Digital Pathways for Fostering Post-COVID-19 Trade Outcomes

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Africa's Imminent Trade and Investment Debacle

A continent of huge opportunity, Africa, is remarkably blessed with enormous natural resources, teeming young population, and rapid urbanization process in this globally digital age. As the next frontier for global growth, Africa is home to some of the fastest-growing economies in the world and the second fastest-growing region after Asia. Yet, the continent only contributes to 3% of global GDP and its share in world merchandise trade remains low at 2.7% in 2018. Moreover, roughly two-thirds of African countries fall below the developing countries average in terms of the percentage of foreign value added in the countries' exports, which indicates their limited linkages with the regional or global value chains.

The African continent continues to suffer from very high trade costs and doing business is difficult. Bureaucratic documentation requirements and lack of transparent rules and procedures are higher in African countries than in

anywhere else in the world; where the effective rate of protection is high, at times 10%. Customs delays in sub-Saharan Africa are the world's longest, based on the latest World Bank's Doing Business report. The case is even direr for Africa's 15 landlocked countries. More succinctly, African countries are still confronted by major challenges: an urgent need to tackle poverty; develop trade-related infrastructure and connectivity; diversify economies away from basic commodities; lower trade and transaction costs; enhance inclusiveness; and strategically place the continent into a rapidly evolving global digital economy.

To further boost intra-African trade and investment and deepen Africa's regional and continental integration, African countries established the African Continental Free Trade Agreement (AfCFTA) which entered into force in May 2019 but because of the COVID-19 pandemic, the scheduled entry into force of 1 July 2020 was postponed. However, the coronavirus 2019 (COVID-19) outbreak has temporarily undermined daily business and socio-economic activities in our communities. Facilitating business and economic recovering in a post-COVID-19 world require an evidence-based dramatic change in most pre-COVID-19 traditional trade strategies. In view of this, should the government adopt a paradigm shift by providing greater assistance and support to digital trade initiatives compared to traditional trade practices in the post-COVID-19 era?

Based on the background, this blog aims to present some of the challenges being faced within Africa’s trade landscape and some of the workable policy instruments for overcoming these barriers in the digital post-COVID-19 age. In other words, the broad objective is to propose innovative solutions for enhancing post-COVID-19 economic resilience across businesses and households in a sustainable fashion.

The World Trade Organization (WTO) Multilateral Agreement, AfCFTA, and COVID-19

The newest WTO multilateral agreement, the Trade Facilitation Agreement (TFA) entered into force in 2017. The WTO TFA remains the rules-based system on which the multilateral level sets the stage for the rules on the regional and continental level, especially with the new AfCFTA. To date, 39 African Members

out of 44 African members have ratified the agreement. From a global perspective, the TFA, its benefits, challenges, and state of play of implementation in African countries require increasing policy considerations by the AfCFTA Secretariat during and post COVID-19 pandemic.

Although a lot of progress is being recorded, there is a need for additional innovative interventions to take these successes to scale to cover a wider geographical domain and achieve significant impact on the well-being of the communities. It was therefore essential to strategically select countries that offer greater potential to achieve this impact with opportunities for spill over to other areas.

The Coronavirus (COVID-19) experience in Africa is being managed by the adoption of programmatic interventions and policy measures to protect citizens, contain COVID-19's spread, work remotely, as well as digitally facilitate the Africa's economic activities via proactive private sector engagement. Though, inequalities in digital readiness undermines Africa's capacity to take advantage of the digitalization, science, technologies and innovation (DSTI) breakthrough that will help contain the spread of the virus and its implication for sustainable business expansion and improved livelihoods, adapting to the 'new reality' urgently requires a Post-COVID-19. So far, COVID-19 posing imminent shocks on African economies and this book's policy recommendations are crucial to Africa's economic development but are also very relevant to the current challenges related to the COVID-19 pandemic. As businesses re-open, most of them will be confronted with a new normal that need to further advance and implement a more system thinking and sustainable trade and investment facilitation strategy which will require governments, CSOs and relevant stakeholders leverage of relevant data for socioeconomic and political re-engineering.

Growing Rationale for Digital Trade Initiatives

The fourth industrial revolution (or industry 4.0) refers to increasing automation, data exchange in manufacturing technologies that facilitate new business models and value-producing opportunities. However, most African trade and investment offices are yet to comprehensively integrate digitally

oriented logistics and connectivity infrastructure in their operations. In one of our recently published books - 'Fostering Trade in Africa', presents the striking policy solutions as articulated in every chapter of the book. which is written, co-edited and co-authored by African scholars and practitioners – Mena Hassan, Adetunji Babatunde, Tsotetsi Makong, Festus Turkson, Robert Mensah Adjei, Alfred Barimah, Folasade Adegboye, Oluwatoyin Matthew, Jeremiah Ejemeyovwi, Olumide Adesina, Romanus Osabohien, Adenike Odularu, Abiola Akinsanya, and Gbadebo Odualru - examines the effects of trade policies and other related inclusive growth policy instruments on Africa's economic development and presents workable policy measures for a more business-friendly environment. Some of the various topics include African regional integration, implementation of WTO trade agreements, trade facilitation, digital trade, One Belt-One Road Initiative, US-Africa trade relations, and Aid-for-Trade. Of significant importance to boosting post-COVID-19 recovery in Africa is the link between trade facilitation and Sanitary and Phytosanitary (SPS) Measures as well as COVID-19 targeted policy interventions include *inter alia*: (I) TFA measures that enhance and bring about value addition to the SPS measures. (ii) Implementation dimensions of TFA measures and their relationship with SPS measures at the implementation level. and (iii) Rationalizing notifications of SPS related TFA measures. The proposed strategy includes *inter alia*:

- Establish Digital Trade Facilitation Hubs and Supply Chain Reforms: focusing on more efficient logistics and supply chains for faster flows of commodities. Enhance the resilience of supply chain through diversification of regional supply chain; strengthen export and domestic production capacities.
- Develop virtual innovation and incubation platforms to support SMEs for business continuity through the establishment of novel capital access and cash transfer mechanisms, while providing effective ways to leverage mobile data for improved business expansion.
- Recover and revitalize strategic economic sectors through public-private efforts, especially agriculture, aquaculture, forestry, transportation, aviation, restaurant, entertainment, creativity, sports, art and culture, and tourism.
- Establish Foreign Trade Academy to re-tool and re-skill national trade negotiation capacities in response to the advent of artificial intelligence,

big data, internet of things, electronic commerce (e-commerce), electronic stock exchange, and multi-commodity exchange. This will accelerate digital trade across economic sectors through better use of remote work and remote education.
- Apply advanced analytics and artificial intelligence (AI) to generate insights for collaborative capacities building between all the strategic sectors – Trade, Industry, Telecommunications, Health and Telecommunications sectors.

U.S. – Trade Strategy for Africa: Leveraging Purposive Energies and Digital Innovations:

One of the innovative pathways for tackling the effect of COVID-19 on Africa trade and investment is the adoption of digitalization-related connectivity infrastructure, thereby boosting post-COVID-19 economic trajectory for the continent. According to the U.S. Trade Strategy for Africa, and more specifically, the President's Advisory Council on Doing Business in Africa (PAC-DBIA), digital infrastructure plays a crucial role in enhancing Africa's trade space amid COVID-19 pandemic. In other words, the U.S. Government is keenly interested in a U.S.-African win-win relations that will enhance resilience in U.S.- Africa business engagement towards shaping and driving Post-COVID-19 Recovery. Some of these solutions should focus on:

- Resiliency in Action: sustaining regional and bilateral trade in the post-COVID
- the global financial response in Africa: need for a coordinated African and global financial response to meet the needs from COVID-19, and the roles of multilateral institutions and the private sector.
- Economic and Health innovations, that is innovative steps taken by African governments and the U.S. and African private sector to fight the pandemic and mitigate the effects of the economic downturn caused by the pandemic.
- Drivers of Post-COVID-19 economic growth and recovery in Africa. Beyond, health systems, sectors such as ICT, finance, oil and gas and agribusiness must be resilient as U.S. and African nations and businesses should innovate collaboratively to set new paths forward.

One of the strategic shifts in regional trade and investment facilitation paradigms as the continent implements its AfCFTA is the dire need to implement innovative policies that build digital trade infrastructure connectivity for accelerating sustainable and equitable socioeconomic growth in the light of the looming fourth industrial revolution. This requires increasing access to trade-related digital infrastructure, especially for women and youth to access smart platforms for digitizing trade, modernizing investments, accessing markets, lowering costs of entry and exit, simplifying transactions, overcoming procedural obstacles and encouraging innovatively entrepreneurial opportunities. Some of the tools required include revitalization of the digital components of the AfCFTA, WTO Trade Facilitation Agreement, online trading or e-commerce platforms, innovative digital apps, and novel mechanism for dispute arbitration and resolutions. For instance, 4IR strategic collaboration with the International Trade Centre to expand its SheTrades Outlook as an online trade and investment facilitation policy tool to improve the policy ecosystem for women entrepreneurs in trade.

The African Union, its Collaborative Agencies and its respective 55 member countries need to redeploy digital tools for re-designing a conducive trade and economic policy environment for increased investment across all sectors that is characterized by (i) coherence and synergies between Industry, trade, investment, communication, science, technology, transportation, health, agriculture, finance, housing, labour, and education policies at national and state levels; (ii) involvement of the private sector and CSOs in the formulation and implementation of post-COVID-19 digital policies; and (iii) evidence-based policy research and multi-stakeholder knowledge sharing.

Our ‘fostering trade in Africa’ book appeals to scholars of economics, business, and management as well as professionals and policymakers interested in Africa's economic development process and sustainable business development. While the book was written prior to the COVID-19 pandemic, many of its trade policy recommendations are timely and relevant for African governments, given the large socio-economic impact that this pandemic is posing on the continent. Furthermore, more compelling evidence-based policy recommendations of socioeconomic shocks (like COVID-19) are currently being discussed for publication with the globally reputable Journal for African Development (JAD)

Special Call for Papers on ‘Digital Technology and Inclusive Development’ as well as the forthcoming Routledge book.

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