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Ministry of International  
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# WORKSHOP 02



## AfCFTA: Prospects and Challenges of Digital Trade for the Private Sector



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September 9<sup>th</sup>, 2021  
Session Duration: 120 minutes  
Nile Ritz-Carlton Hotel

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## Overview

On 10 February 2020, the Heads of States and Governments of the African Union decided to mandate negotiations for an e-commerce protocol to the African Continental Free Trade Area (AfCFTA). The negotiations for an e-commerce protocol to the AfCFTA present a unique opportunity for African countries to collectively establish common positions on more generally, harmonize digital economy regulations and leverage the benefits of e-commerce. This falls under the umbrella of digital trade, which involves digitally enabled or digitally ordered cross-border transactions in goods and services which can be digitally or physically delivered .

E-commerce discussions in the AfCFTA are timely, knowing that they are parallel with WTO negotiations on trade-related aspects of electronic commerce launched in Davos in 2019 around six main themes: enabling e-commerce; openness and e-commerce; trust and e-commerce; cross-cutting issues; telecommunications; and market access. Therefore, reaching a common African position under the AfCFTA may contribute to strengthen African countries positions in the WTO negotiations about the topic.

Countries with a higher degree of internet penetration have a greater degree of trade openness and sell more products to more markets. On aggregate, a 10% increase in “bilateral digital connectivity” raises goods trade by nearly 2% and trade in services by over 3%. Digitalization is important for all sectors, including agriculture, natural resources, and textiles. Digitalization is also associated with countries drawing greater benefits from regional trade agreements (RTAs). When combined with an RTA, a 10% increase in digital connectivity gives rise to an additional 2.3% growth in goods exports .

Although the benefits of digital trade were already apparent before the COVID-19





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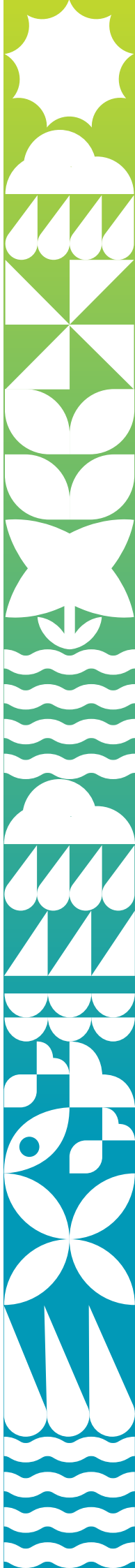


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pandemic, emerging evidence suggests that the Covid-19 pandemic has directly accelerated e-commerce, with a spike in both business-to-business (B2B) and business-to-consumer (B2C) online sales, particularly in medical supplies, household essentials and food products (WTO, 2020). This underscores the need for governments to enable digital trade to mitigate the economic slowdown and speed up recovery (OECD, 2020).

The accelerating impact of COVID-19 on digital in Africa has been constrained by persisting weaknesses in the continent's digital economy development. These include high internet costs, weaknesses in postal services and capacities, cross-border trade costs, and the limited update of electronic and digital payment systems (Futi and Macleod, 2021).

In addition, the scope of digital trade varies significantly across African countries. For instance, just 10 African countries are responsible for 94% of all online business on the continent (ITC, 2020). Reasons include transactional platforms with restrictions based on the origin of sellers with 57% of marketplaces allowing only domestic sellers on their platform; 28% of those operating in Africa offer online payments transactions (ITC, 2020).





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*Overall, the top six identified challenges to cross-border e-commerce in Africa are*

- Weaknesses of connectivity infrastructures
- Logistical constraints: postal competence and delivery and transport costs
- issues of taxation, including foreign taxation, double taxation, and VAT regulations
- lack of reliable payment solutions
- lack of awareness of national and regional rules; and
- custom duties and custom procedures (Banga et al., 2021).

Market openness in the digital age needs to be approached more holistically, taking into consideration the full range of constraints.

*To this end, the panel discussion titled AfCFTA: Prospects and Challenges for Private Sector will:*

- **Discuss** the pivotal role the AfCFTA can take in addressing the entire spectrum of digital trade constraints that prevent private sector from participation in digital trade
- **Explore** implications for quality infrastructure and standards in supporting the private sector involvement in digital trade
- **Address** how regulators and private sector partners plan to tackle the exchange of data, including across borders and concerns about use and misuse of data, amplifying concerns about privacy protection, digital security, intellectual property protection, regulatory reach, competition policy and industrial policy
- **Discuss** how cross border trade can be made more accessible for SMEs and present case studies of trade creation involving SMEs.

## In Attendance

- Egyptian and African Ministers
- Development partners
- Private sector companies
- Civil society organizations
- Think tanks

