

International Trade in Services and the Lesotho Economy

An e-commerce perspective

A Key Note speech presented at a research Seminar, organized by the National University of Lesotho – World Trade Organization (NUL-WTO) Research Chair

By

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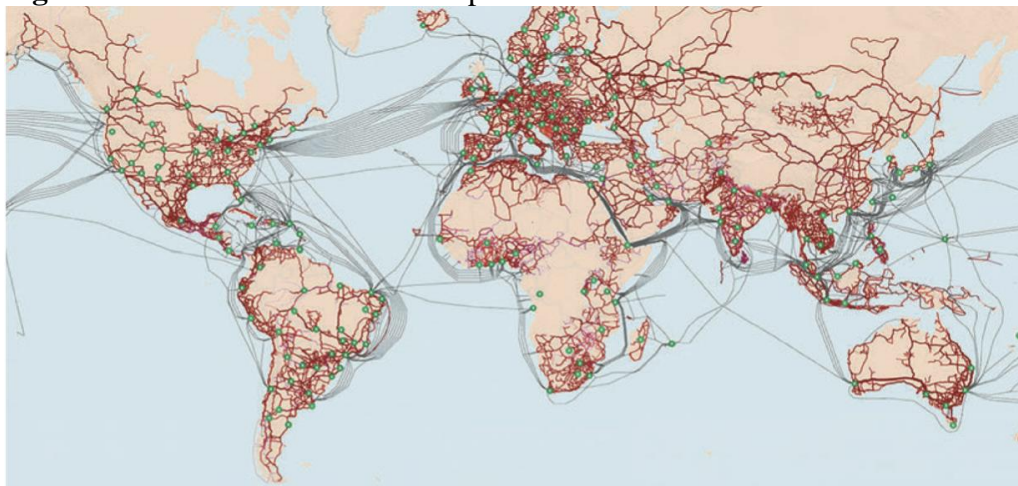
I. Introduction

Estimates of the rise in e-commerce conducted through mobile devices for the retail sector suggest that by 2021, worldwide mobile commerce will account for USD 3.6 trillion, corresponding to 73% of total e-commerce in the retail sector (eMarketer, 2018). This would result in an increase by over 20 percentage points in only five years, up from 52% in 2016. While an estimated 56% of e-commerce transactions in China carried out on smartphones and/or tablets in 2017, the corresponding share was only 23% in the United States and 26% in the United Kingdom. According to Paypal (2018) the data on regional differences for cross-border purchases in 2018 suggest that Asian Pacific users relied most heavily on mobile devices for such purchases, realising about 41% of cross-border purchases in the past 12 months through either a smartphone or a tablet. Asia Pacific is followed by the Middle East (37%), Africa (37%), Latin America (34%), North America (33%), Western Europe (30%) and Eastern Europe (27%). According to these data, between 56% (Asia Pacific) and 71% (Eastern Europe) of all cross-border purchases were realised through a desktop computer, laptop or notebook. In general e-commerce has proven it worth of being an important tool in the 21st century, to among others foster economic growth including in Africa. There are nevertheless a few issues worth noting when it comes to e-commerce in the context of the African continent. These are considered below.

II. E-Commerce – An African Perspective

Africa faces a significant challenges when it comes to e-commerce. Being a home of more than 50% of least developed countries (LDCs) it is notable that 23% of population in LDCs had no access to mobile broadband network. Use of internet sits at 20% for LDCs relative to 90% in developed countries with the average internet speed 8 times lower than that of developed countries (UNCTAD, 2021). It is no wonder figure 1 below show that internet transmission in relation to Africa is deficient.

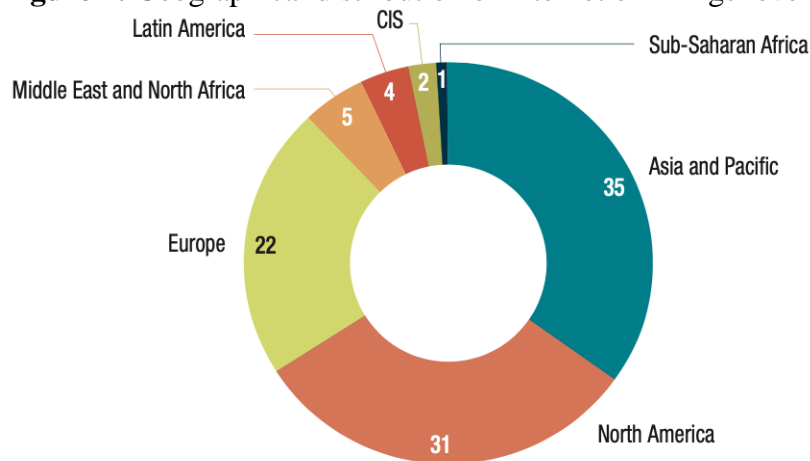
Figure 1: Internet Transmission Map



Source: ITU Interactive Terrestrial Transmission Map,

By the same breadth United States and China account for 50% of the world's hyperscale data centre, have highest rates of 5G adoption in the world, 94% of all funding for artificial intelligence startups as well as 90% of the market capitalization of the largest digital platforms (UNCTAD, 2021). When it comes to geographical distribution of internet of things revenue by 2025, sub-Saharan Africa significantly trails behind all regions of the world.

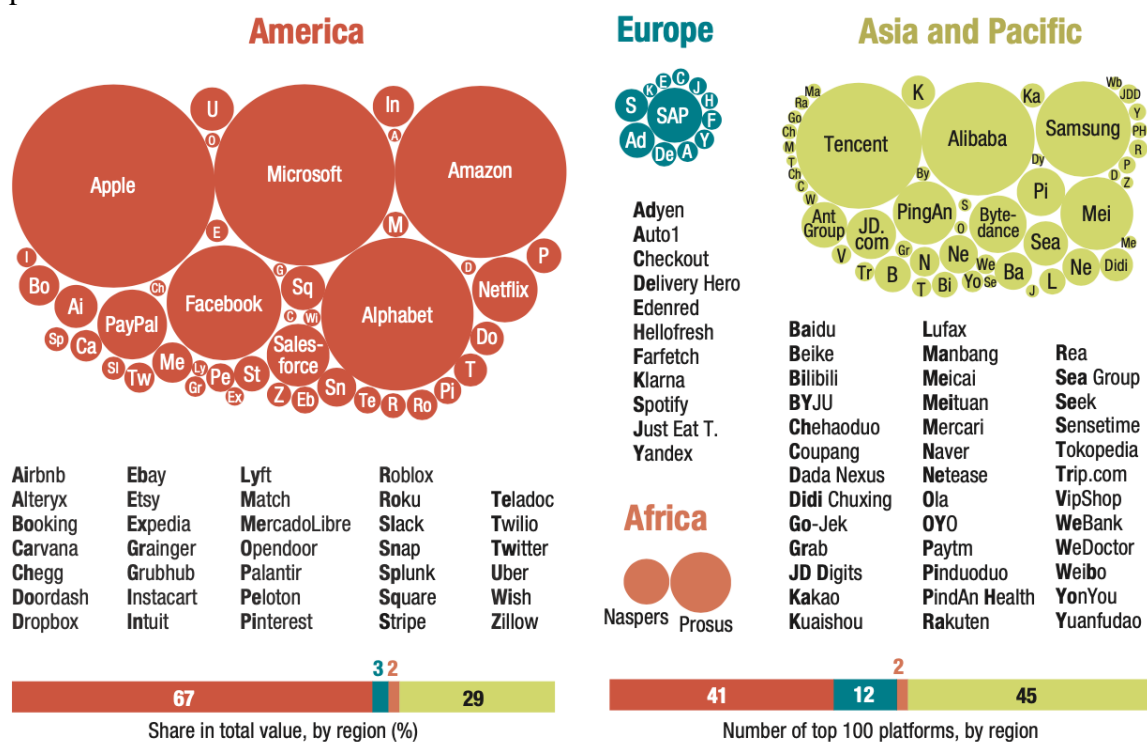
Figure 2: Geographical distribution of Internet of Things revenue by 2025 (Per cent)



Source: GSMA (2019a)

When it comes to the market participation in e-commerce, The worldwide distribution of global digital platforms as of 2021 further shows Africa significantly trailing behind.

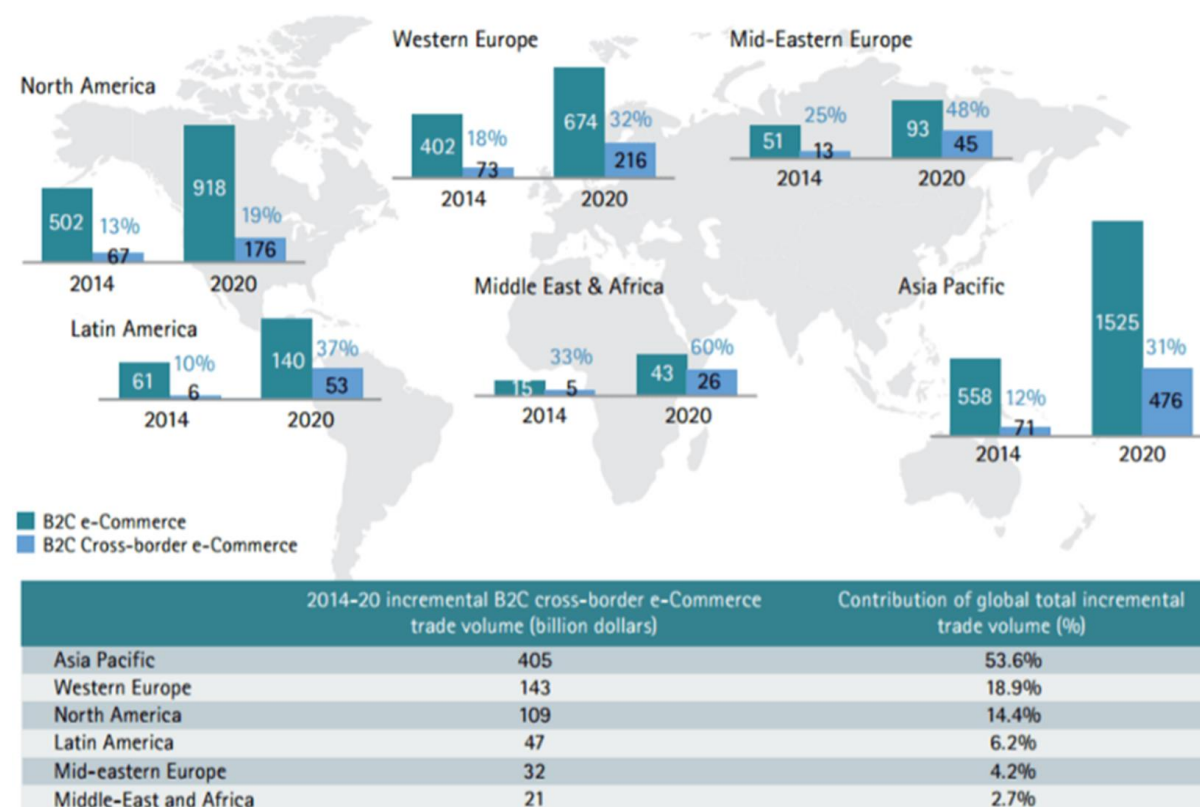
Figure 3: Geographical distribution of the top 100 global digital platforms, by market capitalization 2021



Source: Holger Schmidt, 2021

Taking the limited variables considered above, namely Internet transmission map, geographical distribution of internet of things revenue and geographical distribution of the top 100 global digital platforms, by market capitalization, it is no wonder that when it comes to global cross border e-commerce transaction value Africa is the least performer. This is depicted by figure 4 below.

Figure 4: Global cross-border e-commerce transaction Value, 2014 – 2020 (Billion USD):
Global cross-border e-commerce transaction value, 2014-2020 (billion USD)



Source: Accenture, Global Cross Border E-Commerce Market 2020, June 2015

III. Why e-commerce is important to Africa through the AfCFTA?

In view of the foregoing, it is not surprising that e-commerce has drawn the attention of African countries. While by no stretch of imagination the ongoing Africa Continental Free Trade Area (AfCFTA) negotiations are a solution to Africa's deficits, their outcome will surely contribute significantly. It is expected that these negotiations will yield a regulatory environment that will incentivize many other measures key to facilitating e-commerce to be in place. A harmonized and/or regulatory equivalence on ecommerce and e-commerce related measures hold a promise to usher a pathway to, inter alia, attracting domestic and foreign direct investment in its facets.

Coverage of measures ranging from market access and treatment of digital products, facilitating digital trade, data governance, business and consumer trust, and digital inclusion and micros, small and medium enterprises. These measures will not only be relevant for digital trade but further foster social cohesion of African countries given their reach beyond economic issues. Adhering to similar standards will therefore have a socio-economic force in actualizing development aspiration of African countries. The AfCFTA Digital Trade Protocol will therefore be a singular protocol that is sectorally cross cutting and economically unifying than any other legal instrument to date.

IV. Conclusions and Recommendations

There is no doubt that Africa is trailing behind all regions of the world when it comes to e-commerce. In this context, it is important for African countries to seize the opportunities that belie the AfCFTA Digital trade protocol. In this regard, recognition of the horizontal nature of the protocol will be critical to further understanding its socio-economic value as well as its value to fostering requisite investment from and outside the continent.

References

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