The Commonwealth

African Regional Consultation on Multilateral, Regional and Emerging Trade Issues

E-commerce:
Issues for developing countries

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International Economics

Working Session on Emerging and New Issues in World Trade: Implications for Africa?

Mauritius - 25 May 2017

Key messages

- **Digital economy has transformed the nature of trade**, presenting major opportunities (new markets, lower sunk costs, improved delivery) but also challenges (from adoption to regulation)

- **Africa is lagging behind** other regions on most metrics (a few nations excepted)

- **WTO rules provide a framework** for regulating and also liberalising e-commerce and reducing the locked nature of many African nations

- Complexity of the issues and different interests require **regional approach** to building a gradual convergence of positions

- **National, regional and mutilateral efforts** needed for building an inclusive global digital economy

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Relevance of E-commerce

- **E-commerce** refers to a commercial transaction conducted over an electronic network, typically the internet. Electronic commerce operates in all four of the major market segments: **B2B, B2C, C2C, C2B**
- Allows buyers and sellers to transact in a **more efficient way**:
  - Eliminating barriers between market places
  - Reducing drastically cross border transaction costs & sunk costs
  - Facilitates customisation of products, distribution & consumption

Global value of: business to business e-commerce >USD 15 trillion in 2013

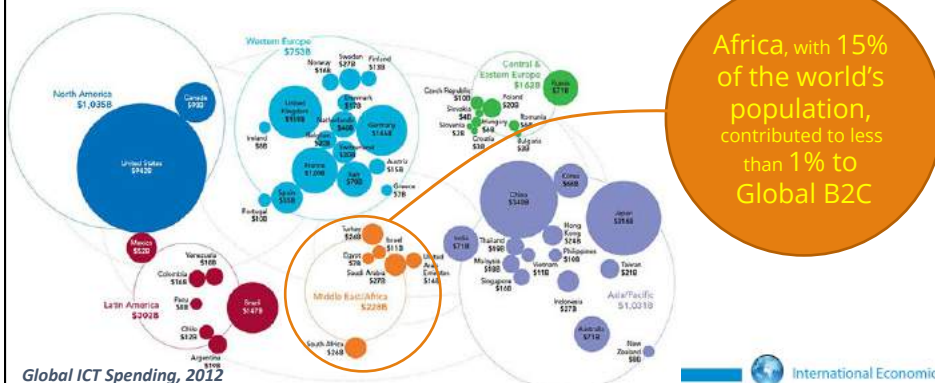Global value of: business to consumer e-commerce >USD 1.2 trillion in 2013

Global retail consumer e-commerce >USD 1.7 trillion in 2015

E-commerce represents: 12% global trade in goods

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E-commerce and economic growth

- Increases the variety of exports in terms of products and markets
- Evidence of increased labor productivity
- Eliminates physical barriers and reduces trade costs
- Fosters SMEs participation in global cross border trade

Africa, with 15% of the world's population, contributed to less than 1% to Global B2C

Global ICT Spending, 2012

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Some salient features of early successful adopters

Requirements for a successful e-commerce platform:
• **Environment that supports and encourages e-commerce**
• **Internet diffusion**
• **Strong government regulatory framework**

Success in e-commerce uptake has been achieved through advances in the guarantees of a secure and reliable transactions framework.

In the US, the layout of domestic legal and regulatory frameworks to control and ensure safe and reliable internet trade fostered trust and confidence in online trade.

"E-commerce has become a complex system including trading platforms, payments logistics, credits and data, underpinned by a variety of services… The development of e-commerce depends on good internet infrastructure, with cloud computing, big data, mobile, Internet of things and other technologies, and even artificial intelligence to meet consumer and business needs.." Alibaba Vice President

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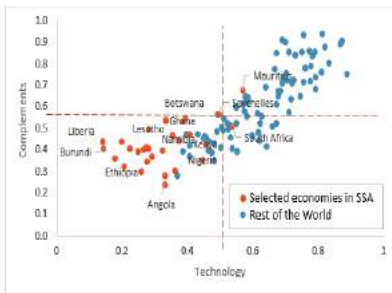

Policies for a national e-commerce strategy

• Provision of affordable ICT infrastructure and services

• Strengthening the logistical and transport infrastructure services

• Fostering an environment for e-commerce and online payment solutions

• Strengthening the legal and regulatory framework

• Promoting skills development

• Promoting government e-procurement

• Stakeholder awareness on e-commerce

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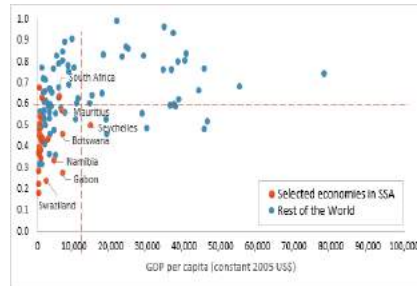
Barriers to global digital trade

- Restrictions on cross-border data flows (data localisation);
- Procurement discrimination that restrict foreign companies from serving public-sector clients;
- Overreaching security regulations;
- National technology standards;
- Internet connectivity;
- Lack of standard harmonisation and mutual recognition among jurisdictions;
- Regulatory differences between countries;
- Inadequate mechanism for settling cross border disputes;
- Security concerns;
- Inadequate logistical networks for transporting online purchased goods.

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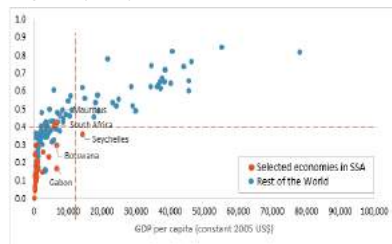
Africa´s preparedness for e-commerce

The quality of complements and technology for selected economies in LDC, SSA and Small States and Rest of the World
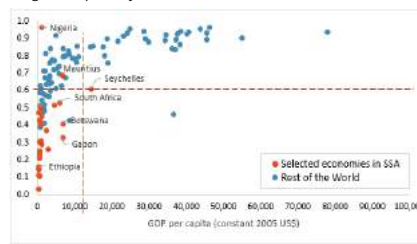
Digital adoption by Governments

Digital adoption by businesses

Digital adoption by citizens

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Issues Raised at the WTO

Tariffs and non-discrimination rules:

Prohibition of customs duties on digital products & **applicability of non discrimination principles** to those products (US & JP). Tariff elimination on goods, liberalisation of ode 1 in GATS (Non-paper EU, CA, CL, CO, CI, MX, SG *et al)*

Concerns →

Tax collection challenges; MNE business models and profit shifting; Border tariff revenue dependence; infant industry protection.

Cross border data flows:

Proposal for a framework allowing companies and consumers **to move data freely**, with certain security exceptions (US).

Concerns →

In conflict with regulations adopted by some countries: political, security and economic threats

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Technological transfer

Proposal to **prohibit requirements on companies to transfer technology**, production processes and other commercial information (US). Shared understanding on remuneration of holders of copyrights and users of protected works. Territoriality of copyrights – balancing national laws with global digital economy. (BR)

Governance

Regulatory frameworks, **enhanced information exchange** and transparency at multilateral level.
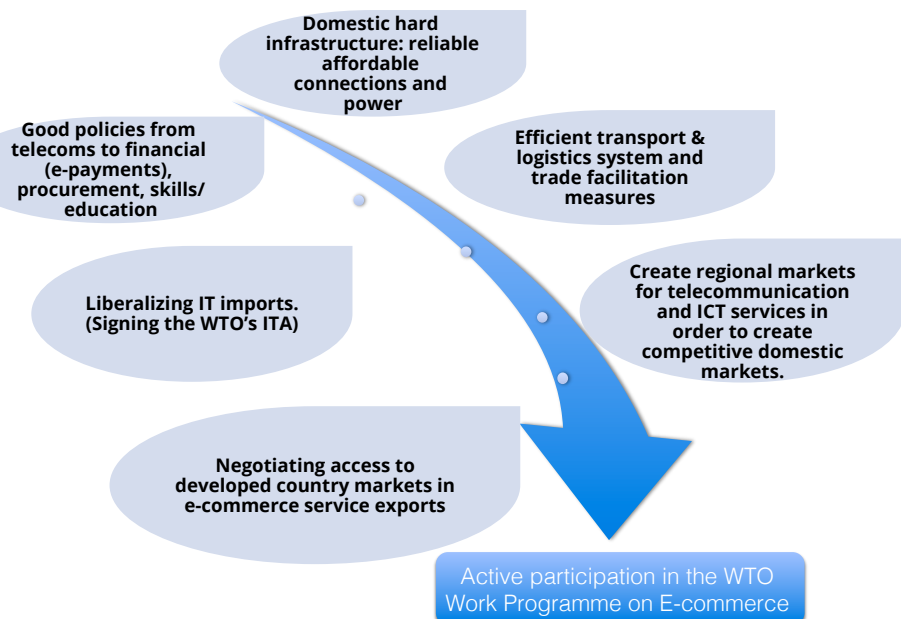
Development Dimension

China and Pakistan co-sponsored a proposal which emphasizes that the **development dimension** should be maintained through the discussions on e-commerce, primarily addressing the promotion and facilitation of **cross-border trade in goods, payments and logistics services**. South Africa speaking on behalf of the African Group: Goods Council to take up issues that place the needs of developing countries and least-developing countries (LDCs) at the center

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Other outstanding e-commerce issues

- Applicability of general GATS rules and specific commitments to the electronic delivery of services
- Classification of electronically traded services as either Mode 1 or Mode 2
- Classification and scheduling of new services arising in the context of e-commerce
- Classification of digital products
- Determining "likeness" for application of the most-favoured-nation (MFN) and the national treatment obligations
- Application of GATS Article XIV regarding general exceptions to e-commerce
- ITA—a plurilateral agreement involving 75 WTO members representing 97% of world trade in ICT products—was finalized in 1997 and needs to be updated to include ICT goods developed over the last 15 year.

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How can Africa move forward on e-commerce

Domestic hard infrastructure: reliable affordable connections and power

Good policies from telecoms to financial (e-payments), procurement, skills/ education

Efficient transport & logistics system and trade facilitation measures

Liberalizing IT imports. (Signing the WTO's ITA)

Create regional markets for telecommunication and ICT services in order to create competitive domestic markets.

Negotiating access to developed country markets in e-commerce service exports

Active participation in the WTO Work Programme on E-commerce

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Example of Efforts at ASEAN level

ASEAN Master Plan 2025

- Pillar 1: **Physical Infrastructure**

- Pillar 2: **Digital Innovation** (SMEs, financial access through digital technologies, improved data use, enhanced data management and governance framework)

- Pillar 3: **Seamless logistics** (puts focus on key chokepoints

- Pillar 4: **Regulatory excellence** (NTMs, harmonisation of standards and MRA)

- Pillar 5: **People mobility** (remove travel restrictions, skills gap, intra-ASEAN students)

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THANK YOU FOR YOUR ATTENTION

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