existing practice into binding law. The moratorium does not apply to internal duties, e.g. value-added tax or goods and services tax, or other charges that governments may levy on electronic transmissions. The latter type of duties, i.e. internal ones, are not affected by the moratorium. (Banga, 2019)



This renewal is not as straightforward as it sounds: whether to make this moratorium permanent, or instead to continue renewing on effectively a biennial basis, has been debated regularly in the leadup to past ministerials. The moratorium was nearly a casualty of the WTO's Tenth Ministerial Conference in Buenos Aires, Argentina, in December 2017, for example, and was ultimately renewed as part of an eleventh-hour decision, along with the 1998 work program and a separate moratorium on TRIPS non-violation and situation complaints. TRIPS refers to the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights. (ICTSD, 2017a)

Moratoriums on duties on electronic transmissions between the parties to a trade agreement are essentially a stock feature of those agreement's chapters on electronic commerce or digital trade, as can be seen in texts such as the ones listed below. Those in favor of the moratorium note that this is already existing practice, and argue that making it permanent has important implications for policy certainty and business decisions, such as incentivizing investments in additive manufacturing technologies and allowing for the import of cheap, electronically transmittable inputs into other manufacturing processes. (WTO, 2018) The moratorium has drawn scrutiny from various developing countries, however, over the years, including at meetings of the WTO's General Council. Recent analysis by UNCTAD that examined, among other issues, the impact of the perpetuation of the WTO's moratorium on such duties found that it could affect developing countries' ability to move from being to net importers of such products to eventually becoming net exporters. (UNCTAD, 2017a)

The UNCTAD paper also noted that as more products are developed that can ostensibly fall within the category of electronic transmissions, this could mean that industrial goods that would previously have been subject to tariffs could automatically become duty-free once a version is available that can be transmitted electronically. Those developed countries whose producers can substitute in raw materials for electronically produced versions will benefit, while those countries that have traditionally supplied the raw materials that previously served as production inputs may suffer economic harm. (UNCTAD, 2017a)

## E-COMMERCE CHAPTERS IN REGIONAL, PLURILATERAL TRADE NEGOTIATIONS

Regional and bilateral trade agreements are increasingly including chapters on electronic commerce, which in some cases are termed digital trade. Some provisions involving electronic commerce can also be found in other trade agreement chapters, such as financial services. The examples here are not exhaustive, but rather indicative of some of the notable developments in this space, either in terms of substantive approach or regional dynamics. According to a study by Mark Wu for the RTA Exchange, there are at least 69 regional trade agreements that include provisions or chapters devoted to e-commerce, with more under negotiation. (Wu, 2017)





## *CPTPP and USMCA*

Among the most recent major developments in trade rule-making on electronic commerce include the chapter negotiated under the Comprehensive Progressive Agreement for Trans-Pacific Partnership (CPTPP), now in force for those seven parties which have ratified, out of the 11 that negotiated the accord. Also notable is the chapter negotiated under the United States-Mexico-Canada Agreement (USMCA) that is currently at the ratification stage, as well as the Comprehensive Economic and Trade Agreement (CETA) between the EU and Canada, along with the recent agreement among the member states of the Association of Southeast Asian Nations (ASEAN) on e-commerce. These chapters and select others are described briefly below.

The CPTPP and USMCA are among the most detailed of these e-commerce chapters. Their chapters are subject to dispute settlement, though some CPTPP provisions would not be subject to dispute settlement in the case of Malaysia and Viet Nam. Their chapters frame e-commerce as being important for “economic growth and opportunities” and the need to have “frameworks that promote consumer confidence” in the same and limit e-commerce related barriers. (Office of the U.S. Trade Representative, 2018, CPTPP, 2018) Both chapters are expansive and cover a wide range of topics. Among these are measures that can broadly be classified as those to facilitate trade, such as electronic authentication and electronic signatures and paperless trading. They also cover the subject of cross-border data flows, as well as the related issues of ensuring online consumer protection and data privacy. Another issue that both agreements tackle is the location of computing facilities. (CPTPP, 2018, Office of the U.S. Trade Representative, 2018)

Their chapters are also designed such that services with a digital component fall within other trade agreement chapters, namely those involving investment, cross-border services trade, and financial services. They also state that parties are not precluded from undertaking measures in line with “a legitimate public policy objective,” subject to certain conditions. Along with setting binding provisions on these and other areas, they also feature sections on cooperation that would address topics such as small and medium-sized enterprises’ ability to participate in electronic commerce, sharing information and experiences on certain relevant areas; cooperation on cybersecurity; and more. (CPTPP, 2018)

The USMCA structure and approach largely mirrors that of the CPTPP on e-commerce, with a few differences in wording for select provisions, and with a few additional articles covering subjects such as open government data and interactive consumer services. (Office of the U.S. Trade Representative, 2018)

## *AfCFTA*

The African Continental Free Trade Agreement (AfCFTA) does not currently have a protocol involving electronic commerce in either its completed Phase I or its upcoming Phase II processes, though the possibility has reportedly been raised by negotiators. (Signé and van der Ven, 2019) Phase I of the AfCFTA is already in force for those countries which have ratified the agreement, covering primarily such as goods and services trade, though with various key



implementation issues such as goods and services schedules pending. Phase II will involve negotiations for further protocols on investment, competition, and intellectual property, among other work. (Signé and Van der Ven, 2019)

### *ASEAN and RCEP*

The Association of Southeast Asian Nations has developed an Agreement on Electronic Commerce, which its member states signed last year. The chapter is subject to dispute settlement under the ASEAN Protocol on Enhanced Dispute Settlement Mechanism, with the exception of that chapter's cooperation provisions. (Asian Trade Centre, 2019) The 10 ASEAN countries, together with their six free trade agreement (FTA) partners, are aiming to finalize negotiations for a Regional Comprehensive Economic Partnership (RCEP) by the end of this year, which will include a chapter on electronic commerce, going beyond the original approach in the guiding principles on RCEP adopted in 2012 that would include e-commerce within the context of economic and cooperation activities. (ASEAN, 2012)

Notably, the ASEAN e-commerce chapter also encourages the use of alternative dispute settlement resolution where possible. In terms of substantive commitments, the ASEAN e-commerce chapter is similar to CPTPP and USMCA in including provisions on cooperation, paperless trading, electronic authentication and electronic signatures, online consumer protection, cross-border data flows, online personal information protection, location of computing facilities, and cybersecurity, among others. For most of these commitments, however, their terms are less prescriptive than what is found in the CPTPP and USMCA. Exactly ASEAN member states address these issues is left largely to their discretion. In some cases, such as the article on online consumer protection, these are anchored in what ASEAN member states have under their respective legal and regulatory frameworks. Unlike CPTPP and USMCA, there is no reference to the UNCITRAL Model Law on Electronic Commerce. The article on domestic regulatory framework refers instead to ASEAN member states "taking into account applicable international conventions or model laws relating to e-commerce" when developing their own laws and regulations on electronic transactions. (Asian Trade Centre, 2019)

### *ChAFTA, CETA*

The China-Australia Free Trade Agreement (ChAFTA) also features an e-commerce chapter, which has been in force as part of the wider agreement since 2015. That chapter is significantly shorter than what has been concluded in either USMCA or CPTPP, focusing primarily on a moratorium on customs duties on electronic transmissions; electronic authentication and digital certificates; online consumer protection and data protection, though the approach for both is largely at the discretion of the parties; paperless trading; and various cooperation activities. Notably, it is not subject to ChAFTA's dispute settlement chapter. (Australian DFAT, 2015)

The EU-Canada Comprehensive Economic and Trade Agreement features a brief e-commerce chapter, with largely non-binding terms that focus primarily on cooperation between the parties, and urging changes in domestic laws on certain areas. It includes a set of general





provisions “recognizing the importance” of making it easier for small and medium-sized enterprises to engage in e-commerce, and transparency and predictability in the EU’s and Canada’s regulatory frameworks; a provision urging parties to adopt laws that protect personal information; and an agreement not to impose a customs duty on electronic transmissions. (Official Journal of the European Union, 2017) It also establishes an EU-Canada dialogue to discuss issues such as electronic signatures, unsolicited commercial communications, and protecting personal and consumer information from fraud, among other topics. (Official Journal of the European Union, 2017)

### *ChAFTA, CETA*

While the plurilateral Trade in Services Agreement (TiSA) has not come to fruition, that process did focus heavily on issues that overlap with or directly involve electronic commerce. That proposed agreement, which would have had 23 participants when counting the EU and its member states collectively, was meant to cover 70 percent of global services trade in those services sectors covered by the accord. TiSA stalled in November 2016, which was due largely to the issue of cross-border data flows, with an EU proposal on the subject being delayed due to internal approval processes within the bloc’s institutions; how to deal with “new services” that may emerge and that do not fall under existing classification systems; and the change in administration in the United States. (ICTSD, 2016)

TiSA reportedly would have included an annex devoted specifically to electronic commerce, a version of which was published by Greenpeace in late 2016, though its veracity and accuracy cannot be independently verified. The chapter would purportedly have applied to services trade measures that had an e-commerce dimension and covered topics such as online consumer protection, personal information protection, electronic authentication and electronic signatures, location of computing facilities, electronically transmitted content, and a host of other topics. (European Commission, n.d., BEUC, 2016, Greenpeace, 2016) When and whether the TiSA talks may be resumed is not yet clear, though whether TiSA’s e-commerce annex may inform other negotiating approaches is worthy of further examination.

## DATA PRIVACY AND CROSS-BORDER DATA FLOWS: MAJOR NATIONAL AND REGIONAL DEVELOPMENTS

The subject of data privacy and cross-border data flows has also seen some major developments at the national or regional levels, including among these the EU’s enactment of the General Data Protection Regulation (GDPR), a landmark development in data privacy protection that sets large financial penalties for any entity that violates its terms on processing or holding personal data, such as protecting their right to be forgotten, setting stricter terms for requiring consent, and stating that companies must notify individuals of data breaches. (GDPR, n.d.)

The GDPR has been in force since May 2018 and applies to any entity that processes personal data of EU citizens, thus meaning that its scope affects entities that may not have a European base of operations.



Another notable development in this space was the replacement of the U.S.-EU Safe Harbour Framework with the U.S.-EU Privacy Shield in 2016. The latter was developed after the *Schrems* case, which led the European Court of Justice to invalidate the EU decision that had deemed the Safe Harbour Framework was providing adequate protection of EU citizens' data transferred to the US. (CURIA, n.pag.) The Privacy Shield negotiated thereafter sets out a framework and series of principles regarding data transfers that U.S. companies may self-certify their adherence to, specifically involving EU citizens. There is also a Swiss-U.S. Privacy Shield in place. (Privacy Shield, n.d.)

## INTERGOVERNMENTAL DEVELOPMENTS: UNCTAD EXPERT GROUP, UNCITRAL MODEL LAW AND WORKING GROUP

At the United Nations Conference on Trade and Development (UNCTAD) Trade and Development Board meeting in April 2017, that body signed off on terms of reference for a new Intergovernmental Group of Experts on E-commerce and the Digital Economy. Those terms of reference described the group's proposed policy focus as the following: "maximizing the development gains from e-commerce and the digital economy, and addressing associated challenges, and thus strengthening the development dimension." (UNCTAD, 2017)

The topics that could potentially arise under this policy focus include the impacts on value chain participation and productivity, or what risks e-commerce and the digital economy could pose when it comes to some firms holding an increasingly higher concentration of market power. Also on the docket are how to deal with infrastructure-related challenges or limited access to resources such as energy, credit, or technology, along with the potential for some sectors to suffer job losses as the result of newer technologies. (UNCTAD, 2017) The model of this group, which includes representatives from government, civil society, academia, and the private sector, is around sharing information and experiences and looking at opportunities for developing country collaboration on these and other challenges. (UNCTAD, 2017) The expert group met most recently in April 2019, and was tasked with discussing at that session issues involving data and data flows; capacity-building for developing countries in the areas of artificial intelligence and big data; and better statistics measuring digital flows, with the plan to establish a working group on the subject. (UNCTAD, 2019)

UNCTAD also hosts E-Commerce Week annually, which brings together academia, civil society, government officials, intergovernmental representatives, and private sector actors for a series of discussions on latest trends and issues in this space.

Another United Nations body, known as the United Nations Commission on International Trade Law (UNCITRAL), has also provided a model law that countries can use in developing their own legislation on electronic commerce. The most prominent example is their 1996 Model Law on Electronic Commerce. It focuses primarily on legal issues related to data messages, as well as on electronic commerce in relation to the "carriage of goods," such as



electronic versions of transport documents. (UNCITRAL, 1996) It does not mention services or dispute settlement.

UNCITRAL has a working group process currently underway involving electronic commerce, which has met regularly from February 1997 following the adoption of the model law. The objective, according to a report from its 1997 session, was for UNCITRAL to “continue its work on the preparation of legal standards that could bring predictability to electronic commerce, thereby enhancing trade in all regions.” (UNCITRAL, 1997) Among the topics that have come up over the years include the development of uniform rules on electronic signatures, the eventual development of a convention on the use of electronic communications, addressing legal barriers to developing e-commerce in trade-related international instruments, developing a model law on electronic transferable records, and now identify management and trust services. (UNCITRAL, n.d.) This process is being conducted under Working Group IV, which most recently met in April 2019 in New York. (UNCITRAL, 2019)

The United Nations Convention on the Use of Electronic Communications in International Contracts is another guiding framework for countries to use. This convention involves a negotiated treaty instead of a model law, and was adopted in 2005 and opened for signature the following year. It was designed to provide greater legal certainty when it comes to developing and agreeing international contracts through the use of electronic means of communications. It excludes from its coverage those international contracts that relate to personal or family matters, as well as certain contracts related to financial services. (UNCITRAL, 2005) Both of these texts are referred to in the CPTPP as principles around which the agreement’s parties should align their domestic electronic transmissions framework, for example, and the former is also named in the USMCA digital trade chapter. (UNCITRAL, 1996, CPTPP, 2018, Office of the U.S. Trade Representative, 2018)

## DIGITAL TAXATION: NATIONAL AND INTERNATIONAL INITIATIVES

The rise of multinational enterprises, in tandem with the digitalization of the global economy has sparked a growing concern over how to tax companies that may operate in multiple jurisdictions, including in those where they may not have a physical presence but do have a hefty digital presence, along with the added complexity of companies having intangible assets. The development of a “digital tax” has therefore become an increasingly prominent policy approach under consideration by national governments and international forums, with many EU member states undertaking some type of legal or regulatory approach, such as taxes on advertising revenue, taxes on revenue derived from transmitting user data online or selling and buying goods and services, and other types of taxes that would apply on digital platforms. In some cases, this has also involved a debate, which in some cases has led to more formal legislation, to change the definition of a company’s establishment in a given jurisdiction to include those companies that have a “significant digital presence” in that jurisdiction. (KPMG, 2019) France has been among the more high-profile digital tax examples, targeting specifically those companies which exceed a certain threshold in worldwide revenue as well as revenue generated in France through the provision of digital services. (KPMG, 2019)



The European Union has also discussed the subject of developing an EU-wide system on digital taxation, though that process has not yet led to formal legislation. The concept has been raised in non-European countries ranging from India to Malaysia, with different approaches under consideration or implementation, as outlined in further detail by KPMG in an August 2019 analysis. (KPMG, 2019)

The issue of digital taxation, which has already spurred a host of countries to develop national legislation on the subject, is also being addressed at the international level through the OECD/G20 Inclusive Framework on BEPS. This refers to an effort launched in 2016 at the G20 and that would involve non-G20 countries and the support of the Organisation for Economic Co-operation and Development (OECD). BEPS stands for base erosion and profit shifting, and the inclusive framework has been looking at the increasing digitalization of business and what it has meant for the structure and scope of global value chains; the process of collecting value-added tax from goods and services trade, whether these be digital goods and services or physical ones trade through electronic means; and how to address the allocation of taxing rights among companies when it comes to this type of international activity. (OECD, 2019, OECD, 2019a, and OECD, 2018). The current program of work for this inclusive framework includes the objective of reaching a “consensus-based solution” on select aspects of digital taxation by 2020. This solution is meant to be global, or nearly global. (OECD, 2019)



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#### Head Office

111 Lombard Avenue, Suite 325, Winnipeg, Manitoba, Canada R3B 0T4  
Tel: +1 (204) 958-7700 | Fax: +1 (204) 958-7710 | Website: [www.iisd.org](http://www.iisd.org)

