

Address given by Senator Dale D. Marshall at the Sixth Symposium of the Americas on June 6th, 2000 at the Hotel Intercontinental, Miami Florida.

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Distinguished colleagues, ladies and gentlemen, I am deeply honored to have been invited to participate in this **Sixth Symposium of the Americas** and particularly in this panel on electronic commerce.

Notwithstanding that your program lists the subject as *Electronic documents and payments*, our moderator has given us leave to deviate from that strict topic and for this I am grateful.

Grateful because region from which I hail, faces specific issues when it comes to taking advantage of the opportunities of eCommerce. These issues are not unique to the Caribbean, however, like most small developing countries we do not always have the means immediately available to address them.

I have therefore felt it to be my duty, whenever I can in fora such as these, to raise the matters which especially affect the Caribbean - and the Caribbean constitutes more than 1/3 of the countries in the Americas.

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

In the Caribbean 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 role do we really have to play in this latest play on the world's 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.

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.

In the Caribbean, our music is one of our most famous exports. From Reggae in the northern Caribbean, to the pulsating Soca rhythms in the South.

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 purchasing of goods. However, we need to also think of the trade in services.

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. Almost all of our national tourism organisations have websites and many of the hotels are developing websites as well. This approach is vital to many Caribbean islands for the simple reason that the majority of hotel properties in some islands are small hotels. Faced with high advertising and promotion costs in the markets which they want to target, they really have little choice but to look to the Internet. In fact, it is an approach

which is being promoted by many governments as a means to boost their tourism arrivals.

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.

For the small economies in the region, this is a good sign. In my view, the export of services is the way forward for our economies. Our relatively low labour costs, well educated populations, stable political environments and established common law legal systems make us very attractive to foreign investors who wish to establish platforms for the distribution of their goods and services.

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 bandwidth;
- 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.

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.

Where should we start?

A good place to start would be for us to conduct a comprehensive review of our legislation which governs commercial transactions, to see if these legislative instruments are conducive to eCommerce transactions . In many Caribbean countries, our legal frameworks were developed at a time when the Internet was not even contemplated. Accordingly, our legislation does not make provision for

such things as electronic signatures. Such a review is already under way in Barbados for example, and we expect to enact an Electronic Transactions Act based on the model Law developed by UNCITRAL in the next few weeks.

Another important step would be for regional governments to lead the process by using eCommerce to conduct its affairs where possible. There are tremendous benefits 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 government's budget, there are substantial benefits to be reaped in terms of transparency, more competitive prices, and speed of effecting transactions.

Conclusion

The famous French poet, Paul Valerie, made the comment,

“The problem with our times, is that the future is not what it used to be.”

This is so true, as the eCommerce revolution spreads across the globe. Nothing is what it used to be and we really can't even guess what is coming next.

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