

TEAM 11 POLICY BRIEF

AI AND DIGITAL TRADE POLICY HACKATHON

12TH JULY 2023

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Title: Advancing African Trade Integration through AI: A Holistic Framework for Policy and Technology Synergy

Executive Summary:

The African continent is poised to harness the transformative potential of Artificial Intelligence (AI) to advance trade integration, bolster economic growth, and promote sustainable development. This policy brief presents a holistic framework that highlights the synergy between policy interventions and AI technologies to drive African trade integration. By leveraging AI applications in trade facilitation, data analytics, and decision-making processes, African nations can unlock new opportunities for inclusive and dynamic trade ecosystems within the framework of the African Continental Free Trade Area (AfCFTA). The policy highlights the importance of contributing to the global digital compact by effectively governing AI in Africa and emphasizes the need for harmonizing laws to address the challenges faced in digital trade across the continent.

Introduction:

The African Continental Free Trade Area (AfCFTA) is a high ambition trade agreement, with a comprehensive scope that includes critical areas of Africa's economy, such as digital trade, among other areas.

Digital trade involves products ordered digitally but delivered physically through online marketplaces as well as products that are wholly electronically delivered. Digital trade presents significant opportunities for Africa's economic growth, job creation, and integration into the global digital economy.

The African Continental Free Trade Area (AfCFTA) has the potential to harmonize national and regional objectives through a coherent and integrated policy framework, including in the context of phase II of implementation of the African Continental Free Trade Area Agreement, on investment and competition

policies. The Economic Commission for Africa (ECA) is making significant progress in supporting African countries to leverage the AfCFTA to drive digital trade on the continent.

To fully realize the benefits of the AfCFTA and achieve a single digital market, it is crucial to address key issues related to AI governance and harmonization of laws. This policy brief provides recommendations for policymakers and stakeholders to navigate these challenges.

Key Facts

- 30 countries have data protection legislation that addresses automated decision-making in some way.
- 4 countries have a national AI strategy. (Egypt, Uganda, Mauritius, Morocco, Sierra Leone)
- 1 country (Tunisia) has a draft policy or a white/green paper on AI.
- 13 countries have established an expert commission or taskforce on AI.
- 6 countries include AI as a priority in their National Development Plan, while 4 other countries' plans make partial mention of AI.

1. Contributing to the Global Digital Compact: Governing AI in Africa:

AI Governance in Africa gives an overview of the state of policy and governance measures for artificial intelligence in 55 African countries in order to measure progress at a regional level and identify current gaps and opportunities. AI can be used for positive or negative ends. Delivering the promise of positive AI will require good systems of governance. To curtail the potential for negative AI, a braintrust at the nexus between global, regional, and local governments should seek to establish a common framework for effective governance of internet-enabled technologies.

To govern AI effectively in Africa, the following measures are recommended for possible challenges:

a) Develop an AI Governance Framework:

Challenge: Several African states seek to adopt AI technology for economic growth and development. However, African researchers emphasize the lack of regulatory frameworks and policies governing AI development on the continent. This gap may result in AI technology aggravating inequalities and injustices.

Solution: African nations should collaborate to establish a comprehensive framework for AI governance. This framework should encompass ethical guidelines and principles for the

responsible development, deployment, and utilization of AI technologies. It should prioritize transparency, accountability, and the protection of human rights.

b) Capacity Building:

Challenge: Limited awareness and understanding of AI technologies and their impact on governance and policy making in Africa.

Solution: Foster AI skills and expertise in Africa through strategic investment in capacity building programs. Collaborate with educational institutions, international organizations, and private sector entities to develop training initiatives. Prioritize topics such as AI ethics, privacy, and security.

c) Data Protection and Privacy:

Challenge: AI poses ethical concerns regarding bias, privacy, and job displacement. Addressing these concerns is crucial for establishing trust in AI systems.

Solution: Strengthen data protection laws and regulations to safeguard personal data and promote trust in digital trade. African nations should align their data protection frameworks with internationally recognized standards that mandate all parties handling personal data to adhere to stringent rules and build privacy into their systems and practices thereby ensuring fair, lawful, and transparent use of information.

2. Harmonizing Laws: Fixing Digital Trade in Africa

The AfCFTA agreement aims to reduce all trade costs and enable Africa to integrate further into global supply chains – it will eliminate 90% of tariffs, focus on outstanding non-tariff barriers, and create a single market with free movement of goods and services. Deeper integration would boost incomes, create jobs, catalyze investments, and facilitate the development of regional supply chains. Intra-African trade remains small compared with the continent's external trade. The World Bank estimates that, if implemented properly, by 2035 the AfCFTA is set to lift 30 million Africans out of extreme poverty and 68 million from moderate poverty.

The following are some of the challenges and solutions to fixing digital trade in Africa:

a) Regulatory Barriers:

Challenge: Inconsistent and fragmented regulations across African countries pose barriers to cross-border digital trade.

Solution: Facilitate the harmonization of laws and regulations pertaining to digital trade across African countries. Develop common standards for data protection, cybersecurity, e-commerce, intellectual property rights, and consumer protection. This will create a level playing field and enhance legal certainty for businesses operating in the digital space. In this case, AfCFTA provides an opportunity to align regulatory frameworks, promote standardization, and establish common rules for e-commerce, data protection, cybersecurity, and electronic transactions.

b) **Simplify Cross-Border Data Flows:**

Challenge: Inadequate data protection frameworks and concerns over privacy impede trust in digital trade.

Solution: Streamline procedures and reduce barriers to cross-border data flows within Africa. Implement mechanisms that allow secure and efficient data transfers while ensuring data privacy and protection. Encourage mutual recognition of data protection regimes to promote trust and enable data-driven innovation.

c) **Enhancing Digital Infrastructure:**

Challenge: Insufficient digital infrastructure and limited connectivity in many parts of Africa hinder the growth of digital trade.

Solution: Investment in digital infrastructure, such as broadband networks and data centers, is essential. Governments can work with private sector partners to improve connectivity, expand access to the internet, and bridge the digital divide. Invest in robust digital infrastructure, including reliable internet connectivity, data centers, and cloud computing capabilities. Improved infrastructure will support the growth of digital trade. Enable AI applications, and ensure the efficient functioning of the single digital market envisioned by the AfCFTA.

d) **Payment Systems and Financial Inclusion:**

Challenge: Limited access to digital payment systems and financial services restricts the growth of digital trade, particularly for small and medium-sized enterprises (SMEs).

Solution: Encouraging the development and adoption of digital payment solutions, such as mobile money platforms, can enhance financial inclusion and facilitate cross-border transactions. Governments and financial institutions should prioritize efforts to expand access to digital financial services, promote interoperability, and support capacity building for SMEs.

e) Consumer Protection:

Challenge: Building trust among consumers is vital for the growth of digital trade. Concerns regarding counterfeit products, fraudulent activities, and inadequate consumer protection measures hinder adoption.

Solution: African governments can enact and enforce consumer protection laws specific to digital trade. Establishing mechanisms for dispute resolution and redress, promoting transparency in online transactions, and ensuring product authenticity through certification and authentication systems can help foster trust and protect consumers.

3. Implementation and Collaboration

- a) Establish a dedicated cross-sectoral committee or task force comprising policymakers, industry representatives, researchers, and civil society to oversee the implementation of the framework and monitor progress.
- b) Encourage intergovernmental collaboration, information sharing, and coordination among African countries to foster regional cooperation and synergy in AI-driven trade integration.
- c) Promote public-private partnerships to leverage expertise, resources, and innovation from the private sector in developing and implementing AI solutions for trade integration.

4. Conclusion:

The AfCFTA has the potential to significantly boost intra-Africa trade, particularly trade in value-added production and trade across all sectors of Africa's economy. The implementation of AI governance measures will be crucial in ensuring that AI is used for positive ends within the AfCFTA framework. Harmonizing laws and reducing trade costs will facilitate the development of regional supply chains and boost digital trade in Africa.