E-Commerce: the Key for a Sustainable Economy

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Session 3: Trade Facilitation Agreement (TFA) and e-Commerce

1. **What is E-commerce?**
2. **The rise of e-commerce: opportunities and challenges**
3. **E-commerce development strategies**

Definition and types of e-commerce

WHAT IS E-COMMERCE?

What is e-commerce?

- To take the WTO definition, e-commerce is "the production, distribution, marketing, sale or delivery of goods and services by electronic means". It includes...

  - **Platforms**:

  - **Electronically delivered goods**:

  - **And services**:

  - **Including Government services**:

Types of e-commerce

B2B

- The bulk of e-commerce including transactions between wholesalers and retailers.
- Specific B2B platforms for specific businesses.
- One entry point for MSMEs.

B2C

- Includes online portals for physical stores eg Woodin
- Allows online sales to consumers and online marketing

C2C

- Includes online auction platforms like eBay
- Some include integrated payment and delivery solutions
- Entry point for small informal businesses

G2B

- Government services to businesses (such as Single Windows – which is a form of G2B e-commerce)
- Other modes include B2G such as with e-procurement

The rise of e-commerce

E-COMMERCE: CHALLENGES AND OPPORTUNITIES

The rise of e-commerce in Africa

- Globally B2B e-commerce transactions are worth over $15 trillion annually and B2C transactions over $1 trillion (UNCTAD)

- Around 20% of B2C transactions are cross-border (Accenture)

- <u>E-commerce is growing in Africa, and is doing so rapidly</u>

- Predicted 40% annual growth over the next decade (KPMG)

- Over 314 active tech hubs in 93 cities across 42 African countries

- African e-businesses are on the rise: Nigeria's Jumia valued at $550m in 2014, Kenya world leader in mobile payment solutions, many innovative companies emerging -

This provides opportunities…

- **MSMEs (SDG 8 – Decent Work and Economic Growth):** UNCTAD and ITC argue that e-commerce makes it easier for MSMEs to engage in B2B and B2C trade, especially through platforms that facilitate trade with integrated payment and delivery solutions

- **Women (SDG 5 – Gender equality)**: 4 in 5 online businesses surveyed were woman owned – can help women overcome traditional barriers and discrimination they may face in person

- **Youth (SDG 8 "substantially reduce proportion of youth not in employment, education or training")**: while only 22% of total population in Africa is using the internet, this rises to 40% for ages 15-24

- **Opportunities for businesses:** to improve efficiency and productivity through online payment solutions, cost-effective logistics, improved marketing and better order processing

- **Innovative digital business solutions**:

But challenges remain: *digital divide*

- **Low internet penetration**: only 22% of Africans using internet in 2017 compared to 70% globally (ITU)
  - …But growing rapidly (LDCs seeing +50% annual growth in mobile-broadband subscriptions) (ITU)

- **Highest internet costs are in Africa**: mobile-broadband costs 14% of GNI in LDCs
  - …But steepest decrease of prices occurring in LDCs (ITU)

- **More persistent constraints**:
  - Africa is the region with lowest postal reliability score, lowest share of credit card usage, and lowest secure internet servers (UNCTAD e-commerce readiness)
  - SMEs cite challenges with international payments, exporting logistics and delivery in foreign markets (ITC)

… **Including digital economy risks**

- E-commerce tends to be characterized by market concentration – can be hard for new entrants to compete with established incumbents

- E-commerce can circumvent regulations – eg Uber and Lyft avoid some traditional taxi regulations and AirBnB can avoid regulations faced by hotels.

- Related issue of taxation – E-commerce businesses can sometimes avoid regulations that ensure appropriate taxation of their activities – eg Amazon profit-shifting

- E-commerce embodies disruption to existing businesses models that can replace some jobs – especially if it is accompanied by increased automation

What is necessary to ensure sustainable development?

E-COMMERCE: DEVELOPMENT STRATEGIES

Need for a strategic approach to the opportunities and challenges of e-commerce

- E-commerce is an increasingly important part of the world (and African) economies. This merits national strategies eg Ghana's Strategy for the Development of E-Commerce – (will be presented in afternoon session)

- While many aspects of e-commerce facilitation and regulation should remain the remit of national policy, there are certain elements that can be addressed by regional cooperation and rules to boost cross-border e-commerce in Africa

- **African Digital Industrialization Strategy** needed to lay strategic vision for how e-commerce can be nurtured to meet Africa's developmental goals

E-commerce in the Continental Free Trade Area (CFTA)

- The CFTA provides the ideal platform for this: E-commerce provisions may be explored in <u>phase 2 of the CFTA negotiations</u>
- The focus should be on the compatibility and interoperability between different legal systems and cooperation – rather than necessarily constraining policy space (the approach at the WTO)
- <u>An e-commerce chapter can consider</u>:
    - Aligning e-transaction laws
    - Streamlining consumer protection policies
    - Streamlining data protection and cybercrime policies
    - Providing a platform for cooperating over the challenges of e-commerce, including taxation jurisdiction
    - Retaining policy space for measures that could protect Africa's domestic digital markets if necessary

THANK YOU!