Digital Trade Dialogue

eTrade Alliance and African Union Commission

22 September 2021

Dr. Kati Suominen

Nextrade Group
ETRADE ALLIANCE GOALS, WORKSTREAMS AND PARTNERS

Main objectives...

1. Increase number of MSMEs selling online, including on marketplaces
   - MSMEs’ digital transformation

2. Increase MSMEs’ sales volumes online
   - New constituencies in ecommerce development

...attained by breaking main constraints in key areas (~25 projects per year)

1. Policy and enabling environment
2. MSME skills development for ecommerce
3. Logistics and last-mile delivery
4. Access to finance
5. Inclusive trade

https://www.allianceforetradedevelopment.org
Online sellers are likelier to export...

...and export to multiple markets

Source: Nextrade Group.
Firms and especially online seller-exporters export and import data: data transfer is critical for MSMEs that export using ecommerce.

Source: Suominen and Vambell (2021)

<table>
<thead>
<tr>
<th>Firms and especially online seller-exporters export and import data: data transfer is critical for MSMEs that export using ecommerce</th>
<th>All sectors</th>
<th>Medium and large</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online-seller-exporters</td>
<td>Micro and small</td>
<td>38%</td>
</tr>
<tr>
<td>All sectors</td>
<td>Micro and small</td>
<td>33%</td>
</tr>
<tr>
<td>In-person services</td>
<td>Medium and large</td>
<td>52%</td>
</tr>
<tr>
<td>Physical products</td>
<td>Medium and large</td>
<td>32%</td>
</tr>
<tr>
<td>Remote digital services</td>
<td>Medium and large</td>
<td>44%</td>
</tr>
<tr>
<td>Digital products</td>
<td>Medium and large</td>
<td>28%</td>
</tr>
<tr>
<td>No data moved across borders</td>
<td></td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: Suominen and Vambell (2021)
African governments have advanced on adopting data privacy and transfer laws – by now many types in place

African countries’ adoption of data privacy and transfer regulations, 2011-20

Source: Suominen and Vambell (2021)
Same diversity or «fragmentation» around the world

Source: Suominen and Vambell (2021)
Surveyed African firms find regulations as clarifying – but especially small firms still know only a little about regulations

African firms’ views on data privacy and transfer regulations in their countries

- It is positive as it helps us understand how to treat consumers’ data
- It helps ensure people’s privacy and build consumer confidence
- It is costly to implement
- I don’t know if the government can enforce it
- It is hard to implement
- I am concerned it might negatively affect our ability to make sales online
- It is hard to understand

African firms’ knowledge of data privacy and transfer regulations in their countries, by firm size

Source: Suominen and Vambell (2021)
Surveyed African firms do not take data transfer to third parties lightly

“Are you concerned about how a recipient of the data you transfer uses it?”

- Yes, when personal data are transferred
- Yes, with all data
- Yes, with some recipients of personal data
- Not if / when data are encrypted when data are stored or in transit
- Not if / when we could use confidential computing technologies to secure data when data are in use
- Not really

- Online seller, move data across borders
- Non-online seller, move data across borders
- Do not move data across borders
African firms’ main perceived policy challenges in exporting products or services online – worry about

1. compliance with foreign data privacy rules and
2. regulatory fragmentation

Source: Suominen and Vambell (2021)
Proposals

• **Strategy 1: Convergence** - Ensure that national data privacy laws are more compatible

• **Strategy 2: Choice**: Enable African firms, particularly online sellers, to use and move data across borders safely and with ease. Templates:

  - Asia-Pacific Economic Cooperation (APEC) Cross-Border Privacy Rules (CBPR) system
  - Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) (2018)
  - United States-Mexico-Canada Agreement (USMCA), which endorsed the CBPR system (2020)
  - Digital Economy Partnerships Agreement (DEPA), with Chile, New Zealand, Singapore (2020)
Surveyed African firms see CPTPP- and USMCA-style digital trade rules positively for Africa

<table>
<thead>
<tr>
<th>Rule</th>
<th>Strongly Beneficial</th>
<th>Somewhat Beneficial</th>
<th>No Impact</th>
<th>Strongly Negative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensure good protection of consumers’ privacy</td>
<td>60%</td>
<td>22%</td>
<td>11%</td>
<td>5%</td>
</tr>
<tr>
<td>Encourage use of technologies in securing data</td>
<td>59%</td>
<td>22%</td>
<td>11%</td>
<td>5%</td>
</tr>
<tr>
<td>Reduce our country’s tariffs on goods</td>
<td>56%</td>
<td>27%</td>
<td>11%</td>
<td>5%</td>
</tr>
<tr>
<td>Ensure consumers in the common region won’t get spammed</td>
<td>51%</td>
<td>33%</td>
<td>11%</td>
<td>3%</td>
</tr>
<tr>
<td>Eliminate barriers to services (like IT services or consulting services)</td>
<td>49%</td>
<td>29%</td>
<td>19%</td>
<td>2%</td>
</tr>
<tr>
<td>Ensure companies can move customer data across borders</td>
<td>46%</td>
<td>30%</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>Companies can store their data where most convenient for them</td>
<td>44%</td>
<td>33%</td>
<td>17%</td>
<td>3%</td>
</tr>
<tr>
<td>Countries retain their data privacy laws, use a common data transfer</td>
<td>41%</td>
<td>35%</td>
<td>17%</td>
<td>3%</td>
</tr>
<tr>
<td>Bar customs duties on imported digital products in our country</td>
<td>33%</td>
<td>25%</td>
<td>21%</td>
<td>8%</td>
</tr>
<tr>
<td>Encourage businesses to get certified as good actors in protecting data</td>
<td>33%</td>
<td>40%</td>
<td>17%</td>
<td>6%</td>
</tr>
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Source: Suominen and Vambell (2021)
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<tr>
<th>Country</th>
<th>Reduce tariffs on products bought by companies and consumers in our country</th>
<th>Ensure consumers in the common region won’t get spammed</th>
<th>Encourage use of technologies in securing data</th>
<th>Ensure good protection of consumers’ privacy</th>
<th>Eliminating barriers to services (like IT services or consulting services) sold</th>
<th>Ensure companies in member countries can move customer data across borders</th>
<th>Companies can store their data where most convenient for them</th>
<th>Encourage businesses to get certified as good actors in protecting data</th>
<th>Countries retain their data privacy laws, use a common data transfer framework</th>
<th>Barring customs duties on imported digital products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Egypt</td>
<td>45%</td>
<td>21%</td>
<td>20%</td>
<td>4%</td>
<td>36%</td>
<td>24%</td>
<td>22%</td>
<td>35%</td>
<td>29%</td>
<td>36%</td>
</tr>
<tr>
<td>Kenya</td>
<td>84%</td>
<td>81%</td>
<td>74%</td>
<td>60%</td>
<td>68%</td>
<td>67%</td>
<td>67%</td>
<td>67%</td>
<td>50%</td>
<td>46%</td>
</tr>
<tr>
<td>South Asia</td>
<td>56%</td>
<td>56%</td>
<td>55%</td>
<td>55%</td>
<td>45%</td>
<td>45%</td>
<td>45%</td>
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• **Tech can be a “policy solution”:** technologies that secure data at rest, in transit, and in use (e.g. encryption and confidential computing) are increasingly widely adopted.
Privacy-Enhancing Computation Techniques

- Forecasts: by 2025, 50% of large organizations will seek to adopt privacy-enhancing computation for processing data in multiparty data analytics.

- When fashioning data transfer policies, African governments could also support firms in piloting, adopting, and using these emerging technologies.

Source: Gartner.
Thank you