eCommerce and MSMEs: what trade rules could improve the business climate in Africa?

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March 2019

Electronic Commerce, commonly known as eCommerce and loosely defined as the order and purchase of goods and services using electronic means has of late become one of the main issues pertaining trade and industrial policy. This is because if properly managed, eCommerce can usher in a highly efficient digital economy, spiking economic growth. Members of the World Trade Organisation (WTO) have taken keen interest in ecommerce. In September 1998, the WTO members adopted a work programme on e-commerce which was largely exploratory in nature. However, on 13 December 2017, 43 members (including 71 countries) through an Ecommerce joint statement agreed to work together toward future WTO negotiations on trade-related aspects of electronic commerce'.

The Africa Group is however, rightfully opposed to negotiating biding roles on ecommerce at the WTO. They rather maintain that the WTO should focus on fulfilling the Doha Development Agenda mandate, such as on substantial reduction of OTDS [Overall Trade Distorting Subsidies] in Agriculture; Cotton; and Special and Differential Treatment, with the view to promoting structural transformation and industrialization, would be of benefit to Micro, Small and Medium Enterprises (MSMEs) in Africa.[i]

A Supportive eCommerce policy framework is important for the realisation of the United Nations Sustainable Development Goal (The UN SDG) Goal 9 which focuses on building resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation. In addition it is facilitative of the African Union (AU) Small and Medium Enterprises (SMEs) Strategy and Master Plan 2017-2021 which seeks -to unleash the potential of MSMEs to create employment and promote intra-regional and intra-African trade as well as Integrate African MSMEs into regional and GVCs.

Much as eCommerce is being pushed as advantageous to African MSMEs, the challenges posed by e-commerce and the digital economy have been well documented[ii]. The United Nations Conference on Trade and Development (UNCTAD) identifies key issues of concern to developing countries with regard to the issue of having in place a multilateral agreement on eCommerce. These include; the fact that most e-commerce is domestic, so domestic policies are more important than international policies, digital divide which remain wide both across and within countries, companies in developing countries which may not have adequate access to the e-commerce platforms used in developed countries, and/or the terms of access, including loss of

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control over data, which may be unfavourable and inaccessibility of e-payment platforms in developing countries among others.

MSMEs are classified according to number of employers, revenue/ turn over or total assets. In EU for instance, SMEs are classified as employing fewer than 250 persons with a turn over not exceeding 50 million euro. In Uganda as illustrated in table 1, they employ less than 100 people with a total assets of less than USD 97,000. This means that MSMEs in African countries, on top of having limited role in eCommerce are also not able to financially compete with their counterparts in developed countries. Moreover, Companies pushing for eCommerce are much bigger for instance Google is worth USD 498 billion, Apple USD 495 billion While Facebook and Amazon are all worth more than USD 340 billion dollars. African companies are net importers of e-commerce and lags far behind countries such as China, Brazil, US, and UK in e-commerce infrastructure. This explains why they are opposed to the WTO to bringing in more liberalisation in the name of MSMEs. Their argument is also strengthened by the fact that without new WTO rules on ecommerce, USD 22 trillion trading in ecommerce was already taking place in 2015.

Table 1: Classification of MSMEs in Uganda

Enterprise	**No. of employers**	**Total assets**	
		UGX	USD
Micro enterprise	Up to 4	10 million or less	2,700
Small enterprise	5 to 49	10 million to 100 million	2,700 to 27,000
Medium	50 to 100	100 million to 360 million	27,000 to 97,000

Source: MSME policy, Uganda

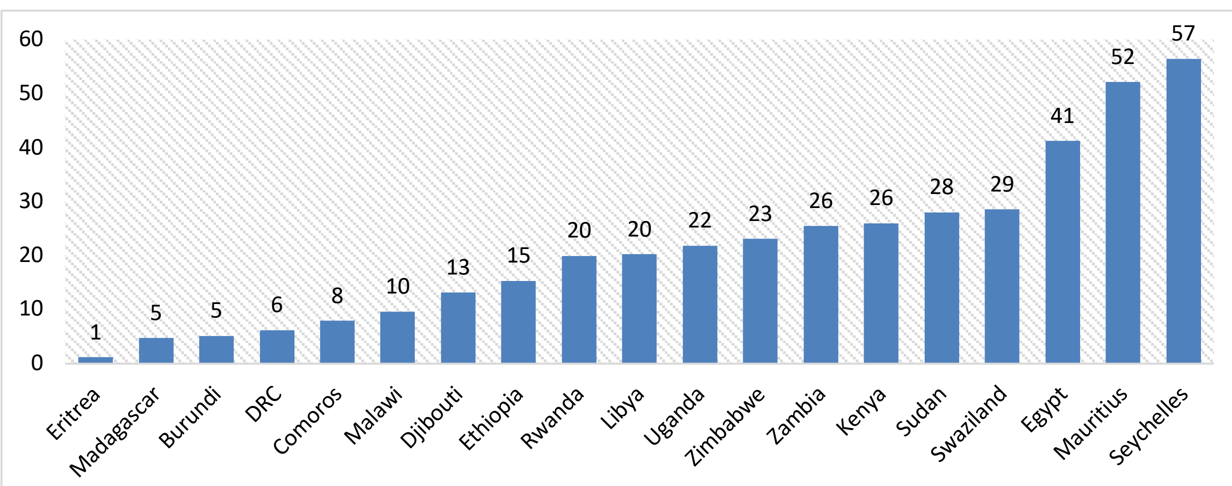
The increased security risks for entities that connect to the Internet, due to hacking, viruses, cyber-attacks etc. are of particular concern to African countries, who in any case have insufficient capacity to control these online frauds. Moreover, the nature of ownership of such digital data, and personal and collective rights over it, must first be discussed and clarified, without which developing countries should avoid entering into negotiations for ecommerce or digital trade agreements.

MSMEs in Africa are crucial for industrialisation and economic transformation in the continent. This is because African economies are largely MSME based and the fact that industry and manufacturing have been pathways to economic development. However, Africa's industry's share of Gross Domestic Product (GDP) has, on average, been declining, which in affects terms of trade. This is because of dominance of multinational corporations in African economies and yet it is the same corporations who are behind developed countries notably the United States in pushing for negotiations on eCommerce.

MSMEs in Africa are also not in support of negotiations on eCommerce in the WTO which is largely seen as a disguised attempt to bring in new issues including investment facilitation and ecommerce which does not help small enterprises but consolidates the powers of the big companies. The example of India supports Africa's resolve to resist the launch of eCommerce negotiations in the WTO. India is one of the largest developing countries with a relatively better-developed digital economy but the apex association of small traders and manufactures – with 1700 member associations representing millions of MSMEs are not in support of eCommerce negotiations with a reason that the global e-commerce companies are already putting locals at a big disadvantage so any move to level the playing field for eCommerce in the country would lead to the collapse of Indian MSMEs.

Most African counntries are simply not ready to effectively compete on eCommerce. Internet penetration alone which is one of the key yardsticks for measuring eCommerce readiness is very low in Africa. Figure 1 shows the percentage of population using the internet in the Common Market for Eastern and Southern Africa (COMESA) in 2016. Seychelles, Mauritius and Egypt are the top three countries while Eritrea, Madagascar and Burundi and the last three countries. 8 COMESA members have less than 20 percent internet penetration while the rest, save for the top three countries have less than 30 percent internet penetration. This demonstrates that overall, the region is not ready to extend e-commerce.

Figure 1: Individuals using the Internet (% of population) in 2016



Source: World Development Indicators database

African MSMEs face the challenges of high cost of financing (high interest rates and short repayment periods), infrastructural constraints (internet connectivity, electricity, roads, and ports), skills gap, competition from established firms in both domestic and foreign markets, complying with standards in their markets of interest. To ensure that MSMEs can benefit from e-commerce, there is need not only for internet penetration to be widened and made effective but for better access to e-platforms, payment and delivery services; streamlined customs procedures; and targeted skill building. This requires interventions at domestic level by the respective states rather than an agreement at the multilateral level which would instead undermine these very measures.

The development and implementation of digital industrial policies and or strategies is therefore one intervention that African countries need to undertake in order to support their MSMEs build capacity and compete on eCommerce. Such policies need to be well crafted to ensure some form of protectionism for African start-ups, allow for discrimination in favour of domestic companies with regard to Government Procurement (GP) and make it mandatory for technological transfer. A multilateral agreement on eCommerce would make it almost impossible for such digital industrial policies to be implemented. For instance, the United States' ecommerce non-paper proposes a ban on technology transfer that is not limited to ecommerce and has no exceptions (including for GP). If agreed to, this would mean that GP by any Ministry, even small contracts, for all goods and services and potentially for GP at all levels of government) could not require technology transfer. In addition, the United States is proposing for the raise in the de minis with an argument that a reasonable *de minimis* level ensures that small- and medium-sized exporters can participate fully in the global economy. De Minimis tax rule states a price threshold above which an imported product is taxed. This would further harm African MSMEs.

Conclusively, it is important for the African governments to support and be consistent with the African Group's position at the WTO opposing ecommerce negotiations. The realisation of African Union Agenda 2063 would be best supported by digital industrialisation policies such as those proposed by UNCTAD. The UNCTAD-led initiative known as "eTrade for all" is an opportunity to support African countries to promote their eCommerce readiness. However, this should not recommend anti-developmental policies linked to liberalisation as being pushed for in the WTO since its implications would be disastrous for African MSMEs. More importantly, it should not be used as a launch pad for multilateral negotiations on eCommerce.

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[i] Paragraph 3.3 of "Statement by the African Group", WTO document JOB/GC/144, 20 October 2017.
[ii] UNCTAD. (2017). Maximising the development gains from eCommerce and digital economy. Available at unctad.org/meetings/en/SessionalDocuments/tdb_ede1d2_en.pdf