Leveraging trade to foster a more inclusive digital economy in Africa

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The spread of emerging and digital technologies, also called the Fourth Industrial Revolution, is drastically affecting trade, economic competitiveness and development, including in Africa (Signé and Ndung'u, 2020; Signé, 2023a). Global exports of information and communications technology (ICT) services increased at an average annual rate of 8 per cent between 2005 and 2016, and revenues for e-commerce, another prominent feature of the digital economy, reached US$ 25.6 trillion in 2018. A striking feature of e-commerce trade is its uneven distribution across countries: China alone makes up 23 per cent of total e-commerce trade, while the top 10 advanced economies made up 75 per cent of the total. In contrast, more than 75 per cent of the world's adult population has no access to e-commerce (UNCTAD, 2017).

African economies and populations face a significant digital divide that limits their participation in the globalizing digital economy. Less than one-third of Africans have access to internet connections (ITU, 2019). The costs of this digital gap were apparent during the recent COVID-19 pandemic, when African economies struggled to sustain remote working and virtual schooling. In Nigeria, for example, virtual education proved infeasible during the period of lockdown, with only one third of the country's primary and secondary school students engaging in virtual education.

Africa's digital divide could further widen with the inevitable maturity of disruptive digital technologies including artificial intelligence, cloud computing, big data, the Internet of Things, high-speed broadband, blockchain, autonomous vehicles and 3D printing (Signé and Ndung'u, 2020). African countries have a narrowing window of time to bridge the digital divide and strengthen their competitiveness to capitalize on the opportunities offered by the growing digital economy (Signé, 2020). Among other things, this will require fixing the continent's digital skill gap and mismatch, and building its digital competitiveness to international standards (Signé, 2023b).

To unlock Africa's digital economy, it is necessary to foster the enabling environment and to leverage physical, digital, human, agility, perception and technology capitals. African countries therefore have the unique opportunity to leverage trade and trade policies to foster a more inclusive digital economy.

Trade facilitates access in Africa to emerging and digital technologies and to the infrastructure needed for an inclusive digital economy, as most of these are produced outside of Africa.

Trade policies and agreements can offer specific mechanisms to help bridge the digital divide. For example, they can advance an inclusive digital economy by including provisions that facilitate trade in areas related to the digital economy, and by removing barriers to digital products and services that facilitate the adoption of digital infrastructure and measures. Removing such barriers would lower the cost of goods and services (e.g., internet infrastructure, access to networks, digital devices, information and communications technology equipment), which could help to accelerate the development of African digital economies.

Such provisions can also help unlock investment to facilitate physical, technological, socio-demographic and cognitive access for African economies to digital technologies, thus allowing a sustained digital presence and effective and productive usage of digital technologies. This is particularly important given the variation of levels of education, income and access to information, technology literacy and resources that leave some people and economies excluded from full participation in the digital economy.

Another example is the adoption of provisions that enhance flexibility for digital measures, affirming the policy space to adopt digital measures. The African Continental Free Trade Area Protocol on Digital Trade provides an illustration of such mechanism. It aims to harmonize digital trade in Africa, with provisions related to market access, consumer trust, facilitating digital trade, treatment of digital products, and data governance, and it is inclusive of provisions guaranteeing duty-free digitally delivered services within Africa. The Protocol also allows for the creation of exceptions from trade-restrictive provisions implemented for legitimate digital objectives; for example, it allows for not implementing duties on digitally delivered services from third-party economies under certain circumstances, subject to rules of origins, in order not to slow the development of an inclusive digital economy, for example by harming smaller businesses.

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