

E-Commerce and the Role of Governments

Speaking Notes

**World Services Congress 2001
Plenary Session IV: Challenges of the New Economy**

by

The Honourable Sergio Marchi

**Ambassador, Permanent Representative of Canada
to the Office of the United Nations at Geneva,
and to the World Trade Organization**

Hong Kong, 21 September 2001

CANADA

World Services Congress 2001
Plenary Session IV : Challenges of the New Economy
21 September, 2001 (Friday)
10:45-12:15

E-commerce and the Role of Governments

Introduction

- Thank you very much for the invite to participate in this fourth plenary session of the Forum on *Challenges of the new economy*.
- This congress is a **dynamic gathering**, and I am pleased to be part of it.
- In today's discussion**, I would like to **focus on electronic commerce** as one aspect of the new economy. And more precisely, to address the **role of governments** in relation to e-commerce.
- As you know, better than I, **e-commerce is changing and reshaping** business and the way it is conducted.
- And, the public sector, both at the domestic and international levels, has an **important role** to play at this juncture.
- I believe the role of governments is three-fold. They should:
 - i) First, endorse e-commerce as a tool for **increased competitiveness**;
 - ii) Second, create the right **domestic and international environment** for the use and development of e-commerce;
 - iii) And third, **cooperate** with other governments, and **redefine the public-private partnership** by bringing together governments, the business community and civil society.
- Let us examine these three points individually.

i) Endorse e-commerce as tool for increased competitiveness

- Taking first the need to recognize and endorse e-commerce as a tool for increased competitiveness**, although many businesses have understood the potential of e-commerce, governments have a crucial leadership role in encouraging the adoption of this new means of doing business.
- E-commerce should be seen as a **win-win** opportunity for both developed and developing countries, as well as for big and small entrepreneurs.

- **Small- and medium-sized enterprises** (SMEs) especially have much to gain from e-commerce. Through information and communication technologies, SMEs gain rapid access to new markets and new suppliers at lower costs, while reducing the need and dependence on intermediaries.
- Developing countries are also increasingly of the view that e-commerce provides them the opportunity to **leap-frog** differences in development and to compete in today's global economy.
- Obviously, our efforts need to focus on seeking ways to bridge the existing **digital divide** between those who are able to take full advantage of the information and communication technologies, and those who are not so fortunate.
- Bridging the digital divide is ensuring that new technologies are accompanied by **opportunities, inclusion and empowerment** for all.
- In Canada, the Government has focused its efforts in the area of e-commerce to ensure precisely these 3 features for our citizens.
- In this regard, Canada's domestic strategy has particularly stressed connectedness in remote communities of our vast country, as well as in less-favoured socio-economic spheres of Canadian society.
- Governments must also tackle another type of divide □ a divide that one African CEO characterized recently as a □ **mindset divide** □. This divide pervades enterprises, big and small; nations, developed and developing.
- The □ **mindset divide** □ prevents individuals, companies or even nations as a whole, via reluctant governments, to **harness the potential of e-commerce**.
- This divide is not based on resources. It is based on **attitudes towards change, entrepreneurship, and innovation**.
 - On one side of the mindset divide are those who insist on the *status quo*, □ **business as usual** □, despite the new technologies. These people insist on continuing to use the □ **old** □ means to participate in the □ **old** □ economy, in part to protect their own vested interests and advantages.
 - On the other side of this attitudinal divide are those who, not only harness and adapt to innovation, but are indeed themselves **innovative and entrepreneurial**.
- It is precisely to tackle issues such as this □ **mindset divide** □ that the Government of Canada is committed to stimulate and nurture a **culture of innovation across Canada**.
- I believe that governments must recognize the benefits of e-commerce, and **contribute to changing attitudes** in consumers, business people and within the governments themselves, that is encourage the use of e-commerce and of new technologies to increase competitiveness.

ii) Create the right environment

- Second, Governments need to create the right environment for the use and development of e-commerce, domestically and internationally.
- In other words, governments should be **facilitating e-commerce** and access to the new technologies, not impeding their development.
- At the same time, the right of □ and indeed the need for □ governments to **regulate** must be acknowledged.
- We are therefore constantly faced with the difficult task of striking the **right balance** between regulation and *laissez-faire*.
- Regulation, or at the very least government involvement, is particularly relevant to face one obvious and pressing challenge for the development and sustainability of e-commerce.
- We need to build Internet users □ **trust and confidence** in this powerful and relatively new means of conducting business by addressing key issues such as privacy, data security, and authentication.

WTO and Trade Rules

- Governments also have an important role to play in supporting the use and development of e-commerce through their active **participation in the international trading system**.
- In this regard, many areas of the WTO □s work are relevant to e-commerce.

A) Services

- **Let us start with the services area, where an e-commerce transaction involves a number of infrastructural services.**
- Telecommunication services are fundamental to e-commerce. The continued **liberalization of telecommunications** should be encouraged to help reduce Internet access costs and favour the development of a high-quality infrastructure.
- Liberalization of **other services** such as computer and related services would also contribute to the growth and development of electronic commerce.

B) Goods

- **In the trade in goods area**, Governments should promote the use and development of e-commerce, notably by **reducing costs of access to technology**, through the liberalization of trade in software and hardware.
- The WTO □s Information Technology Agreement (ITA) was signed in 1996, and requires the 56 signatories to eliminate customs duties on a wide

range of IT products. There are also efforts under way to expand the product coverage of the ITA through a process known as □ITA II□.

C) Protection of Intellectual Property Rights

- **And in regards to intellectual property**, the Internet is one of the most striking developments affecting IP rights in recent years.
- The Internet affects IP in at least three ways.
- First, while the Internet facilitates the legal and *bona fide* trade and distribution of IP products, it also constitutes a **fertile terrain for misuse** and violations of IP rights.
 - Second, the Internet is a borderless world, whereas the intellectual property rights are territorial.
 - Third, the **efficacy of enforcement** measures to protect IP rights on the Internet is, paradoxically, challenged by the efficacy of Internet itself.
- Given these pressing challenges, Governments must ensure, through appropriate regulation, that the growth and development of e-commerce do not undermine intellectual property rights and the purpose they serve.

D) Doha Objectives

- In addition to the liberalization of trade in goods and services, and efforts to protect intellectual property rights over the Internet, the **4th WTO Ministerial Conference** in Doha (Qatar) is a great opportunity for Governments to contribute to creating a favourable environment for e-commerce.
 - The WTO Ministerial Conference will take place in less than 40 working days in Qatar. And, believe me, people in Geneva are counting those days.
- When WTO Trade Ministers met in Geneva in 1998, they adopted the *WTO Declaration on Global Electronic Commerce*. This Declaration included a **work programme** on e-commerce as well as a **moratorium** on the imposition of customs duties on electronic transmissions.
- Although we have made considerable progress in understanding e-commerce and how WTO rules apply to it, more work remains to be done. That is why, in Doha, WTO Members should **support the reinvigoration of the 1998 work programme on e-commerce**, with an **appropriate structure** to examine cross-cutting issues such as the classification of electronic deliverables that have a physical equivalent.
- WTO Members should also agree to extend the current practice of **not imposing customs duties** on electronic transmissions, since this practice fosters the use and development of e-commerce.

- To conclude with Doha deliverables, or □*Dohables*□ (!), WTO Members should recognize that the issue in the WTO is not **if** existing WTO rules apply to e-commerce, but rather **how** they apply.

iii) Cooperate and redefine public-private partnerships

- **This brings me to my third and last point on the role of governments as it relates to e-commerce.**
- Namely, governments should **cooperate** in developing their approach to e-commerce, and need to **redefine the public-private partnership**.
- As I reflected in the WTO context, **how** international organizations approach e-commerce is very crucial.
- Given the very nature of governments and international organizations, they are often **challenged by the need to react** to new ideas and concepts.
- E-commerce is one such challenge. On the one hand, the **technology evolves** at a sometimes dizzying pace □ even for the technical experts. On the other hand, the governments need to take their time in dealing with the fast-moving issues, to make sure they get it right.
- That is why, I believe, governments and international organizations need to **coordinate** their work and enhance the mutual understanding of their respective work as it relates to e-commerce. The issue of coherence is an important variable in the equation.
- The recognition of the role of the private sector -- that is business and civil society -- in the area of e-commerce is also of vital importance.
- International organizations and governments, faced with the challenges of e-commerce, therefore need to **redefine the public-private partnerships**.
- G-8 Leaders recognized this in Okinawa last year when they launched the **DOT.force** initiative aimed at fostering a broad international approach to e-commerce and help bridge the digital divide.
- The G-8 **DOT.force** successfully brought together representatives from civil society, the public sector and the business community.
- This past July in Genoa, G-8 Leaders endorsed this model of public-private partnerships as □a unique formula for ensuring that digital technologies meet development needs.□
- A similar approach has been taken in the discussions of e-commerce in the Free Trade Area of the Americas. The FTAA Joint Government-Private Sector Committee of Experts on E-commerce is a means for sharing information on domestic approaches, and to consider how best to facilitate e-commerce in the Americas.

- I believe that governments and international organizations can benefit greatly from such approaches, by listening to what the experts and civil society operating in the field have to say.

Conclusion

- In closing, the world of e-commerce, like international trade, is sometimes seen by some as a threat rather than as an opportunity, as an **intimidating technology** rather than as the **empowering technology** that it is.
- We must honour government leadership, based on a **clear understanding of e-commerce**, an understanding that is enhanced by an effective public-private partnership.
- Governments therefore have a crucial role to play in this fast-moving future that has already well arrived. They need to provide **comfort and reassurance**, while offering **leadership and resolve**.
- I hope I will have triggered a few thoughts and I look forward to your views.