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**THE SCOPE FOR E-COMMERCE IN CENTRAL EUROPEAN
COUNTRIES' SERVICES TRADE**

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1. Introduction

The phenomenon of e-commerce has aroused great interest of the research sphere, of businesses and of the governments. E-commerce touches upon very different aspects of economic activities and problems related to them. It concerns infrastructure access and services, trade policy, legal and regulatory setting, taxation, standardisation, security of transactions, consumer protection, privacy, etc.

Electronic commerce has the potential to act as an engine of global economic growth and international trade and to increase economic efficiency. Yet, at present it is far from being utilized to a full extent or globally used. The evidence so far suggests that the potential of e-commerce appears to be large in business-to-business, business-to-consumers and government to citizens' transactions. It is believed that electronic commerce will affect large share of economic activity. The estimates show that already in mid 1990s this share on average amounted to 30 percent of value-added in OECD countries (Schuknecht, 1999:4) but the expectations for the future are much higher especially in financial services, telecommunications, advertising, travel and entertainment services and professional services (Bacchetta et al., 1998:2). It remains to be seen, however, to what extent many of the hypes of e-commerce will be translated into reality. In general, such expectations may have ground for realisation, nevertheless it is worthwhile looking beyond them and exploring the opportunities for different groups of countries through the prism of their development level and the competitiveness of their service sectors.

The paper addresses only the segment of e-commerce that concerns international trade in services. General attitude towards the potential of e-commerce in services trade is rather enthusiastic and emphasises that e-commerce offers extraordinary expansion of opportunities for services trade. Although services have been traded electronically before (phone, fax, EDI) the Internet dramatically increased the scale and scope of such transactions, both locally and globally. Indeed, the Internet facilitates services trade, extends the range of services, which are tradable, and transforms local services into

internationally tradable ones (e.g. education). Accordingly, the expectations are high in the developed and the developing countries alike.

The paper begins with definitional and conceptual issues related to e-commerce in services trade. The central part of the paper deals with the relevance of e-commerce for trade in services for Central European countries¹ (CEC). The analysis is based on the characteristics of their service exports and on the trends in structural changes in the service sector in the nineties. It is being argued, that to take the full advantage of e-commerce for trade in services, the CEC have to generate competitive services, which can be exported electronically, apart from providing infrastructure networks and Internet access services. The CEC will have to balance infrastructure related aspects and content related aspects, which will require well-coordinated policies. Also, an attempt is made to assess whether the Internet is diminishing the impact of some impediments to CEC service exports. The paper concludes with some preliminary observations as to the scope of e-commerce for services trade of the CEC and draws attention to the need of an active policy by the CEC to improve the competitiveness of the service sector.

2. Definitions, classifications and conceptual issues

2.1. Definitional issues

In the early stages of new phenomenon definitional and conceptual problems abound and electronic commerce is no exception to that rule. After initial ambiguities, it is at least clear that e-commerce is not a sector and that it is not confined to services (Drake, Nicolaidis, 2000: 400). There is as yet no internationally accepted definition of e-commerce, although there is provisional consensus on a narrow definition of e-commerce and on a broad definition of e-commerce. In simple terms, the former includes only the Internet based transactions and the latter includes transactions over any electronic media in a computer mediated networks (Draft Annex, 2000: 3). Electronic commerce may be simply defined as the production, advertising, sale and

¹ Bulgaria, Czech Republic, Estonia, Hungary, Poland, Romania, Slovak Republic and Slovenia are taken into account.

distribution of products via telecommunication networks (Bacchetta, 1998:1). While we may favour broad definition of e-commerce it has to be acknowledged that it was only after the appearance of the Internet that e-commerce has vastly expanded. E-commerce transactions via the Internet improve efficiency through low cost of operations, change the way products are customized, distributed and traded. It is not surprising though that some definitions refer to the Internet and define e-commerce as doing business over the Internet, selling goods and services which are delivered offline, as well as products which can be digitised and delivered online (Coppel, 2000:4).

E-commerce is present in three stages: *pre-purchase* stage including advertising and information-seeking, *the purchase stage*, including ordering and payment and the *delivery stage* (Matoo et al., forthcoming). While the pre-purchase and purchase stage can be performed electronically for many products it is only for services and digitizable goods that also the delivery stage can take place electronically. The available data show that the volume of electronically tradable services by far exceeds the volume of electronically tradable goods (US\$ 375 billion for services in 1999 against US\$ 50 billion for goods in 1998, Matoo et al., forthcoming).

The paper focuses on e-commerce in only these services for which pre-purchase stage, ordering and delivery can be provided electronically across borders². The term »e-enabled trade in services« is used to stress the importance of e-commerce as a tool/medium for trade in services³. WTO considers e-commerce as another medium for exchange which is subject to the same rules and regulations as conventional transactions.

2.2. Classification issues related to GATS modes of supply

There is a general view that the electronic delivery of services is covered by the GATS (WTO, 1999). However, there is as yet no agreement on conceptual ground on how to treat international e-commerce in services in the context of GATS modes of supply.

² To complete any e-commerce transaction, several infrastructure services are needed: communication services, advertising services, computer application services, delivery services and payment services (E-commerce, EU, 2000). These services can also be traded electronically across borders. It is sometimes difficult to draw the line between infrastructure and content aspect of some services.

³ E-commerce is one way of doing business among others. There is no GATS sector for e-commerce, as it is a process that many sectors can utilise (Arkell, 2001:17).

Solutions are being sought and most of them have provisional character. Although the delivery of services by electronic means can take place in any of the four modes of supply set out in the GATS framework, the experience so far shows that cross border trade (mode 1) and consumption abroad (mode 2) dominate. Therefore, the main issue is whether e-commerce in the services should be treated as a cross border trade (mode 1) or as a consumption abroad (mode 2)⁴.

The alignment of e-commerce between the two modes of supply bears implications not only on regulatory jurisdiction and on taxation but also on the scope of liberalisation of trade in services under GATS (national schedules determine under which mode there are market access or national treatment commitments for each service)⁵. It is not surprising though, that there exist different interests among groups of countries as to the treatment of e-commerce.

Even if trade policy considerations are put aside, the dilemma about the alignment of e-commerce transactions to modes of supply is not easily resolved especially referring to cyberspace operations. In some cases, it is not easy to determine the location of the supplier or the consumer of services supplied electronically. The Draft Annex to the Manual on E-commerce and International Trade in Services (2000) proposes a simplified approach to allocating e-commerce transactions to modes of supply based on the physical location of the consumer and the supplier at the time the transaction is carried out. This seems to be quite a reasonable solution, especially taking into account its simplicity in most cases.

The above considerations show that the solutions to definitional and conceptual problems related to electronically traded services are evolving gradually. As they are important not only from the point of view of measurement of e-enabled trade in services but also from the point of view of the scope of liberalisation of trade in services under

⁴ An example of electronic delivery of services in mode 3 is when a foreign bank offers e-banking services to the residents of the country. Likewise, when computer programmer moves to another country and offers services electronically, such e-commerce can be classified under mode 4 (Panagaryia, 2000:964). It can be expected that owing to the expansion of FDI in services mode 3 of services delivery may become more important also in terms of e-commerce. For the time being the most relevant modes of delivery for e-commerce are cross-border supply and consumption abroad.

⁵ Most commitments were made for mode 2 in tourism and for mode 3 (commercial presence).

GATS, the WTO and other international organisations should made greater efforts to speed up the process of concensus building.

3. Opportunities for E-enabled Trade in Services in the CEC

3.1. Identifying the potential for e-enabled trade in services

Although the electronic commerce facilitates international transactions through elimination of distance and through increased efficiency of the operations most e-commerce transactions remain within national borders (Coppel, 2000:18). The ability to supply services cross-border seems to be a necessary prerequisite for growth of e-enabled trade in services, and requires adequate services (see footnote 2). Not all services can equally be traded by electronic means and empirical evidence so far confirms that. Nevertheless, the Internet expanded opportunities for trade in services locally and globally. Many new services appear that can be traded electronically across borders and traditional services are being transformed due to advanced technologies (customized software, back office services, webdesign and management, customer call centres, medical records management, credit card authorisations).

Electronic delivery already plays an important role in many service sectors and is probably the dominant means through which cross-border trade in services other than transport takes place. Computer and data services, telecommunications, financial services, business and professional services proved to be the first to seize the opportunities of e-commerce. In 1999, US\$ 375 billion of these services were exported and to a large extent electronically (or 30 percent of world trade in services) (Matoo et al., forthcoming).

The debate on e-commerce potential for trade in services addresses different aspects: from policy issues and related international trade rules which would apply to it, taxation and safety issues, quantitative assessment, (Bacchetta et al., 1998, Panaragiya, 2000, Matoo et al., forthcoming). The discussion on the prospects of utilizing the potential for e-enabled trade in services tend to focus primarily on the availability of telecommunication infrastructure and related services as the key issue. The availability

of e-tradable services is mostly put aside in the debate, except of a few authors (Panagariya, 2000: 969).

The distribution of potential benefits of e-enabled trade in services across the countries is not getting due attention, although the issue bears implications upon trade policies and GATS negotiations. For individual countries to be able to exploit the potential benefits of e-enabled trade in services two aspects have to be considered: *infrastructure aspects* (telecommunication networks and infrastructure services) and *content related aspects* (availability and competitiveness of services that can be traded electronically). As countries differ in both aspects, it can be assumed that also benefits of e-enabled trade in services will differ across countries. As established by Panagariya (2000: 969) it is likely that for many developing countries the demand and supply factors (for goods and services potentially traded over the Internet) do not promise large gains, at least in the foreseeable future.

The main hypothesis of the paper is that, other things being equal (technical accessibility to telecommunication infrastructure, availability of infrastructure services, regulatory framework) countries where high quality e-tradable services are available to a larger extent are in a much better position to take advantage of e-commerce in services trade than those, which rely mostly on location bound services.

In Central European countries the perception of e-commerce potential to increase international trade in services ranges from vague awareness to excessive optimism related to everything linked to the Internet and e-commerce. Empirical research and analysis, which would address trade in services related to e-commerce, is lacking⁶. To that end, the following is an elementary effort to improve the understanding of e-commerce potential for services trade with particular reference to Central European countries.

Empirical data on the e-commerce generally do not distinguish transactions in services or digitised products. Data refer to total e-commerce transactions and not separately to

⁶ The survey of service literature related to new information and communication technologies and services for the period 1997-2001 in Slovenia confirms that (Stare, 2001).

the international transactions. Definitional and conceptual uncertainties related to e-enabled trade in services additionally hamper the evaluation of its volume. In this regard, the work by Schuknecht (1999), further developed by Matoos, Perez-Esteve, Schuknecht (forthcoming) provided for the identification of services, which are already largely traded electronically and for the quantitative assessment of the potential of e-commerce for international trade in services. The above analysis serves as a basis for assessing the scope of the CEC e-enabled services trade.

3.2. The main features of the CEC e-enabled services trade

It is widely accepted that services are the future of any countries' integration into the ongoing internationalisation of trade. This applies particularly to the transition economies that for long years had favoured the expansion of the manufacturing over the services sector (UNECE, 2001). Notwithstanding the progress achieved in the nineties, the level of services development in the CEC lags behind that of the EU member states. Main shortcomings and imperfections refer to the lower efficiency and quality of services in the CEC, to the insufficient competition on the market, as well as to the composition of value added of service sectors. The latter is dominated by traditional service sectors (transport, trade, hotels and restaurants) while the share of financial and business services is much lower compared to EU average (Stapel, 2001). These shortcomings explain why dynamic developments in the CEC service sector are not reflected in exports of services (Stare, Zupančič, 2000).

Starting from the main hypothesis of the paper it is assumed that the characteristics of the CEC service export portfolio decisively influence their potential for e-enabled trade in services and accordingly also the benefits. In this regard, we examine to what extent the present structure of the CEC' service exports determines their potential for the expansion of service exports through e-commerce⁷.

Although the volume of CEC' service exports has increased since 1993, the growth could not match that of goods exports. As a consequence, the share of services in total

⁷ No data on e-enabled trade in services is available. Statistical surveys and estimates of consulting groups are concerned primarily with the growth of e-commerce transactions in general which double every 12 to 18 months (Coppel, 2000:7). IDC reports that the revenue from e-commerce transactions is expected to increase in the CEC from US\$ 100 million in 2000 to US\$ 650 million in 2001 (data refer to Czech Republic, Slovak Republic, Hungary and Poland).

exports of goods and services of the CEC has declined from 23.4 percent in 1993 to 20.8 percent in 1999 (Table 1). Such trend is valid for all countries examined except for Bulgaria and Estonia. Breakdown of the CEC service exports by main categories shows further deficiencies. In the period analysed the largest shift occurred in the increasing share of travel services and in the declining share of other services.

Table 1: The CEC Service Exports by Main Categories, 1993 and 1999, percentages

		Services in total exports*	Transportation services	Travel	Other services	Services
Bulgaria	1993	23,9	36,9	26,2	36,9	100,0
	1999	30,8	29,2	52,1	18,8	100,0
Czech Republic	1993	24,9	26,3	33,0	40,7	100,0
	1999	20,9	22,3	43,8	33,9	100,0
Estonia	1993	29,2	66,6	14,9	18,5	100,0
	1999	37,8	47,0	36,8	16,2	100,0
Hungary	1993	25,9	2,3	41,9	55,8	100,0
	1999	20,5	10,1	60,1	29,8	100,0
Poland	1993	23,6	48,8	3,5	47,7	100,0
	1999	22,0	28,6	37,5	33,9	100,0
Romania	1993	14,0	36,4	24,7	38,9	100,0
	1999	13,8	39,1	18,5	42,4	100,0
Slovak Republic	1993	26,2	23,7	19,8	56,5	100,0
	1999	15,7	36,5	24,3	39,2	100,1
Slovenia	1993	18,6	32,0	52,7	15,2	100,0
	1999	18,0	27,4	50,2	22,4	100,1
CEC 8	1993	23,4	30,0	26,2	43,8	100,0
	1999	20,8	25,5	43,2	31,3	100,0

*Exports of goods and services

Source: BOP Statistics Yearbook, Part I: Country Tables, IMF, 2000,

While the tendencies in individual service categories may differ across countries, it is obvious that exports of travel and transportation services account for the bulk of the total services exports (it ranges between 58 percent and 84 percent) and that other services lag in the export propensity. In the contrast to the trends in the CEC, world exports of other services marked the most dynamic growth of all services, fuelled particularly by strong growth in developed economies. As a result, the share of other services in the CEC service exports amounted to 31.3 percent in 1999, compared to

approx. 47 percent and 44 percent for the EU and world respectively (BOP Statistics Yearbook, 2000).

To assess the potential for e-enabled service exports from the CEC more precisely we excluded travel and transportation services from further consideration, although they refer to the mode 2 and the mode 1 of services delivery (Karsenty, 2000). Some segments of travel services can be traded electronically (information seeking, on-line booking of travel, on-line gambling, education) however the bulk of these services are location bound and refer to the consumption of non-residents of different services (hotels and restaurants, recreational and cultural services)⁸. In transportation, too, some supplementary services can be supplied electronically, however, the prevailing part of transportation services relates to the physical movement of goods from one country to another. The category of other services seems to be the most suitable for electronic commerce. We took into account only those sub-categories of other services, which are already to a large extent traded cross border over communication networks, as established by Schuknecht (1999), Matoo, Perez-Esteve, Schuknecht (forthcoming) to evaluate the potential scope of e-enabled service exports by the CEC.

Data on the exports of communication services, financial services, computer and information services and other business services in Table 2 show that the value of the CEC exports of these services in 1999 amounted to US\$ 7.4 billion representing a quarter of total service exports of the CEC. At present, this is the potential for e-enabled exports of services by the CEC if all exports of the above mentioned service categories would be traded electronically. Compared to e-commerce potential for world trade in services of US\$ 375 billion (Matoo, Perez-Esteve, Schuknecht, forthcoming), the share of the CEC is modest and amounts to approximately 2 percent. The composition of the CEC service exports which could potentially be traded electronically, is highly concentrated on other business services. These marked very poor export record in the period 1993-1999. In fact, the CEC exports of other business services declined significantly. Communication services, financial services, computer and information services play only a minor role in the CEC service exports.

⁸ In tourism services pre-purchase and purchase stage of the transaction can be performed electronically cross border while for the delivery of services to take place the consumer has to move.

Table 2: E-tradable Services in the CEC Service Exports, 1993, 1999
US\$ thousands

		Services	Commun. services	Financial Services	Comp.inf. Services	Oth. Busin. Services	Potentially e-tradable	% of e-tradable
		1	2	3	4	5	6=2+3+4+5	7=6/1
Bulgaria	1993	1171	...	...	...	431,9	431,9	36,9
	1999	1786	29,4	26,2	...	215,4	271	15,2
Czech Republic	1993	4721	366	448	...	1040	1854	39,3
	1999	6929	100	293	65	1253	1711	24,7
Estonia	1993	335	8,5	0,5	...	26,7	35,7	10,7
	1999	1490	25,7	12,1	14,8	152,1	204,7	13,7
Hungary	1993	2836	...	7	...	1474	1481	52,2
	1999	5650	78	150	86	1101	1415	25,0
Poland	1993	4201	...	151	...	1851	2002	47,7
	1999	8462	376	725	31	1288	2420	28,6
Romania	1993	799	...	29	...	282	311	38,9
	1999	1365	92	56	24	280	452	33,1
Slovak Republic	1993	1939	...	...	...	1096	1096	56,5
	1999	1899	52	50	35	474	611	32,2
Slovenia	1993	1392	5,3	7	4,4	185,4	202,1	14,5
	1999	1899	24	13,2	54,6	247,6	339,4	17,9
CEC 8	1993	17394	379,8	642,5	4,4	6387	7413,7	42,6
	1999	29480	777,1	1325,5	310,4	5011,1	7424,1	25,2
EU 15	1993	440965,8	5047,0	37244,8	5483,8	87958,5	135734,1	30,8
	1999	590777,2	12448,7	47535,1	19596,3	137947,9	217528,0	36,8

Source: Calculated on the basis of BOP Statistics Yearbook, Part I: Country Tables, IMF, 2000, Eurostat 2001.

It is believed that with the progressive uptake of information-communication technologies and improved infrastructure services for e-commerce the CEC exports of electronically tradable services will increase to a larger extent. Looking from the perspective of trends since 1993 in the CEC exports, the prospects are not bright. The CEC exports of electronically tradable services in 1993 amounted to almost the same value as in 1999, while their share in total service exports declined significantly from approx. 43 percent to only 25 percent. Diminishing share of e-tradable services in service exports is characteristic for all the CEC analysed, except for Estonia and Slovenia. The latter increased the share of e-tradable services in service exports however this share remains very low. In contrast to the CEC, the European Union countries have in the same period dynamically increased the value of exports of e-

tradable services to amount to US\$ 218 billion in 1999. Accordingly, also the share of e-tradable services in total EU exports of services increased to 37 percent (Table 2).

How can these unfavourable tendencies in the CEC exports of e-tradable services be reconciled with presumed large opportunities to be captured from e-commerce? When assessing the scope for e-enabled services trade, it is not sufficient to rely upon technology determinants and infrastructure services only, in spite of the fact that e-commerce development in the CEC is still in its early stage. Recent experience of the CEC reveals that although there was significant advancement of infrastructural and technological support for e-enabled trade in services this was not sufficient to increase the exports of e-tradable services. It seems that the main reason is poor availability and competitiveness of services that can be traded electronically, coupled with difficulties in marketing of services abroad. Therefore also the liberalization of trade in services cannot provide much impetus to CEC exports of e-commerce relevant services.

In the past, the CEC did not pay much attention to the upgrading of services toward high value added and to the broadening of service export portfolio with information and knowledge intensive services. In most transition economies the services trade was considered primarily as a generator of foreign exchange surplus needed to compensate for the deficit in goods trade. The surplus in travel⁹ and transportation services¹⁰ trade has traditionally served to that end. Consequently, the diversification of service exports was not enhanced and a trade policy in services was not considered as important from development perspective. The imports of high quality producer services were restricted, thereby decreasing the utilisation of dynamic efficiency gains from trade in services (Stare, Zupančič, 2000). The above accounts for poor availability of e-tradable services in the CEC.

As to the marketing issue, the evidence so far suggests that although the Internet improves significantly the access to information, relevant for marketing of services abroad, the factors that hinder marketing of services from the CEC in general, are not

⁹ Most transition economies had in the past very restrictive policy in regard to travelling abroad for their citizens. As a result travel expenditures were very low enabling surplus in trade.

¹⁰ Due to transit geographical location of many CEC.

dismantled by e-commerce per se. They remain and relate to the brand names development and their visibility, to the deficient knowledge, skills and expertise related to marketing of services abroad, to the organisational structures, to the language barriers¹¹. Given the insufficient experience of the CEC with services marketing and the lack of competitive market pressures in the past, the overcoming of such barriers will take time and require efforts from businesses and supportive government policies.

Also in the case of SMEs, it is believed that e-commerce improves the access of SMEs to export markets through the use of low-cost tool for trade. Although e-commerce brings benefits in service exports for SMEs, the marketing costs remain disproportionately large for them compared to the value of export they are able to supply¹². SMEs cannot utilise economies of scale to such an extent as large enterprises.

At present the scope for e-enabled exports of services from the CEC is rather modest and the chances to increase the supply of e-tradable services do not seem very promising. The CEC will have to dismantle many barriers to the cross border marketing of services and to enlarge the capacities in high-value added services to take advantage of e-enabled services trade.

4. Main observations

To stimulate the diffusion of e-commerce in the CEC a broader supportive environment needs to be established including telecommunication infrastructure, Internet access services, supply of educated and skilled workforce, electronic means of payment, legislation on electronic signature, safety of e-commerce. It can be assumed that the above framework and further development of e-commerce techniques will enable more

¹¹ The interviews in Slovenian firms supplying computer and information services reveal that invisibility of brand names presents the most serious obstacle for exporting services. The Internet does not change that. Even if services supplied are sophisticated and of high quality, the Slovenian firms claim they are disadvantaged on the ground of lack of references and of larger perceived risks by partners from developed countries. On the other hand, Slovenian firms, which supply services to multinational computer and software firms as subcontractors are under constant pressure to accommodate their prices to low-cost suppliers from developing countries. This is very difficult, since the wage level in Slovenia is the highest in transition economies.

services to become e-tradable and thus open new opportunities for the CEC service exports (e.g. health services). At present, the utilisation of e-commerce potential in the CEC services trade is hampered by deficient e-tradable service export portfolio. Tourism and transportation services which constitute the largest part of the CEC service exports, and in which these countries have comparative advantage, are e-tradable only to a minor extent. However, the share of tourism and transport services traded electronically may increase in the future.

To summarize, the CEC will be able to reap only modest benefits through e-enabled service exports in the future if the range of services that can be traded electronically is not enlarged and their competitiveness upgraded. This fact cannot be ignored also in the forthcoming negotiations on the liberalisation of trade in services.

The experience of the CEC in the late nineties in general shows that they have made significant and dynamic improvements in telecommunication infrastructure, in adoption of new technologies and in the Internet access services owing also due to the conducive policies to that end. On the other hand, the structure of service exports towards e-tradable services has not changed much. Even more, in most CEC the share of potentially e-tradable services in service exports has decreased in the period 1993-1999. This is to a certain extent also the result of the fact that policies, which would actively encourage capacity building in information and knowledge intensive services were not in place or were not attributed priority.

Taking into account the above facts, e-commerce should not be regarded as a panacea for improving competitiveness of service exports. Opportunities provided by e-commerce for service exports can be captured only if policy is geared towards improving the export potential in e-tradable services. Due to the neglect of the service sector in transition economies in the past, there is a need to systematically improve factors, which determine and accelerate services development. In that context, the upskilling of human capital and regulatory reforms aimed at establishing competitive

¹²The size of the SMEs differs across countries. While in developed countries the SMEs refer to enterprises with less than 100 employees, in some CEC it refers to enterprises with less than 50 employees. In Slovenia, for example, the majority of SMEs have less than 10 employees.

market for services are needed (Stare, 1999, OECD, 2000:36). Competition is important for the supply of both traditional and new ICT related services.

The modernisation of the service sector in transition economies will take time and in this respect, FDI can be instrumental (Arkell, 2001:18). The potential of FDI for transition economies lies in dynamic effects through the transfer of specific knowledge and skills, in improvement of the quality and range of services and in increased efficiency of economy via inter-industry linkages (Kostecki, Pietras, 1996, Stare, 2001:32).

Enhancing the development of service sector in the CEC is of utmost importance also from the point of view of trade policy. Modest current availability of e-tradable services in the CEC could entail more cautious approach of these countries in regard to the treatment of e-commerce within GATS negotiations (e.g. to support the categorization of e-commerce under cross border mode of supply, in which fewer commitments were provided in national schedules compared to consumption abroad mode). Nevertheless, the CEC have to take into account that e-commerce provides for broad efficiency gains, including via services imported electronically. It enables them to secure high-quality services from abroad more easily and at lower cost thus increasing the competition on domestic market and the pressure to adapt on domestic suppliers. The share of other services in the CEC service imports (as an approximation for e-tradable services) has been increasing throughout the nineties and in 1999 on average amounted to 57 percent of service imports, which further confirms broader scope of gains from e-commerce in the CEC service trade.

The paper addresses a specific issue of e-commerce potential in services trade for the CEC, although the findings might also apply to other transition countries and to the developing countries. The analysis helped to identify the scope of e-commerce for the CEC services trade and to improve the understanding of its potentials in different service categories. However, the observations presented are of tentative character and require further in-depth research. It is hoped that the paper will stimulate discussion on the topic and contribute to evolving debate on trade related aspects of e-commerce. Issues to be addressed and explored in the future abound: e.g. on how cross border e-

trade in services will affect FDI in services, implications of e-commerce for existing FDI in services and downsizing of local production of services.

The challenges facing the CEC in the e-enabled trade in services are manifold. To take fuller advantage of the opportunities provided by e-commerce in services trade, the CEC will have to balance infrastructure related aspects and content related aspects, which will require comprehensive and well-coordinated policies.

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