

# Electronic Commerce and Developing Countries

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## UNCTAD E-commerce Initiatives

- Raising awareness;
- undertake analytical study;
- Provide technical assistance;
- Training of human resources;
- Goal: help developing countries to build confidence in embracing electronic commerce and formulate appropriate policies and development strategies fitting into their own special conditions.

## Electronic Commerce and Development Report 2001

### Brief discussion on the trend

- Debate on the “new economic paradigm”
- Two Extremes
  - ICT could deliver ever high rate of inflation-free growth; Business cycle dead;
  - The dotcom crash declared the death of the new economy
- Attempt to answer three questions:
  - What lessons for the future of the digital economy can be learned from the Internet crash?
  - What assumption of the business models of failed dotcoms were wrong?
  - To what extent will ICT and the Internet change the different sectors of the economy?

## Measuring Electronic Commerce

- The need of e-commerce statistics to measure the impact of ICT on economic development.
- comparable and predictable e-commerce statistics to measure international competitiveness, identify the number of qualified people to advance each country's investment needed to provide business with access to the Internet.
- Indicators - the need to develop common approach taking into account standard developed by different international organizations.
- prospects for developing countries.

## A Computable General Equilibrium Analysis

- UNCTAD's quantitative analysis focuses on the impact of E-commerce on the global economy by looking at two scenarios:
- Assuming developing economies continue to fall behind technologically.

Developed countries welfare gains US\$ 117 billion.

Developing countries except Asia lose US\$ 726 billion largely.

- Convergence in productivity in services sector (i.e. catching up with developed countries).

Developing countries will increase external competitiveness, increase output, wages and welfare. A 1% productivity growth in services in Asia will result in:

Welfare gain	US\$12 billion
GDP growth	0.4%
Wage increase	0.4%
Service export growth	2-3%

## E-tourism for Developing Countries

- Developing countries tourism income US\$131 billion (1999).
- Important sources of foreign exchange and job creation.
- International tourism intermediaries with little physical facilities, control general terms and conditions throughout the value chain.
- E-tourism provide an opportunity to change the situation and create a more dynamic and networked industry, disintermediate and deconstruct the value chain.
- Creating consumer confidence by offering quality information, tailoring the products to consumer need and competitive prices
- Establish a business Website to provide comprehensive and flexible tourism products.
- Reorganize national tourism offices or destination management organizations to provide technical support and training as well as negotiating terms and conditions with local financial institutions for securing online payment facilities.

## B2B Electronic Marketplaces

- In spite of dotcom crash, B2B e-commerce continue to grow, likely to play a pivotal role in e-commerce.
- What is an E-marketplace - platform that bring together many buyers and sellers not only to exchange goods and services, but also share a variety of value-added services.
- The benefit to enterprises
  - Reducing transaction cost by minimizing searching cost.
  - More efficient processing transaction by online auctions, online processing of invoices, purchase order and payments.
  - Eliminating the role of intermediaries.
  - Increasing price transparency.
- Attempt to find opportunities to participate in B2B E-markets in sectors where they have a significant presence.
  - Tourism.
  - Commodities such as coffee, tea and cotton.



## Digital Government

- E-government practices allows government to achieve significant saving in areas ranging from procurement to personnel management.
- Improve quality of services provided to citizens.
- An incentive for enterprises to adopt e-business practices, thus spreading the efficiency gains to the economy as whole.
- The objective is to build comprehensive government portals that people can use to find information to carry out transactions without having to deal directly with the various agencies.
- Involve a radical cultural change for many organizations, change in resource allocation priority, change in business process.



## Legal and Regulatory Issues

- Can E-commerce be regulated? This question can be put in another way.
- Does E-commerce need rules? The answer is definitely “Yes”.
- Existing laws provide no rules to deal with electronic commerce.
- In many countries, electronic contracts have no legal status.
- Electronic signature is not recognized.
- An e-commerce transaction may involve parties across borders of several countries.
- Like all business transactions, rules for dispute settlement is a key element for building trust.
- Attempt to address a selected priority legal issues that will help to facilitate e-commerce:
  - Online solution to online dispute
  - Defining the jurisdiction
  - Applicable law
  - Data protection
  - Legal recognition of electronic signature
  - cyber taxation

## Managing Payment and Credit Risk Online

- Developing countries face difficulties of high initial costs of introducing online payment system which is a prerequisite for e-commerce.
- Anticipated rapid, profound change in the system of financial services and intermediation, rapid growth of online payment, e-financing, online credit risk.
- Substitute electronic payment forms - such as automated clearing house (ACH), smart card with multifunctional chips, secure electronic transaction (SET) software, society for worldwide inter-bank financial telecommunication (SWIFT).
- New ways to secure financial transactions and financial stability - A tough task to find modern risk management tools and establish appropriate regulatory system to protect financial stability.
- E-finance for developing countries. Companies in developing countries need to register in local, regional and global Internet based commercial risk databases. Require substantial enhancement of companies registries, public courts, accountancy and audit.

## E-logistics: Delivering the Goods in E-commerce

Inefficient logistic services constitute a major constraint hindering the development of e-commerce.

Major problems are:

- Disparate documentation requirement.
- The task of harmonization of customs procedures and tariff classification system.
- Different custom valuation system.
- Lack of transparency in regulations.
- Customs administration poorly equipped.
- Limited use of automation and information technology in trade facilitation functions.

## E-logistics: Delivering the Goods in E-commerce

### The way forward:

- Enhance and improve harmonization of commodity tariff.
- Automated trade processing, custom declaration system.
- Harmonize and simplify trade facilitation regulations and procedures.
- Encourage greater transparency in trade processing activities.
- Promote greater integration of software application for logistic function (e.g.XML), promote partnership.
- Provide technical cooperation programmes to developing countries.

## Opportunities for Least Developed Countries

Can e-commerce be part of an LDC development strategy?

- A survey of 10 LDCs countries has given definitive answers.
- E-commerce could strengthen LDCs competitive position in international market by substantially reducing transaction cost (e.g. transport cost 40%), providing opportunity of diversification.
- E-commerce niches:
  - The survey discovered success stories of dynamic entrepreneurs in LDCs by using developed county-based bank service and Internet service providers to develop their web platform or using network agents such as restaurants as their distributors;
  - “offline teleservicing” including transcription services, data input, software development, remote access server maintenance, web development, creation of databases, digitization of old documents, translation and editing;
  - The need of a government strategy to promote E-business culture and human resource development.

## China's ICT Strategy and E-commerce

- A government-driven strategy to construct the information highway, materializing in the launching of the golden projects, resulting in rapid improvement of ICT infrastructure;
- Internet users double every six months, most of them for obtaining information, e-commerce not very significant, representing 0.87% of GDP;
- Constraints include high Internet access cost, restrictions on Internet services, lack of nationwide credit card system, slow and uncertain delivery, network insecurity;
- China's commitment in the WTO will spur e-commerce development;
- The role of private sector in e-commerce will become more active, coupled with government initiative and anticipated foreign investment will allow China to become a key player in e-commerce, matching its success in international trade.

**Thank you for your attention**

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**<http://www.unctad.org/ecommerce>**

