


Digital Trade in Africa and the AfCFTA



Digital trade “includes products and services that are ordered online but not delivered digitally, as well as those ‘products’/services that are delivered digitally, [such as cloud services and software services](#).” This definition includes cross-border online commerce, enabled by digital technologies, covering both trade in goods and trade in services.¹

Digital trade has grown significantly worldwide. More businesses and consumers are buying and selling online, including across border borders. Digital technology has opened new markets and opportunities, and further increased productivity and access to a wide variety of goods and services. Products, services, and processes are increasingly becoming digitalised and digitised. Even trade is increasingly becoming digital. By 2040, about 40 per cent of global cross-border physical trade is projected to be replaced by [3D printing](#).

Digital trade in Africa



Online commerce is increasing in Africa. [E-commerce companies](#) are growing in Africa, mainly in general and fashion retail, online marketplaces, e-logistics and supply chains, vehicle marketplaces, and health and medical distributions. The [revenue](#) generated by online shopping in Africa is estimated to increase to US\$46 billion by 2025.

Digital trade has the potential to enable Africa to leapfrog and experience significant economic progress. However, the continent grapples with multiple challenges, from restrictive regulations and policy fragmentation, to inadequate digital infrastructure and skills. Africa’s digital divide between women and men, and between and within countries, is one of the largest in the world. Furthermore, countries vary significantly in their digital trade [readiness](#).

¹ Noteworthy is that there is no single and accepted definition of the digital trade. Several definitions have emanated from many institutions including, among others, the WTO, OECD and IMF.

Digital protectionism has also risen. Governments are increasingly adopting measures that prohibit or inhibit the ability of firms and customers to buy or sell online across borders. Concrete actions are needed to strengthen the capacity of countries to manage, enable and regulate digital trade, to derive the benefits of increasing digital trade.

Digital trade rules

With the growing importance of digital trade, policy discussions on digital trade and/or e-commerce have increased at the national, regional and multilateral levels (e.g., [WTO](#), [OECD](#), [UNCTAD](#) etc). Regional trade agreements with digital trade chapters or provisions have multiplied across the world, becoming the primary sources of digital trade rules. The common provisions found in digital trade chapters include customs duties on electronic transmissions; e-signatures and authentication; electronic invoices; digital payments; paperless trade administration; cross-border data flows; transparency; data localisation; unsolicited commercial e-messages; protection of personal information; online consumer protection; cybersecurity; access to source codes; and emerging technologies such as blockchain and Artificial Intelligence.

Digital trade in AfCFTA

In 2020, the Assembly of the Heads of State and Government of the African Union approved the development of a Protocol on E-Commerce, later renamed the “Protocol on Digital Trade”. This Protocol, upon adoption by the AU Assembly, shall form an integral part of the AfCFTA Agreement. The Protocol will establish common continental standards or rules governing intra-Africa digital trade.

As a trade legal instrument, the Protocol will be designed mainly to reduce barriers to cross-border digital trade, protect the interests of firms competing abroad, and enhance the rule of law in State Parties. In order to grow the economic opportunities for digital trade, the Protocol needs to adopt a holistic and responsive approach. The Protocol should also cover specific regulations that protect online consumers from cyber-crimes and deceptive online practices to enhance customers’ confidence and trust in digital trade.

The Protocol should also promote the use of international standards in digital trade and payments to enable greater interoperability, allow for responsible cross-border data flows, simplify cross-border trade processes to improve SMEs’ access to digital trade, and provide for equitable and accessible capacity building. Such a holistic approach is important to realise the full potential of digital trade and could address challenges faced by African small or informal businesses, or economies with low levels of digital preparedness.

Ultimately, the goal should not just be to conclude a Protocol on Digital Trade. Governments can realise the full potential of digital trade if they invest more in digital infrastructure, advance Africa's digital transformation and innovation, promote digital inclusion of poor economies, SMEs, youth and women, and prevent further digital protectionism.

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