

## **Workshop on E-Commerce, Development and SMEs**

**Thematic Statement - Ms Patricia Francis**

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**Centre William Rappard (WTO)**

(Your Excellencies), Ladies and Gentlemen,

Good morning and welcome.

On behalf of the International Trade Centre, I would like to thank our colleagues at the World Trade Organization for initiating this meeting, which reflects the increased interests among member states in this topic.

This seminar will give us a chance to better understand what still hinders rapid development of e-commerce international trade, and what actions should be taken to develop further the contribution of e-commerce to export-led economic growth.

This is not just a technical topic: it is about providing new, alternative ways for businesses, including SMEs, to reach new markets and to join international supply chains.

The internet in general and e-commerce in particular have provided an opportunity for developing country enterprises to overcome some of the logistical and geographic challenges they face in terms of access to markets. Used well, e-commerce is a real development tool, an enabler.

If, however, the right business environment is not provided by governments, and e-commerce cannot flourish, it is a missed opportunity for exports and economic development.

Over the last 20 years, the Internet has grown to become a global trading platform. In 2012, Business to Consumer (B2C) e-commerce sales grew over 20% to reach \$1 trillion for the first time.

But B2C is just the “tip of the iceberg” in e-commerce. The bulk of e-commerce takes place between companies, Business to Business (B2B).

Many companies in developing countries that are integrated into global supply chains are engaged in B2B e-commerce: Moroccan suppliers to European car-parts manufacturers, South-African suppliers to North American retailers.

E-commerce can boost sales of small and rural businesses and reduce transaction costs: it cuts out the middlemen and increases the competitiveness of exporting SMEs.

The internet has created many opportunities in services trade as well. Micro-work and freelance marketplaces enable entrepreneurs in developing countries to bid for work they did not have access to before, for instance in Bangladesh, where ITC has been working with the

local IT and business-process outsourcing (BPO) industry to expand its footprint on the global sourcing market.

These are high-end service opportunities. The impact of this growth in the knowledge economy is very important in terms of foreign-currency generation, taxation, poverty alleviation and in job creation for young workers.

More needs to be done to exploit the potential of e-commerce as a development tool. Internet connectivity remains insufficient in many developing countries, especially when the connection needs to be available 24/7. Online-payment systems remain unavailable in many countries, as the deployment of these has slowed down because of under developed regulatory frameworks or currency controls.

Furthermore, many SMEs in developing countries lack the skills and knowledge needed to engage in e-commerce, despite the B2B supply chain opportunities it offers. More work needs to be done to change that and facilitate the participation of developing country SMEs in the internet economy.

There is a clear case to support the development of e-commerce in least-developed countries, in developing countries and in emerging economies alike.

Facilitating access to e-commerce opportunities in developing countries means that governments need to focus on improving the infrastructure, business environment specifically for the digital economy and adjust the education system to prepare the population for the new reality.

There has been considerable progress on this front:

- Telecommunications regulations have improved in most countries.
- The resulting increased competition and investment have led to lower prices and dramatically improved availability and quality of up-to-date telecommunications services.
- Infrastructure has also been built in some LDCs, where a growing percentage of the population can now access the web.
- On-line payment systems, e-banking, mobile money, e-procurement portals and government support dedicated to e-business have all developed.

But despite the increase in developing country connectivity, digital literacy remains highly fragmented and affordable broadband is far from universally available.

Governments also need to create a more business friendly framework so that cross-border purchase and shipping of goods can become more efficient and less costly.

More work must also be done to ensure security in on-line and mobile payments. Data privacy is another legitimate consumer concern.

There is active inter-governmental discussion already underway in various bilateral, regional and plurilateral fora about the possible need for new trade-related disciplines, or best practice regulatory principles, in areas such as cross-border data flows, data privacy and access to data storage infrastructure. There is much pressure from the private sector for progress to be made in these areas, in the absence of which the development of international e-commerce may be unduly hampered.

New disciplines in these areas are already being experimented with and are becoming more common-place in e-commerce provisions in bilateral and regional trade agreements.

There can be no question therefore that the time has come to investigate these issues more deeply from a development perspective - and to assess, in particular, the potential impact on developing country trading interests.

ITC is not new to this work. Let me give you some examples of what ITC is doing to promote the development of e-commerce and harness its potential for development.

In Morocco, we have upgraded the web portal of the textile industry association AMITH and we are in the process of doing the same for the leather industry association FEDIC within the framework of ITC's EnACT programme. This allows the associations to link potential buyers with local suppliers online.

In Algeria, ITC's web marketing and e-commerce capacity building portfolio has been deployed across seven cities to benefit more than 160 trainees, close to half of them women. This was done with the support of the Algerian trade promotion organization ALGEX and the women entrepreneurs association SEVE. The carpet makers association of Ghardaia, for example, is among the 70% of participants who reported that their businesses had benefited directly from the training within 6 months.

In Bangladesh, within the framework of the NTFII project, funded by the Netherlands, ITC provided advisory services on web strategy to export-oriented SMEs from the local IT industry, with a focus on web advertisement, social media and search-engine optimization (SEO), as well as selling services to new markets. As a result, NTFII beneficiaries have reported improved online visibility for their companies and landed new clients.

In Fiji, ITC links rural producers with traders and exporters thanks to an innovative business-matching platform which combines mobile and web applications. We are currently working at connecting this system to the local mobile-payment facility to cover the complete transaction cycle. Thanks to the financial support of the EU, ITC has deployed similar services in the Maldives, Liberia and Benin.

In Kenya we use mobile money to reach rural suppliers of our Poor Communities and Trade Ethical Fashion Programme.

What more could we do?

We need more advanced technological solutions if developing countries are to pursue the trend to large-scale deployments of e-business services across global markets. We need to apply open-source e-commerce software, with the support of innovative electronic payment and shipping solutions, to leverage a higher volume of on-line transactions.

We also need to support entrepreneurial services suppliers, including women and youth, so they can access the global market for on-line execution of services tasks, and so support a higher level of innovation in their communities.

The internet, more than anything else, defines the 21<sup>st</sup> century business environment.

Today's workshop is a timely and most welcome opportunity to find ways in which the potential of e-commerce can be better harnessed towards development, and ITC is pleased to make a contribution.

Today's dialogue is designed to be interactive. It is essential that we focus on how governments, the private sector and other stakeholders can cooperate to support the global development of a vibrant internet economy - extending its transformative effects more evenly throughout the developing world.

Thank you.