

# Policy response to the digital economy needed in Africa

The rise of digital platforms and e-commerce will reshape the retail sector and in turn, have deep implications for developing countries' industrialisation processes.



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Dr Nimrod Zalk, industrial development advisor in the office of the Director-General of the Department of Trade and Industry, delivered a keynote address at a workshop on Digital Transformation in Africa: Leveraging the Promise and Addressing New Challenges, convened by Global Economic Governance (GEG) Africa and the African Trade Policy Centre (ATPC) of the United Nations Economic Commission for Africa (ECA) on 10 September 2018.

Dr Zalk highlighted that a global process of rapid technological change, involving unprecedented growth in digital information will have far-reaching consequences for South Africa and other African countries.

The rise of digital platforms and e-commerce will reshape the retail sector and in turn have deep implications for developing countries' industrialisation processes, which have been at the heart of all successful cases of development.

This requires African countries to develop policy responses that address the rise of digitisation in ways that ensure the policy space to harness potential benefits and ameliorate negative consequences.

Zalk emphasised that there are a number of domains that African countries need to take into consideration in forging a policy response to the rise of digitalisation.

- First countries need to secure the policy space in multilateral, regional and bi-lateral fora and processes to develop responses to digitization that are tailored to domestic conditions and policy considerations.
- Second, as data becomes the “primary resource” of an increasingly digitalized economy countries need to secure a degree of national sovereignty with respect to issues of data ownership, privacy, cybersecurity, structural transformation and economic inclusion objectives.
- Third, national taxation systems need to adapt to the rise of e-commerce and digital platforms. This requires ensuring an appropriate taxation regime in relation to e-commerce and other digital and their suppliers and to address issues of transfer pricing and profit shifting to low taxation jurisdictions.
- Fourth, policy must address issues of market dominance, competition and market access. The EU has for instance begun to put in place competition policy responses to the impact of network effects that attract users to the largest and fastest growing platforms which result in “winner-takes-most” outcomes.
- Fifth, developing countries need to develop digital industrial capabilities including ensuring high speed and cheap broadband, building linkages between digital platforms and domestically produced goods and services, the provision of industrial financing instruments to do so and the adaptation of technology and skills curricula and institutions to new digital realities.

He stated that the manner in which the rise of the Fourth Industrial Revolution and digitisation are conveyed, are often in hyperbolic terms which tend to assume either unbridled opportunities to “leapfrog” into a brave new world or a disastrous collapse in employment. Rather than assuming either of these extreme outcomes, African countries need to actively engage in understanding and developing appropriate policy responses to the implications of expedited technological change.

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