SEATINI

Strengthening Africa in World Trade

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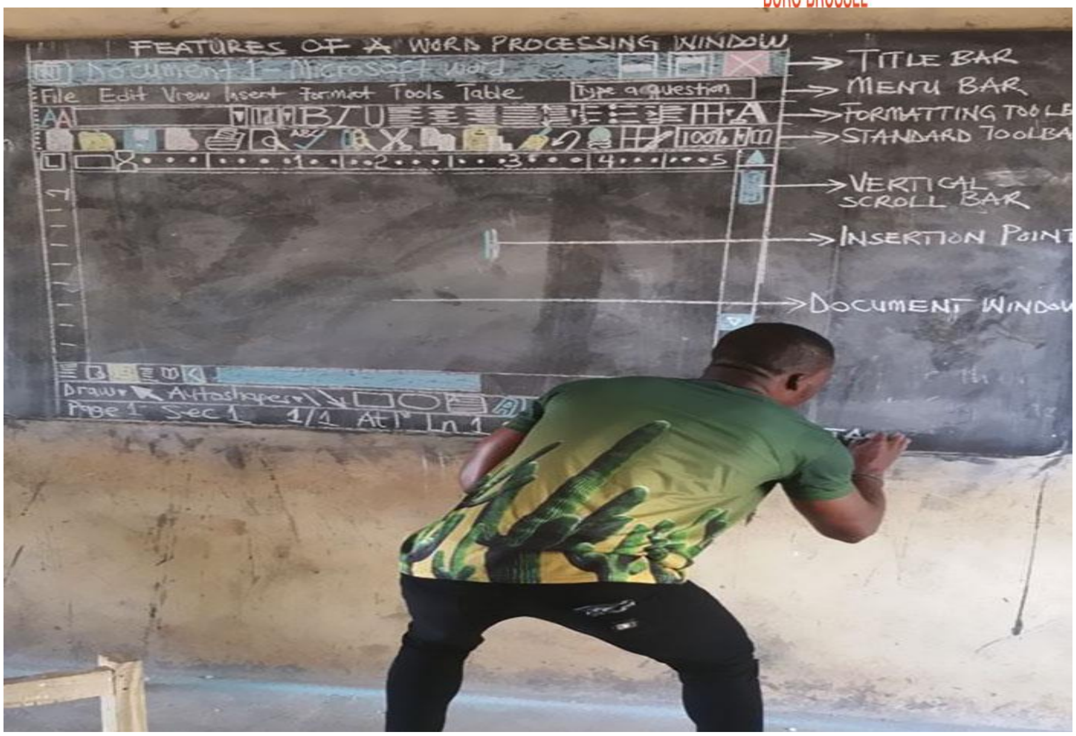

[Photo retrieved from Third World Network-Africa magazine, January 2018 issue]

Daring to think differently: why e-commerce won't work for Africa's Development

As the discourse on the fourth industrial revolution (Industry 4.0) is gaining momentum, trade has not been spared. Indeed, with the rise of a knowledge based economy and artificial intelligence trade is supposed to shift from physical markets to virtual markets in a digital economy. It is this virtual market that Electronic Commerce (e-commerce) has become a buzzword at the World Trade Organization (WTO) and at the United Nations Conference on Trade and Development (UNCTAD) level. At its core, e-commerce refers to the production, distribution, marketing, sale or delivery of goods and services by electronic means. Forms of e-commerce include online shopping, electronic payments, online auctions, internet banking, and online ticketing amongst others. The commonly perceived advantages of e-commerce include stimulation of development, creation of jobs and spurring sustainable livelihoods. For Africa, e-commerce is being sold as a magical tool that will lead to the *rise of African digital lions* with a shift from the "*Silicon Valley*" to the "*Silicon Savannah*". A common hubbub from the proponents of e-commerce and why African economies should embrace it is that it will create jobs, promote industrialization by facilitating Micro, Small and Medium Enterprises' (MSMEs) competitiveness and subsequently promote development in Africa. It is also for this hype that the United Nations Conference on Trade and Development (UNCTAD) organized the *Africa e-commerce week* which took place from 10th-14th December 2018, in Nairobi, Kenya, whose commentators dubbed the first of its kind in Africa.

While these are the positives being advanced by the proponents of e-commerce, it is not all rosy. In fact, the argument that the rising e-commerce tide will raise all boats is far from true in the case of majority of African economies. This is because binding rules on e-commerce at the WTO are being pushed for by tech giants who control the Internet in order for them to secure rules that will consolidate their power over the engine house of the 21st century economy. Key of these tech giants include Google, Alibaba, Amazon, Facebook, and Apple amongst others, who are seeking unimpeded expansion throughout WTO Members in order to build scale, quash competition and cement their first mover advantages. For the majority of African countries which are currently experiencing the challenge of premature deindustrialization, there is a lot of discussion as to whether e-commerce will play a critical role in increasing share of global trade.

Why should Africa worry about e-commerce?

The perceived benefits accruing from e-commerce have seen some African Countries like Kenya, Nigeria brand themselves as *friends of e-commerce for Development* whose objective is to invigorate the global trade policy agenda for e-commerce through informal meetings at the WTO. While e-commerce is paved with good intentions, it is important to point out why Africa should beware of this buzzword.

One of the reasons as to why Africa should worry about e-commerce lies in the type of binding rules that are being pushed for by developed countries and the tech giants. An analysis of the proposed e-commerce texts as being pushed by the huge tech giants in developed countries reveals proposals on provisions that disallow: *a)* imposition of customs duties through liberalization (new trade route that is completely liberalized and enables free cross-border data flows); *b)* localization barriers (no local/commercial presence), *c)* technology transfers, *d)* local content, *e)* source code disclosure, and safeguarding network competition. In their submission to the WTO General Council[1], the African Group statement warns that these provisions, as being proposed, will constrain Africa's domestic policy space and ability to industrialize; "…... *the new rules would entrench existing imbalances and further constrain the ability of our governments to implement industrial policy and catch-up*". While the *demandeurs* of binding e-commerce rules argue that e-commerce will promote development through the power of Micro, Small and Medium Enterprises (MSMEs), the irony of this is that under the rules as currently being proposed, MSMEs are the least likely to be able to effectively compete with multinational corporations, who have become global digital leaders. Therefore, clearly put, MSMEs are only being used to fast-track the proponents' agenda. Like clearly stated by the African Group, the "*narrative on MSMEs….and their sudden prioritization in e-commerce is not to address the problems faced by MSMEs, but to advance an agenda for binding rules*"[2].

[1] The WTO Work Programme on Electronic Commerce, Statement by the Africa Group (JOB/GC/144). Available at http://www.seatiniuganda.org/publications/downloads/182-african-group-general-council-e-commerce-statement-144/file.html

[2] The WTO Work Programme on Electronic Commerce, Statement by the Africa Group (JOB/GC/144). Available at http://www.seatiniuganda.org/publications/downloads/182-african-group-general-council-e-commerce-statement-144/file.html

It is also critical to note that most African economies are lacking with regard to e-commerce readiness. This is because Africa lags behind regarding the required raw materials and enabling infrastructure for Industry 4.0 and e-commerce. In the era of e-commerce and Industry 4.0, data is the raw material. In Africa, one of the major challenges is lack of reliable and up to date data. The same can be said of lack of a supportive digital infrastructure in Africa. On average, 75% of the entire population in Africa is offline, while fixed broadband penetration remains at below one percent in Africa. Moreover, only three countries in Africa control up to 80% of all e-commerce. These include Nigeria, South Africa and Kenya, with 40% of Africa's ecommerce ventures having headquarters in Nigeria. Furthermore, since e-commerce is trade, e-commerce is e-trade itself and the gains from trade can only be realised if a country produces. However, a weak production base, coupled with constraints to e-commerce readiness means African countries are greatly exposed to dominance from the already established firms. For example, according to UNCTAD estimates, there are 21 million online shoppers in Africa in 2017 accounting for less than two percent of the world total, and with half of that number concentrated in Nigeria, South Africa and Kenya. Under such a reality, the digital divide still presents enormous hurdles for Africa's full and beneficial participation in e-commerce, and especially cross-border e-commerce which the proposed rules would liberalize. In short, African countries are yet to be convinced that the benefits of e-commerce would be realized by African countries, given the vast capability and infrastructure gaps they face. Indeed, in view of these realities, in his opening speech during the Africa e-commerce Week, UNCTAD Secretary General-Mukhisa Kituyi, warned that "Africa trails behind the rest of the world in its preparedness to engage in and benefit from the digital economy. It is therefore not surprising that the Africa Group, in recognition of the structural challenges in the continent, are opposed to negotiating binding e-commerce rules.

The global e-commerce landscape is also full of inequalities which should make African countries, to worry. e-commerce is being pushed for by countries who can have met the *three "As" of internet i.e. Availability, Accessibility and Affordability*. For Africa the *3As* matter a lot. In majority of African countries, only one in five people use the internet, and continue to face affordability challenges. It is therefore important that African countries address the question of *3As* before negotiating binding e-commerce rules. According to the International Telecommunications Union 2017, only five countries in world dominate 75% of cross-border e-commerce, with Africa having none. It is these countries that control the internet who are pushing for binding e-commerce rules. Furthermore, according to UNCTAD, in Africa, only 22% of individuals use the Internet, as compared with 80% in Europe[3]. A lesson from this is that the gains from e-commerce will only be captured by a small portion of society in the developed countries, while its costs will be shouldered by an increasingly frustrated majority, not only but largely in Africa. This is because e-commerce benefits will be concentrated among the Trans National Corporations in the technologically advanced economies which will subsequently promote greater exclusion and a wider digital divide.

What needs to be done?

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[3] UNCTAD Trade and Development Report 2018. Available at https://unctad.org/en/PublicationsLibrary/tdr2018_en.pdf

While e-commerce is creating new opportunities for "net-entrepreneurs", including more jobs and new businesses in Africa, it is also creating new risks and challenges. As noted by UNCTAD, "*the development gains from e-commerce are not automatic, and the increased use of digital technologies can result in new divides and wider income inequalities*[4]." Therefore, for African countries, regulating e-commerce platforms and developing national marketing platforms is essential if they are to gain from e-commerce. The countries also need to develop her domestic digital capacities and digital infrastructure through introducing digital education in schools and universities; upgrading the digital skills of the existing workforce, invest directly in infant e-commerce platforms, while making internet affordable, accessible and available.

UNCTAD has proposed a 10-point Digital Agenda for Africa which should be considered in discussions on e-commerce. These include building a national/regional data economy, building regional cloud computing infrastructure, strengthening regional broadband infrastructure, promoting e-commerce in the region, promoting regional digital payments, progressing on a single digital market in the region, sharing experiences on e-government, forging partnerships for building smart cities, promoting digital innovations and technologies, and building statistics for measuring digitalization. Indeed, Africa will require an ambitious programme of infrastructure support and skills training so as to improve her e-commerce capacities. This is because skills development and infrastructure provision are indispensable tools for Africa to integrate into the digital economy. Nevertheless, Africa's efforts towards bridging digital divides and building digital capabilities need to be complemented by adapting innovation, industrial and regulatory policies to a digital world.

In conclusion, it is surprising that WTO members are advocating for new, binding multilateral rules on e-commerce! Key to underscore is that Africa has already taken enough rules so far. Moreover, the rules being proposed in their current form will constrain Africa's domestic space and ability to industrialize as they are being tactfully used by developed countries to ensure their continued monopolistic control and thereby curtail any competitor in the future. Therefore, e-commerce is an agenda being advanced by the already developed and technologically advanced countries which is aimed at further liberalizing Africa's economy to big corporate tech giants in the developed countries.

There is an argument being advanced that e-commerce will lead to the competitiveness of MSMEs in Africa. This is absurd! To date, the very reason why the African Group has been clamoring for the conclusion of the Doha Development Agenda at the WTO is to ensure that the current imbalances inherited from the GATT/WTO agreements are redressed. Therefore, the propaganda that new e-commerce rules will be good for developing countries has been highly contested. Pegging e-commerce to MSMEs development in Africa would insinuate that the rules that WTO Members have been negotiating such as on substantial reduction of Overall Trade Distorting Subsidies (OTDS) in agriculture; cotton; and

[4] UNCTAD Nairobi Manifesto on the Digital Economy and inclusive Development in Africa. Available at https://unctad.org/en/pages/newsdetails.aspx?OriginalVersionID=1963&utm_source=CIO+-+General+public&utm_campaign=f2dcc0443e EMAIL_CAMPAIGN_2018_12_13_COPY_01&utm_medium=email&utm_term=0_3d334fa428-f2dcc0443e-70464909

Special and Differential Treatment, with the view to promoting structural transformation and industrialization in building are not for the benefit of MSMEs. Like argued by the African Group, the conclusion of the Doha Round would have a direct, immediate and positive effect for the thousands, if not millions of deserving MSMEs. It should be given more attention than any other WTO issues. Moreover, as per the Agreement establishing the WTO, the purpose of the WTO was to raise standards of living of people by using trade as a means and not for trade per se. Thus, unless the underlying structural challenges of Africa are addressed especially through the conclusion of the Doha Development Round, then e-commerce will not work for Africa's increased trade, but will rather deepen the continent's marginalization and dependence in multilateral trade and will usher in what many critics call digital colonization!

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