

Presentation of Senator Dale D. Marshall at the Commonwealth Caribbean workshop on “*Opportunities and Challenges: Understanding the GATS and Preparing for a new round of Multilateral Negotiations in Trade in Services*”.

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Distinguished colleagues, ladies and Gentlemen, I am particularly pleased to have been invited to speak with you this morning on the issue of telecommunications and eCommerce. I have had the great honor of speaking on the subject across the length and breadth of this hemisphere, but none could mean as much to me as the opportunity to share my thoughts with such an eminent body of Caribbean thinkers.

You must forgive me for taking liberties with the subject matter as set out on the programme. You will find that I have changed the order and will speak first on the subject of eCommerce and the opportunities for trade in the region. I will then insert, out of sheer officiousness a few comments on the state of play in the Caribbean and then in Latin America, and finally I shall end off with comments on the importance of telecoms to this new vehicle for conducting business.

And rest assured that I shall still leave quite a lot for the other panelists.

I will assume that all present are **not** at the bottom of the learning curve when it comes to electronic Commerce. I will therefore not spend too much time expounding on what is electronic commerce. Simply to say, however, that we are

not simply dealing with buying and selling of goods on the net. Indeed most commentators today, accept that the trade in information of all kinds is an integral part of eCommerce.

You will pardon me if I ask those of you who regularly go on-line to show your hands. And those who have purchased something on-line. Thank you!

Some people assert that eCommerce is nothing more than a new way of doing business. If I asked you the difference between an **elephant** and a **mouse**, you could say that the mouse has a shorter tail. However, one would recognize that you need to look into the essence of what distinguishes the two animals.

The difference between eCommerce and what one could call ordinary commerce? One could say that eCommerce is done electronically, but that would be very little different than saying that the mouse has a shorter tail. Both are commerce, but there is a world of difference between them.

Ecommerce has been touted as the darling of the new millennium. It has been the source of many new words in our commercial vocabulary. Such words as e-tailing and e-trade. It has made over-night millionaires of people dealing in e-stock. The only thing that it hasn't been able to do so far it seems, is to cure the common cold. But you should not smug about this, because doctors are now looking to treat such people on-line so as to reduce the spread of infections.

As the Internet spreads, so spread's eCommerce – like wildfire!

As a region, the questions being asked are :

Where are we in terms of eCommerce activity?

Where are we in terms of eCommerce readiness?

Are we just jumping on the band-wagon of the latest technology craze?

What kind of a role do we really have to play in this latest play on the worlds stage?

Some people would answer each of those questions with one word answers...

Nowhere.

Nowhere.

Yes.

Small.

If those were my own answers, my presentation would be over at this point, and you would be spared hearing me drone on for another 12 minutes. You are not to be so lucky, as I truly believe that eCommerce holds tremendous potential for the entire Caribbean.

There is little doubt that the Internet and eCommerce will be hugely beneficial to developing countries. Let me attempt therefore attempt to give you an over-view of some of the opportunities for the region.

On a recent visit to Montego Bay, Jamaica, as I drove in from the airport, I saw a few handicraft shops along the wayside. I saw some interesting wood carvings. I knew that I would have no time to browse during my short stay there and I didn't know when next I would be in Jamaica. I wondered then whether the works of those artists were available online. The story is the same for me everywhere I go. Where there is no time to look at the local art, what better way of obtaining mementos of my trip than online.

In the past, those artists would have found it virtually impossible to market their works in foreign markets. They may have had to deal with a maze of regulations. They didn't have the capital to set up distribution networks; couldn't afford sales agents; couldn't afford marketing campaigns. Today, eCommerce has opened up the world to them. I leave it to you to think about the thousands of products which are produced across the region, and which we can put in the global marketplace.

I must admit that among the many things I buy online are fine Chilean wines which are shipped to me in a few days. The consumer is no longer limited to what he is offered locally by the middleman but is able to exercise greater choice by going directly to the producer. Not long ago I got really brave and purchased a suit online.

Our music? What better way to take our music global than to employ eCommerce. In fact eCommerce will, in relative terms, be more valuable to our artistes, than it would be to the Lauren Hills of this world. The reason is simple. On any day in any city in the world, you can walk into a music store and find CDs by Lauren Hill. With the exception of a few regional stars, you will hardly find CDs from our performers. Our artistes can now take their music to the world, and with today's technology, they may not need to even trouble themselves with such troublesome and expensive things as packaging and shipping. The music can be downloaded on-line.

But those are all tangibles and we too often think of the purchase of tangibles when we think of eCommerce. It isn't surprising because most of our private commercial activity is the purchases of goods. However, we need to also think of the trade in services.

In a recent Air Jamaica in-flight magazine '**SkyWritings**', I was delighted to read a story about a young man who came back to Jamaica from university abroad and persuaded his father that together they should look for business opportunities in eCommerce. They worked for many months on a project to put news online, but they were beaten to it by the Gleaner. Then they switched to putting the Yellow Pages on line. The company is called IMEX and the company has completed putting the Bahamas and the Cayman Islands yellow pages on line. The company is now doing the same thing in Trinidad and the British Virgin islands. A local online success story.

Tourism?. A better example can hardly be found.

Nearly 25% of employment in the Caribbean is related to travel and tourism. Datamonitor has predicted that travel will be the largest online data product by year 2002. Online travel transactions should increase to about 35% of the total online sales by then.

More and more, the advertising of many properties online for travel is being adopted by owners who do not have large marketing budgets and it appears that these efforts are proving successful. This hotel has a web-site, www.frigatebay.com This is approach is vital to many Caribbean islands for the simple reason that the majority of hotel properties in some islands are small hotels. In fact, it is an approach which is being promoted by many governments as a means to boost their tourism arrivals.

Think how the professionals in developing countries finally have a real opportunity to conveniently offer their services internationally in a cost effective way. Banks in Latin America have gone online. Legal and administrative systems are always the last to use new technologies, yet in the town of Bahia, in Brazil, the court system has gone on line with claims and counterclaims filed via that media, resulting in savings in costs and more importantly for the litigants, a savings in time.

My own law firm has significantly cut it's communication costs, in terms of overseas calls and faxes and the costs of sending documents by courier, through the aggressive use of e-mail. In addition we also do a significant amount of marketing through the use of our web-site.

Thus bringing me to a passing mention of services.

Evidence available to date indicates that the economic sectors that have benefited the most from the introduction of electronic commerce are mostly in the services areas:

- computer hardware and software
- real estate
- publishing and information services
- finance
- Internet services
- professional services (legal, engineering, accounting, architecture)
- tourism-related services.

It is expected that much of the growth in electronic commerce in the emerging economies in the region will be driven by the entry of Small and Medium Enterprises (SMEs) into these and other markets.

Where are we now?

It appears that the most critical factors facing the growth of electronic commerce in the smaller economies of the region are:

- The relative newness of online commerce in the region;
- Lack of modernized infrastructure in the telecommunications industry;
- Lack of competitive access to telecommunications and Internet services;
- Narrow band width;
- Fewer connected computers per capita; and
- The inability to ensure secure transactions.

There is tremendous disparity between the countries of the Western Hemisphere with respect to the state of development of infrastructure and computer use by the populace. For example, the ratio of personal computers in Latin America and

the Caribbean is in the region of 5 per 100 inhabitants. In Canada, this figure is 27 per 100 and in the USA, it is 36 per 100.

Another indicator is the number of Internet Service Providers. These numbers range in the hemisphere from 3 in Costa Rica, to 29 in Chile, 380 in Mexico and over 7000 in the USA.

The number of Internet Hosts also demonstrates the disparity. In Canada and the USA over one and a half million hosts were registered as of January, 1999. The largest number of hosts in Latin America and the Caribbean was found in Brazil with a quarter million. Outside of Mexico, Argentina and Chile, fewer than 20,000 hosts were registered in all other countries of the Hemisphere. In the Caribbean, all but one of the countries had less than 500 hosts registered with fewer than 100 in eight countries.

Equally striking is the large degree of difference between the countries in terms of Internet users. In Canada and the USA about one-third of the population uses the Internet on a regular basis. This is to be contrasted with Latin America and the Caribbean, where Internet Use is currently only among 1 to 1.5 percent of the population.

Our positioning in the on-line world clearly depends on several factors.

We can start with costs.

I speak not of costs to the business, because low costs to the business is the very essence of eCommerce. I am speaking about the cost to the consumer. From costs of the hardware to the cost of Internet services and cost of telephony services. These costs will indirectly impact on the ability of the average person to access the Internet.

It is clear that the use of computers and Internet services at present is primarily available of the upper income groups of society in Latin America and the Caribbean. This is seen when you consider that in Bolivia, the average price of a computer is given to be \$700.00. This is two-thirds of the per capita annual income of the average Bolivian or 8 months earnings. This can be compared with an average cost of a computer in Canada at \$1,500.00. That figure represents one twelfth of the per capita income annual of the average Canadian or 1 months pay. I wish I could give you these figures for the Caribbean, but the reason why I can't may well illustrate how the region approaches eCommerce.

My committee commissioned the Organisation of the American States to do an indicators program in the entire hemisphere. Countries in the region were required to respond to a questionnaire which would assist us in assessing the Internet readiness of the countries in the hemisphere. Not one Caricom country responded.

So we shall have to extrapolate from what we know about the regions economies and ask what percentage of our annual earnings would it take to purchase a good computer with enough power, memory and a fast enough modem which would allow useful Internet access.

Purchase cost is not the only factor in influencing the cost of Internet access. The monthly cost of Internet access must be added to the cost of equipment and connection, and ranges widely in the hemisphere. In addition to the fixed monthly costs of Internet access, the telecommunications operators in many countries in the hemisphere levy additional variable charges on use of the telephone lines, on a per minute basis. The slower the Internet connection, the higher the charges for the user. This necessarily reduces the time that users spend online, which in turn hampers them from engaging in meaningful eCommerce activity.

Speed of Internet connection is in turn a function of the efficiency of the telecommunications infrastructure, particularly the bandwidth for access, and the amount of information that can be carried across the network at any point in time. The total cost to the user is therefore a combination of both the fixed and variable components, and tends to be considerably higher on an average per capita income basis in the Caribbean.

From this you can readily see that cost of access is a major obstacle to the growth of eCommerce in the developing countries in the region.

Unless Internet access is affordable, it will be impossible for us to empower a sufficient percentage of our populations to make eCommerce a viable commercial option for our businesses. Many countries in the region do not have a flat rate for telephone usage. The consumer therefore has to pay for the time spent on the phone-line, as well as the time spent online. Browsing the Internet, which is a must for any potential consumer, may simply not be an affordable past-time. Any of you who are involved in marketing know how important it is for people to browse. A environment where the costs are so high that people log on and log off after a very short time is not an environment in which eCommerce will thrive.

Businesses involved in eCommerce in the region, are limited in terms of their customer base to those people who have access to credit cards. Let us consider what percentage of the total population of St.Kitts or Trinidad have credit cards. Whatever that percentage is, that is the maximum number of potential eCommerce customers today in those countries. Most online transactions cannot be done today without credit cards. On the other hand, practically every West Indian has money to spend. We are not talking about wealth, we are simply talking about nothing more than the ability to purchase a good or a service.

Electronic commerce, as it is presently conducted, is therefore restricted to a small segment of all our societies and will not become widespread until we develop ways to extend it to a greater segment of our societies.

This is again not a purely domestic issue. In much of Latin America, a region that the Caribbean is drawing close to and doing business with, banks are forbidden from clearing credit card sales online. Most people cannot participate in online commercial activity unless they have a bank account with one of the few banks which will allow you to manage your account online and make payments via this medium.

We must therefore consider and concentrate on three things:

- **how to increase the customer base by bringing the technology within reach of every citizen;**
- **how to simplify the process of doing business online so that every citizen can use it effectively; and**
- **finding a mechanism of payment which will allow every citizen to participate in this online marketplace.**

And we must not forget that while we seek to penetrate other countries markets using eCommerce, they will also be trying to penetrate ours. More now than ever, the days of closed protected markets are numbered. The world wide web simply will not allow this.

One final comment before I hand over to my colleagues and it concerns the issue of tariffs.

The issue here is used to relate only to electronically supplied goods or services, such as the supply of software over the Internet. The issue was simply whether countries ought to impose tariffs on goods so delivered. There was no argument

in the case where I logged on and purchased books or CDs or wines, because these things all had to be delivered physically and had to cross national boundaries. Software or music which was downloaded? Well, that was a completely different case because electricity and electronic transmissions were not subject to Tariffs as they crossed national boundaries.

The USA appears at this time to be the only country to have committed itself to a totally tariff-free Electronic commerce marketplace for the future but the WTO nations have agreed to a standstill on the imposition of tariffs.

There are however new proposals coming forward as to how we should approach the subject in the WTO.

The approach being advanced by Indonesia and Singapore is that we should not impose tariffs on any good which is downloaded via the Internet. Nothing new. However, they go even further and propose that there should be no tariffs imposed on the physical forms of these goods. This proposal would mean that no tariffs would be imposed on music downloaded electronically and no tariffs would be imposed on CDs, cassettes, videos and so on.

I am aware that in many of our countries, CDs, books and magazines(which would all be affected by this proposal) attract tariffs. Our governments would therefore have to determine whether this approach would affect its ability to raise revenue through tariffs on such goods.

In terms of the prospect of lost revenue to the countries, there is some considerable division. Some experts argue that for developing countries, the potential loss of revenue through the non-imposition of tariffs is great, as electronic commerce replaces traditional methods of the delivery of goods and services. On the other hand, others argue that the potential loss of revenue is relatively small and is no more than 1%.

Mr. Chairman, Henry VIII used to say to his wives “I won’t keep you here long”. Pardon me for laboring on for too long and not following the words of the good King.

Thank you for the opportunity to be here with you all and let us all ensure that the region is not left behind in eCommerce, as we have so often been left in the past. History will judge us harshly if we do not seize the opportunities so readily offered by eCommerce.

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