

“Business, Industry and Government awareness – the need to adopt e-business to compete in the world economy”

Presentation given by Senator Dale D. Marshall, Chairman, F.T.A.A. Joint Government/Private Sector Committee of Experts on Electronic Commerce at the Americas Business Forum, Toronto, Canada.

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Distinguished colleagues, fellow panelists, ladies and gentlemen, it is a distinct pleasure for me to have been invited to speak at this Americas Business Forum. More particularly, I am honored to have the opportunity to share with you some thoughts on eCommerce and the importance of awareness and adoption of eCommerce in moving the countries of the hemisphere forward.

In view of the fact that this prestigious forum is being held in conjunction with the FTAA TNC meeting and the Ministerial, it would be remiss of me not to take this opportunity to mention briefly the work of the FTAA committee of Experts of Electronic Commerce.

Over the past 18 months, the FTAA committee of experts on Electronic Commerce as mandated by the TNC, made a careful study of many of the issues of electronic Commerce as they confront the countries in the hemisphere.

The committee, as it is composed, ensures that the private sector experts in electronic commerce, drawn from across the hemisphere, participate fully in the substantive deliberations on the various subject areas. This served to provide the full committee with the most up to date information about eCommerce, and with their recommendations on how it should develop, or be allowed to develop.

We have had experts from many sectors participating in the meetings as delegates. Experts from America on line; Experts from the accounting and business development fields; experts representing Argentina's music industry; and experts from government agencies. We have had outstanding contributions from Private sector experts from all parts of the hemisphere.

Perhaps the most important feature of the committee however, is the fact that its experts are drawn from every country in the hemisphere. The insights provided by the expert delegates from across Latin America and the Caribbean help to provide a balance to the approach to the work program and serve to ensure that each country's perspective and /or special needs are taken into account. I wish at this point to laud the many private sector delegates on the committee who participated vigorously in the deliberations, and some of whom I have seen here over the last few days participating in the business forum.

We also benefited from the work being done in other organizations such as WTO, WIPO, and UNCITRAL.

We were mandated by the TNC to study eCommerce and among other things, to

“examine the issue With a view towards identifying the environment that will allow eCommerce to benefit the countries in the hemisphere”.

That mandate comes from a recognition that as a region, the Americas have many things in common, but there are also many respects in which we differ. It comes equally from a recognition of the important role that eCommerce will play in hastening the Hemisphere's integration into a unified regional market. For it is an inescapable fact that in order to realize the full benefits of the establishment of a Free Trade Area, all countries in the hemisphere, both developed and developing, must be fully equipped to access the on-line world.

The committee was therefore directed to formulate recommendations to the Trade Ministers of the region on

“how to increase and broaden the benefits of electronic commerce” .

The work programme of the committee required us to study the issues as they relate to the countries of the region and particularly, to study the Internet readiness of the countries in the hemisphere. On the question of the Internet readiness in the hemisphere, the committee commissioned a study by the OAS to assist us in making some reasonable assessment of the state of play. The data gathered clearly demonstrates the gap between the developing countries and the developed.

I do not mean to suggest that from one developing country to another that differences will not also be seen. However, even those among us who are somewhat ahead, are still far behind the obvious leaders. There are 34 countries in the Free Trade Area and it would be dangerous to generalise . The countries are in many different stages of development. Our experiences in terms of opportunities and challenges of electronic commerce are therefore quite different.

Our report with recommendations to the Trade Ministers has been completed and sought to take into account those many different experiences. That report will be presented later today to the Ministers for their consideration. And our recommendations cover all of the areas being discussed today and some more.

In South America and the Caribbean, as elsewhere, Internet based Electronic Commerce is daily touted as the new way of doing business that will transform, improve and expand the realm of traditional commerce, both domestic and international. The Internet has created great expectations for developing and emerging economies to participate in an increasingly global digital economy.

18 months ago when I became the Chair of this committee of experts, it became clear to me that across the region there was great disparity in terms of knowledge or awareness of eCommerce. In fact, as I traveled across the region speaking to audiences about eCommerce, I realized that a significant percentage of my audiences of business and government leaders, were at the bottom of the learning curve. Today, I am truly amazed at the rate of absorption of information or knowledge, from then 'til now.

It almost seems as if everyone knows about eCommerce. Of course, we have to pause and reflect on the fact that while “e” words and slogans are on everyone’s lips, e-business, e-tail, ”you’re either e or you’re out”, the stark reality is that the vast majority of the millions of people in the hemisphere know nothing about it. The majority of the millions in the hemisphere do not have access to it, and only a minuscule percentage of our populations actually use it. This being the case, how can we so glibly make pronouncements about where it is going, and what the numbers will be in the next 5 or 6 years? Indeed we often speak as if eCommerce is some kind of perpetual engine which, having started, will run itself.

And what about the developing countries? Can the hemisphere afford for eCommerce to be divided between the haves and the have nots; those who have and those who do not?

It is with this in mind that I speak with you on the need for business, industry and government awareness and the need to adopt eCommerce into their very being. And if I seem to put emphasis on the developing countries in the hemisphere, it is because I speak to you from the perspective of a person who lives and works in the developing world.

One of the factors facing the growth of electronic commerce in our developing economies, appears to be the relative newness of online commerce in the region.

There is therefore a desperate need for the main engines of our economies, our Governments and our businesses, to lead the way in encouraging the rapid and widespread adoption of eCommerce in our countries.

Governments as model users

In many countries of the hemisphere, indeed in the world, governments represent the largest segment of economic activity. Governments therefore have a pivotal role to play. I must say to you however, that in most of our countries, there is no widespread usage by governments of eCommerce solutions. Very few governments use the technology as a means of interfacing with the populace.

The results of a study done by the OAS at the request of the Committee show that while many countries use email as a means for their populations to access government and government agencies, most governments do not process payments electronically. There is no applying for licenses electronically, nor are they issued electronically; Only a few countries permit electronic processing of customs documents; only a few countries have systems of electronic bidding.. By and large, government agencies tend not to have a presence online.

FTAA governments need to actively promote their role as model users and appliers of information technology. They can ill afford to sit back and wait for the private sector to lead. From a cultural perspective, in many countries, the willingness of governments to grasp new technologies and new approaches to conducting their affairs, lends legitimacy and also gives comfort to the various players in the market place.

The Government of Barbados has encouraged many of its agencies to lead by example, by establishing a presence online. In fact the branch of government which markets Barbados as a tourist destination, has a web-site which gets 3 million hits per day. This first step by government has encouraged many of the

private sector partners in the tourism sector, such as the hotels and other service providers, to themselves establish an online presence.

There is also the efficiency and the economies which a shift to online activity will bring to government. Consider across the region how our governmental publications, our national gazettes are printed, and then distributed by post, when an online solution would bestow benefits and result in tremendous savings. In fact, the dissemination of public information and advice in all areas of government activity, by posting information on web-sites and electronic bulletin boards is a significant way in which government can deploy eCommerce.

In the area of government procurement, which normally accounts for between 40%-60% of a governments budgets, there are substantial benefits to be reaped in terms of transparency, more competitive prices, and speed of effecting transactions.

No doubt the private sector is not waiting for governments to lead in the implementation of eCommerce solutions, however it cannot be doubted that the governments must play a leading role by seizing the many opportunities available. In so doing, governments will be bringing the world of eCommerce to all the people. Because of their unique role and their greater resources, governments can be the much needed catalyst for the development of electronic commerce within their countries.

Our governments therefore need to develop clear strategies for the use of e-business in the day to day business of state administration and in government to government transactions; government to business transactions and government to individual transactions.

The role of industry and business

With the exception of the United States and Canada, electronic commerce transactions in the region are still in the early stages of development, and currently Internet technologies appear to be used primarily for purposes of marketing and communications, rather than for commercial transactions. Firms which derive significant income from eCommerce are still relatively rare in the region. This situation is changing but not at a very rapid rate in much of the hemisphere.

However, it is clear that the hemisphere's businesses must urgently adopt e-business strategies and solutions if there are to compete in the global economy.

We must begin by recognising that the rest of the world is not standing idly by as we in the western hemisphere develop eCommerce. Countries such as Malaysia, Singapore and Dubai are well ahead in terms of developing what they call super-information corridors. And while two countries in the hemisphere have booming ecommerce activity, the rest of us cannot assume that we can piggyback on their successes.

No doubt there are many factors external to the businesses themselves, which hamper them getting involved in electronic business, such factors as communication costs, limited infrastructure, limited access and low bandwidth to name a few. These are all issues which our countries must grapple with that before we will realize the full potential of eCommerce. However, to the extent that our businesses can engage in eCommerce with the existing circumstances, it is imperative that they do so.

The world of eCommerce is rapidly evolving and new opportunities are becoming available every day. The market for electronically delivered services and content is now evolving so rapidly, that our businesses can ill afford to remain grounded in traditional modes of supply. To do so will be to ensure that they cannot compete in the new world economy.

The dividends will be especially high for the region's smaller companies and smaller economies that traditionally have been hampered by limited information, high market entry costs and distance from markets. The use of electronic commerce by small and medium size enterprises means the elimination of traditional barriers to trade such as the distance between markets and the difference in size of businesses. It offers an inexpensive means of soliciting bids, receiving orders, purchasing goods and tracking sales in a way that allows small and medium sized enterprises to reduce overheads and administrative costs, and presents them with the opportunity of broadening their operations.

Smaller businesses throughout the Americas will have the opportunity to access global audiences at much lower costs, thus allowing them to penetrate international markets in a way that was impossible before now.

I have already mentioned the tourism sector in Barbados, which is characterized by relatively small hotel properties with small marketing budgets. These hotels have successfully been able to reach out to a truly global audience not previously reached through advertisements and flyers. Nearly 25% of employment in the Caribbean is related to tourism. It has been predicted that travel and tourism will be the largest online data product in the next 3 years. Clearly then there is tremendous potential for eCommerce in this service sector.

No doubt you have your own success stories. We simply must capitalize on these and bring many more of the regions businesses online.

Improved access to the regions markets is at the heart of the Free Trade Area of the Americas. Electronic Commerce will make it possible to access each others markets at very minimal costs. Throughout the hemisphere, it will allow companies to enjoy higher growth and improved economic efficiency and

profitability. The resulting productivity gains should propel the economies of the region and lead to a higher standard of living for our populace.

We do need however to confront those issues which threaten to restrict the regions growth in eCommerce. Our countries can only capitalize on the opportunities if we empower our populations by ensuring access to the technology. It is clear that the use of computers and Internet services at present is primarily available in the upper income groups of the society in Latin America and the Caribbean This is the result of many contributing factors. No doubt cost is a major consideration. However, I wish to highlight the role that education plays in this equation.

We know that use of the Internet requires a fair measure of skill which is generally found among the educated sectors of our population. Our businesses and our governments must partner to ensure that a larger percentage of the populations in our countries are computer literate. Without efforts in this direction, we may well find that in terms of domestic eCommerce transactions, it may not reach critical mass. Permit me again to share with you the experience of my own country.

Recognising the need to ensure that Barbadians are ready to take advantage of the opportunities of eCommerce, the Government of Barbados embarked last year on a project called ***EduTech 2000***. This is a program expected to cost US \$150 million dollars and which has as its aim to ensure that each and every student in all of our primary and secondary schools are trained in the use of the computer and the Internet as tools for learning. Each student is to have access to computers and the Internet. Access to a computer will no longer depend on your household income. This new generation of Barbadians is in effect being primed for this shift to an information based society.

It is the expectation of the government that its citizens, armed with these skills will not only provide a ready market for eCommerce, but perhaps more important to a small economy such as ours, they will provide a base for us to be producers of eCommerce content and solutions, rather than just consumers.

Across the hemisphere, there are many differences. We are all at different levels of development, both social and economic. ECommerce has entered on the scene and has altered the way in which business is being done globally, before some of our countries have even been able to come to grips with the developments which preceded it.

We will be allowed no choice about whether or not we adopt eCommerce, the only choice we will have is when.

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