

CURRENT DEVELOPMENT IN ECOMMERCE AND EBUSINESS

....the need
to think globally and
....act bilaterally



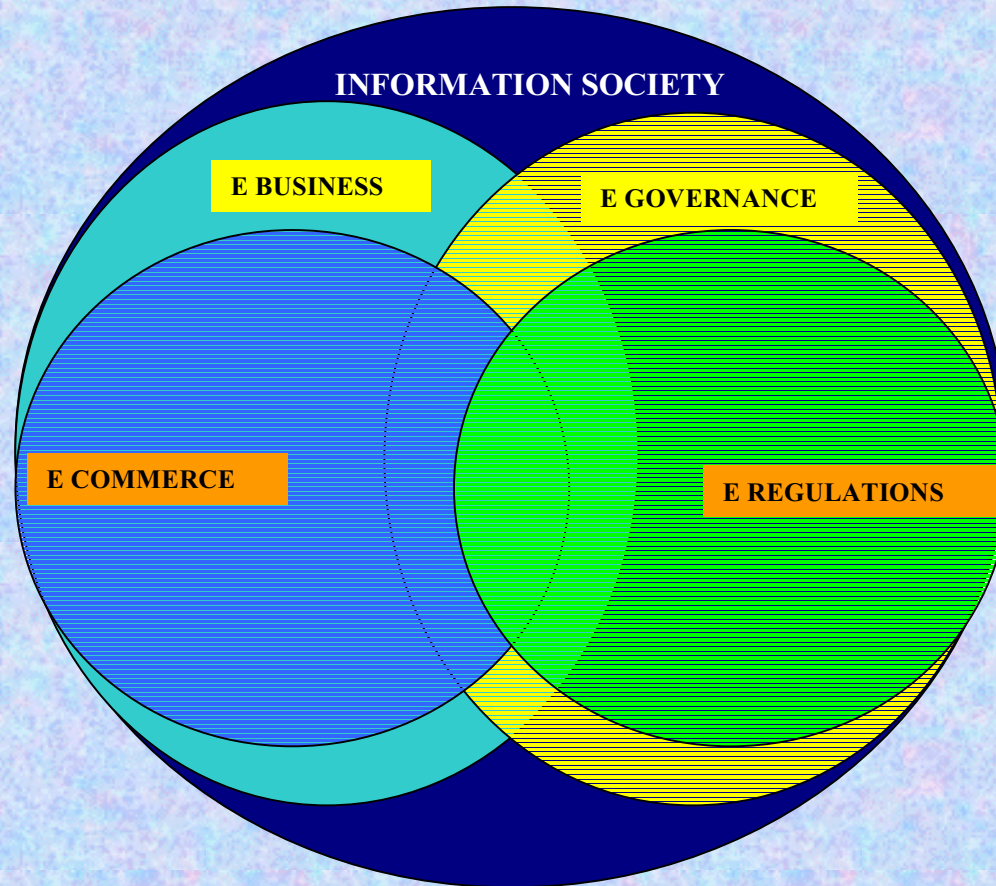
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EBUSINESS AND ECOMMERCE

THE INTERPLAY PARADIGM



THE PROMISE OF TECHNOLOGY

IMMENSE POSSIBILITIES : VYING FOR ATTENTION

- ✓ Create truly global market places. With more information and easier access than conventional markets - B2C Portals , B2B Exchanges etc.
- ✓ Eliminate paper and paper work through market automation, online transactions and payments. More efficiently than existing systems - payment gateways, supply chain and customer relationship management systems
- ✓ Bring about real time trade in many areas and squeeze out time in others. More effectively than physical trade - digitized goods and services

THE BUSINESS POTENTIAL

BIG ON PAPER : MUCH LESS ON GROUND

- ✓ A Study sponsored by WTO estimates that the share of value added which potentially lends itself to electronic trade represents about 30% of GDP, most importantly distribution and business services
- ✓ Another Study commissioned by OECD predicts that electronic commerce would reach US \$ 1trillion by 2003-5, starting from zero in 1995 and reaching US \$ 26 billion in 1997.

- The spread is uneven – about four fifths of world wide electronic commerce is in the US
- Quite a few B2B portals are folding up – their own business forecasts have not materialized
- The share of international electronic commerce is not growing fast – it is confined to old EDI systems

PROMISE AND PERFORMANCE

BIG GAPS : AWAITING ACTION

- ✓ Ecommerce is growing essentially in IT industry and digitized goods and services. Hardware, software, Internet services advertisements, subscriptions and IT enabled services.
- ✓ In other segments the major players continue to be automotive and travel industry. Do not depend too much on internet
- ✓ In the retail segment only a few articles dominate. Books, flowers, gifts - internationally. Groceries, food/drinks in domestic retail.

- While technology solutions appear to be in place with various degrees of maturity, big gaps exist in enabling legal frameworks.
- Lack of corresponding development in electronic governance limits the economic viability of ecommerce projects
- Inter-governmental initiatives are yet to fully address the needs of Internet based ebusiness and ecommerce.

BUSINESS EXPECTATIONS

THE CRITICAL SUCCESS FACTORS

- ❑ **U.S.-Japan Business Councils Sum it up**
 - ❑ **Low entry costs, Direct and interactive link with suppliers and customers, Secure and Efficient and Trusted**
 - ❑ **Review of traditional practices and legislation**
 - ❑ **14 key areas : authentication, privacy, encryption, illegal content, cultural and linguistic content, consumer protection, IPR, electronic content, customs duty and taxation, competition, standards and interoperability, internet governance and domain names and computer literacy and education**
- ❑ **E U document adds a few more areas for focus**
 - ❑ **Transparency, integrity of information, enforcement of contracts at a distance, reliability of payments and the recourse for errors or fraud**

INTERNATIONAL INITIATIVES

MANY AND MULTIFACETED

- ❑ There many international, regional and national initiatives.
 - ❑ **UNCITRAL** aimed at providing model law for governing IT related areas including ecommerce.
 - ❑ **UN/CEFACT** aimed at developing standards for ecommerce among other things.
 - ❑ **WTO** aimed at bringing ecommerce within the WTO framework
 - ❑ **OECD, EU, APEC** and others aimed at regional harmonization of Standards and regulations
 - ❑ **ICC** aimed at expanding the scope of its international trade related documents to include ecommerce.
 - ❑ **Internet Working Groups** aimed at developing and updating Web related standards
- ❑ The list is endless

INTERNATIONAL INITIATIVES

Are there too many? Do we need a different approach?

- While technologies are advancing in real time, the enabling legal and procedural frameworks are moving at a slow pace. **Business requires new frameworks that facilitate web based ecommerce as opposed to the VPN focus in the early initiatives.**
- Standard setting exercises must recognize high levels of interoperability already achieved by technology development. **Standards should incorporate the flexibility available from new web based facilities like ebXML.**
- Single rule based trade regimes are antithetical to the very the freedom to innovate that has made Internet such a powerful medium. **Ecommerce services are better dealt with under the GATS framework to provide the flexibility for countries to try out innovations bilaterally and the the competitive technologies to play themselves out in the market place. If need be, the customs duties may aligned to GATT framework.**

STIMULATING THE NEW ECONOMY

CREATE SYNERGIES BETWEEN EBUSINESS AND EGOVERNANCE

- **Viability of ecommerce will vastly improve with synergistic development between ebusiness and e-governance. Ecommerce will greatly benefit from the enhanced interplay of ebusiness and e-governance.**
- **One of the major benefits expected from international ecommerce is significant reduction in transaction costs. Only ebusiness and e-governance integration would maximise this benefit.**
- **National and international regulatory policies and procedures relating to trade must be reviewed and reoriented. Current systems contain redundant processes that are irrelevant to ebusiness and ecommerce.**
- **Business will be better off utilizing web based distributed computing options as opposed to clinging on to legacy systems. Integrating legacy applications may prove to be a major long term cost burden than implementing web based integrated enterprise applications, in many cases.**

THINKING GLOBALLY

KEY ACTION AREAS

- **Infrastructure Build up.** Technology advancements are ready for every type of computing and communication applications. The next wave of technology will be device oriented. Broad band networks have become inevitable to take full advantage current development in IT and Internet. Be it for electronic commerce, ebusiness or any other type of services.
- **Create Trust Frameworks.** Interoperability issue has been effectively resolved by technology advancements. Legal frameworks and International initiatives must focus on reinforcing the trust of people and business in the use of web based content and transactions. Create model laws and Standards that can be adapted to technology local governance needs.
- **Provide Simpler Dispute Resolution Mechanisms.** Rigid legal frameworks and time taking legal recourses would only stifle the growth. Recognize and encourage simpler alternative dispute resolution mechanism like arbitration to play a major and binding role.

WHAT CAN BE DONE BILATERALLY?

SIMPLE STEPS TO KEEP INTERNATIONAL ECOMMERCE MOVING

- **Establish Bilateral Ecommerce Trade Agreements.** Global agreements and Standards will consume considerable time and resources. Simply because there is very little historical knowledge in ecommerce. Moreover, bilateral agreements are more easier to negotiate and amend when necessary.
- **Recognize the electronic authentication systems of each other.** Technologies in respect of Digital Signatures and encryption have matured. These only now require to be recognized legally.
- **Define and establish mutually agreed commercial liability regimes.** This can be done more easily in the bilateral context by possibly limiting the scope to only commodities traded through ecommerce between the countries. Additions could be easy as well.
- **Set up mutually agreed arbitration mechanisms.** These are better suited to deal with areas like ecommerce where stable legal frameworks will need time to emerge.



THANK YOU