



International Trade Centre



UNIVERSAL
POSTAL
UNION



**WSIS follow-up and implementation: Action Line Facilitation meeting
"E-business"**

E-COMMERCE AS A KEY FACILITATOR FOR SME COMPETITIVENESS

ITU, Geneva, Room C2

22 May 2008

*Jointly organized by UNCTAD, ITC, UPU and ILO
Open to all WSIS stakeholders*

REPORT

As mandated by Paragraph 108 and by the Annex of the Tunis Agenda for the Information Society, UNCTAD, ITC, UPU and ILO jointly organized the third WSIS Follow-up Action Line Facilitation Meeting on "E-business" on the theme of "*E-Commerce as a key facilitator for SME competitiveness*". The meeting was held in conjunction with other WSIS ALF meetings.

The meeting brought together about thirty WSIS stakeholders to address the issue of the contribution of electronic commerce to development. Following the hype related to e-commerce growth ten years ago, the development of e-commerce in developing countries has been less promising than expected. For many entrepreneurs in the developing world, online buying and selling is still far from being a reality. This may come from difficulties encountered in building a conducive environment for e-commerce, including investment in ICT infrastructure and education, change of mindset and methods of doing business, adoption of adequate legal and regulatory frameworks, and electronic payment systems.

Opening statements were made by Ms. Anh-Nga Tran-Nguyen, Director, Technology and Logistics Division, UNCTAD; Mr. Stephen Browne, Deputy Executive Director, ITC and Mr. Guozhong Huang, Deputy Director General, UPU. In their introductory remarks, high-level executives from UNCTAD, ITC and the UPU set the stage for the discussions. Ms. Anh-Nga Tran-Nguyen, Director of the Technology and Logistics Division at UNCTAD, highlighted the importance of ICTs and computers to increase SME productivity and therefore competitiveness. Mr. Stephen Browne, Deputy Executive Director of ITC pointed out the rapid pace with which new technologies such as mobile phone were adopted in DC's, facilitating access to information, thereby empowering SMEs and giving them access to new business opportunities. Finally, Mr. Guozhong Huang, Deputy Director General of the UPU, recalled the importance of accessible and comprehensive supply chains to fulfill the promises of e-commerce.

Session I: E-commerce as a key facilitator for SME competitiveness

The first session, chaired by Mr. Paul Donohoe (UPU), discussed the challenges, opportunities and concrete solutions for SMEs wanting to start e-commerce activities in developing countries. The chairman stated that the session would cover the major aspects of e-commerce from exchange of electronic information between parties, electronic transactions and related payment and finally the exchange of goods, via case studies and observations of industry experts.

In the first presentation, Mr. Osman Atac, Chief of the Trade Support Institutions Strengthening Section, at ITC, explained how ICTs were a key to improve SMEs' competitiveness, by helping them rationalize their processes and work more efficiently. However, a "use divide" could exist when it came to the optimal utilization of ICTs. By this he meant that, if ICTs were now widely available, they were not yet used in the most efficient manner and the choice of proper ICT solutions was still very difficult for many SMEs. Therefore, "e-nabling" programmes should be put in place to build the competencies of managers to make rational decisions about where, how and why to use ICT applications to improve effectiveness and efficiency of their management and/or business processes. In conclusion, knowledge and capacity building were keys in empowering SMEs in using ICTs.

Mr Brian Wong, Senior Director of the International Business Development and Marketing at alibaba.com presented the case study of e-marketplaces as a tool to link SMEs in the field of e-commerce. He noted that SMEs were important actors for economic growth as SMEs represented a key engine in job creation thereby playing a positive role in poverty alleviation. However, for a variety of reasons his view was that SMEs in developing countries did not fully utilize the tools available to them to prosper in the global economy, for instance because they lacked online payment & logistics capabilities. But even if they did have these capabilities, many SMEs still suffered from a lack of trust preventing their selling of goods over the Internet. According to Mr. Wong, the advent of B2B and B2C e-marketplaces such as those offered by alibaba.com helped solve some of these problems. E-marketplaces enabled market information to be shared, buyers and sellers to be linked and relationships built that could lead to transactions and business exchanges. According to alibaba.com research, e-marketplaces helped reduce the time spent by SMEs looking for buyers/sellers, which represents up to 52% of the time spent concluding a transaction, by some 75 %. They fostered transparency by making comparison between different offers possible; and they reduced the risks linked to dealing with SMEs. In alibaba.com's case a specific instrument called "Trustpass" had been created to certify that registered sellers were reliable. Mr. Wong underlined that alibaba.com was not simply an e-marketplace for B2B e-commerce, but rather an integrated e-commerce platform including a C2C/B2C website (taobao.com), a online payment system (alipay.com) and a search engine (thanks to the purchase of Yahoo! China). One of the key observations of Mr. Wong was the importance of regular training sessions for SMEs in order to help them make an optimal use of the e-marketplace, for example by advising them on how to answer customers' requests. This case study demonstrated how e-marketplaces can empower SMEs to become global players without the resources of a multi-national corporation.

The session's third speaker, Ms. Qin Shu Fen, Project Manager at the Ecommerce Division of China Post Postal Service Bureau, presented her company's activities in supporting the development of e-commerce in China and particularly its strategic partnership with alibaba.com. She noted that the Post is a well respected brand in most

countries of the world, offering a physical transport network covering every corner of rural and urban areas throughout the country as well as various logistics and financial service capabilities. Ms. Qin then described what China Post had to offer for facilitating e-commerce, among others an SMS platform informing customers of where their purchases were located. China Post and alibaba.com entered a partnership agreement to enable a broad reach for e-commerce in China to SMEs and rural communities, needing payment and logistics capabilities, to fulfill their e-marketplace introductions. China Post provides support to alibaba.com development of its C2C and B2C branch, taobao.com, as well its payment system, alipay.com, by creating a customized parcel product called “e-youbao” as well as a financial product called “wang huiyi”, aimed at allowing people without bank accounts or credit cards to buy goods online with alipay.com, alibaba’s e-commerce payment gateway. The buyer would go to a post office, make a cash deposit and be given a receipt containing a remittance number, which the buyer could enter into alipay.com to have the money credited to the alipay.com account. This case study showed how postal operators could provide e-marketplaces with new solutions to allow a wider market to benefit from e-commerce services – bringing greater inclusion.

In the final presentation of the session, Mr. Raphaël Dard, Associate Advisor, Enterprise Competitiveness Section, Division of Business and Institutional Support, ITC, gave a presentation on how mobile technologies could strengthen the competitiveness of SMEs. He focused his presentation on 5 areas for which mobile technology could, and sometimes already do, help enhance SME competitiveness. First, mobile technology can help SMEs improve their internal efficiency. Next, mobile technologies could play an important role in facilitating the marketing efforts of SME by bringing them visibility and linkage. Mobile phones and technology could also foster the sharing and diffusion of information. A project called Trade at Hand was carried out by ITC, in which market information about the prices of various agricultural goods were sent to producers via their mobile phones so that they could bargain with buyers of their products with a full level of information. Fourthly, Mr. Dard suggested that mobile technologies helped leapfrog traditional barriers, both in developing and developed economies, mostly with the trade of digital content. Finally, the potential of mobile technologies for extending access to financial services was also underlined. Mobile phones could represent a gateway to financial services for many so-called “unbanked” at very low costs, which could in turn lead to a boost in entrepreneurship and poverty reduction. However, many challenges still remain for fulfilling the potential of mobile technologies for financial services, the creation of standards and policies in particular.

The session had allowed for a broad overview of e-commerce and an exchange of views between the assembled participants on the challenges and opportunities represented by e-commerce for SMEs. The following conclusions were drawn:

- as ICT coverage was progressing fast, it was of foremost importance to train entrepreneurs in choosing the best solutions available for their needs and in adapting their practices and methods to the necessity of e-commerce;
- public-private partnerships represented a good way to develop e-commerce, for example by designing joint training programmes or working on practical solutions to foster e-commerce even in underserved areas;
- cultural and regional differences should be taken into account when designing policies related to e-commerce. There was no “one size fits all” approach. Best practices should continue to be shared on a global scale; however practical implementation must be considered on a regional level also;

- because of the significant growth in mobile telephones in developing countries as a tool of technological access, m-commerce could be the stepping stone for access to e-commerce in the future, especially in LDCs;
- e-commerce is not just about ICT enablement of the electronic transaction but also the ICT support of exchange of goods and payment transactions that go along with it. It is necessary to deal with all of these elements to support SMEs competitiveness in the global world of e-commerce.

Session II: Building a legal framework for e-commerce

Session II addressed policy options to improve SMEs' participation in international trade, focusing on the policies related to the creation of an enabling legal framework for e-commerce. The session was chaired by Mr. Roberto Zachmann (ILO). The experience of a) Indonesia in the context of the ASEAN e-Commerce project; b) Mexico, and c) ALADI region were presented.

In her introductory remarks, Ms. Cécile Barayre-El Shami (UNCTAD) presented the work UNCTAD does to help developing countries prepare e-commerce legal frameworks to foster the participation of their SMEs in regional and global markets. UNCTAD's programme on ICT legislation consists in building of capacities as well as assisting governments drafting e-commerce legislation. Since 2003, UNCTAD has been assisting developing countries to adopt e-commerce legislation to help boost e-business and economic growth. It also helps developing regions such as ALADI and the East African Community to prepare a harmonized regional framework for ICT to make their region competitive. The harmonization of e-commerce legal frameworks is expected to lead to larger internal and external consumer and business markets by facilitating cross-border e-commerce. Ms. Barayre presented the results of a survey carried out by UNCTAD in 2007 to take stock of the initiatives by developing countries in the area of e-commerce and law reform. In this context, the challenges for regional and international harmonization of legal frameworks to facilitate the conduct of e-commerce in the region were addressed.

Professor Ian Walden (Queen Mary University of London, United Kingdom) highlighted the main issues to take into account while preparing an e-commerce legislation. He spoke about the different forms of regulation and regulating bodies countries need to consider when preparing their legal framework. Professor Walden informed about the law reform process, including the need for an initial high level political commitment, as it was the case with the ASEAN, an ownership by government ministries. He underlined the need for building the capacity of the legal community, as well as the creation of awareness of SMEs vis-à-vis the economic opportunities offered by ICTs and the legal framework that regulates it.

Ms. Sofi Soeria Atmadja (Indonesia) focused her presentation on the Indonesian experience in setting up a legal framework in the context of the ASEAN Harmonization of E-Commerce Legal Infrastructure Project—a major four-year project to help the ten ASEAN member countries develop and implement a harmonized e-commerce legal infrastructure. She stressed the link between trade facilitation and harmonized legal frameworks. She recalled that the ASEAN was the first regional organization in the developing world to adopt a harmonized e-commerce legal framework consistent across jurisdictions. According to Ms. Soeria Atmadja, the harmonization of e-commerce legal

infrastructure in ASEAN has been helpful in assisting ASEAN member States to meet the targets set in Roadmap for Integration of e ASEAN sector. She presented the Law on Information and Electronic Transactions no 11/2008 enacted in March 2008 by Indonesia. This law provides legal basis for information and electronic transaction in Indonesia, and the tools to enforce the legislation in the field of information and electronic transaction. She also talked about the concern of cyber security and cyber crime in the region.

The next speaker, Mr. Alfredo Reyes Krafft (Mexico), shared with the participants the experience of Mexico in preparing its legal framework. He underlined the fact that the Internet penetration is high in Mexico with 20.3 per cent in 2006 and has doubled since 2002. Of the 22 million Internet users, 50 percent have a bank account and 15 percent use Internet banking. In addition, 90 percent of the Internet access accounts are broadband. With regard to B2C, the Mexican Internet Association (AMIPCI) which carries out research among its members has found out that Internet sales have increased by 53 percent from 2006 to 2007. According to Mr. Reyes Krafft, the fact that Mexico started adapting its legislation in 2000 (e-transactions, e-signature, taxation, etc) have helped create confidence and encourage the development of the infrastructure for e-commerce. He presented the reforms made since 2000 and the choices that were made to choose the appropriate legal instruments. He also stressed the challenges of national harmonization for the district of Mexico and its 31 states which can adopt a different legislation on a particular topic.

Mr. Jorge Navarro Isla (Mexico) explained the cultural, social and political context of Latin American countries that have enacted e-commerce legislation and regulations. He emphasized the need to harmonize the legal framework within the region by adopting e-commerce Model Laws at a national level. Mr. Navarro described the activities performed by UNCTAD and ALADI during 2007 with Argentina, Bolivia, Colombia, Cuba, Chile, Ecuador, Paraguay, Peru, Venezuela and Uruguay. UNCTAD and ALADI have implemented a capacity building program and have created a working group with participants of the above mentioned countries in order to develop a harmonized legal framework for the region.

As in the first session, the presentations were followed by discussion that focused on the building the capacities of the legal community and the enforcement of the legislation. Examples of countries such as Chile, Cuba, Ecuador, the Philippines and Sri Lanka which have put in place programmes to train judges and civil servants in various e-commerce legal issues were presented. In Sri Lanka, capacity development through seminars and workshops was conducted by the Ceylon Chamber of Commerce and the Bankers' Association, and an ICT legal capacity-building programme through the Intellectual Property and Law Advanced Diploma Programme of Sri Lanka Law College has been developed. It was stressed during the discussion that the main challenges in terms of enforcement of e-commerce legislation included not only the lack of human resources in the legal community but also the lack of public awareness about the scope and application of the law and its benefits. More broadly, the discussion concluded that the legal reform needed to be accompanied by a broader national reform of the information economy in order to seize the benefits of e-commerce and continue create awareness among SMEs about ICT opportunities for e-commerce to take off.