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**DRAFT REPORT OF THE COMMISSION ON ENTERPRISE, BUSINESS
FACILITATION AND DEVELOPMENT ON ITS THIRD SESSION
(23-27 November 1998)**

Rapporteur: Mrs. Sima Eivazova (Azerbaijan)

AGENDA ITEM 4

Speakers:

Secretariat	Russian Federation
Argentina (for GRULAC)	Austria (for the European Union)
India (for the Asian Group and China)	Japan
Mauritius (for the African Group)	China
Cuba	Uganda
United States of America	Switzerland

Note for delegations

This draft report is a provisional text circulated for clearance by delegations.

Requests for amendments to statements should be communicated by **Friday, 4 December 1998 at the latest**, to:

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**THE IMPACT AND RELEVANCE OF ELECTRONIC COMMERCE
ON TRADE GROWTH AND DEVELOPMENT**

(Agenda item 4)

1. For its consideration of this item, the Commission had before it the following documentation:

"Implications for trade and development of recent proposals to set up a global framework for electronic commerce" (TD/B/COM.3/17);

"Policy issues relating to access to participation in electronic commerce" (TD/B/COM.3/16);

"Report of the expert meeting on capacity-building in the area of electronic commerce: human resource development" (TD/B/COM.3/13-TD/B/COM.3/EM.6/3);

"Trade efficiency assessment methodology (TEAM): an update" (TD/B/COM.3/15).

2. The representative of the **UNCTAD secretariat**, introducing agenda item 4, said that electronic commerce was an area in which UNCTAD and its sister institutions, especially the International Trade Center (ITC) and the Economic Commission for Europe (ECE), had a head start, having addressed the issue as early as 1991, when the trade efficiency programme was launched. Since then, the international community had started to devote more attention to the main policy, regulatory, legal, economic and technical issues underlying electronic commerce. At the ministerial conference of the Organisation for Economic Co-operation and Development (OECD) on "A borderless world", and at the Partners for Development meeting in Lyon, it was considered that the design and implementation of a global framework for electronic commerce required that the development dimension should be treated as a matter of priority. In that context, the work and relevance of UNCTAD was increasingly seen as central.

3. It was important to address the issue of development and electronic commerce with at least two questions in mind, namely: what were the conditions under which developing countries would be able to access the technologies, infrastructure and know-how necessary to be active participants in global electronic commerce?

And, assuming that such access existed, how would developing countries and their enterprises use it? In other words, what kind of content would circulate on such global networks? Those themes had been addressed at the meeting in Lyon and in the documents on electronic commerce produced for the current session of the Commission. That work would become even more important as the next ministerial conference of the World Trade Organization (WTO) drew near, and as UNCTAD prepared for its tenth conference, in Bangkok.

4. Following the recommendations of the expert meeting on "Capacity-building in the area of electronic commerce: human resource development", the secretariat was receiving an increasing number of requests from members to develop its training and human resource development programme in the area of electronic commerce, and therefore a number of specific products had been developed, in particular within the TRAINFORTRADE programme.

5. With respect to the Commission's request to report on the progress of the trade efficiency assessment exercise, a revised and simplified approach had been suggested by the secretariat. The suggestion was based on a practical study carried out a few months earlier in Cambodia.

6. He introduced the progress report describing the ways in which the Division on Services Infrastructure for Development and Trade Efficiency had implemented the recommendations made by the Commission at its first two sessions. Much had been achieved, in spite of the heavy workload generated by the preparations for the Lyon meeting and shrinking extrabudgetary resources.

7. He gave a brief account of the outcome of the Partners for Development meeting. Feedback suggested that the positive spirit shown at the meeting would be carried forward, and that UNCTAD would be able to use the impetus from Lyon to prepare in the best possible fashion for UNCTAD X. In Lyon, something new had been attempted and something new had been achieved. The current discussion would build on that success and confirm that UNCTAD was, as its creators had intended, a true agent of change for development.

8. The representative of **Argentina**, speaking on behalf of the **Latin American and Caribbean Group**, underlined the importance of electronic commerce for development, and expressed the hope that electronic commerce and data exchange could be used to help the Central American countries in their efforts to overcome the devastating effects of Hurricane Mitch.

9. The Internet had grown remarkably, from one million users in 1992 to approximately 100 million in January 1998. According to UNCTAD documentation,

there were now more than 8.5 million users in Latin America and the Caribbean and 34 million were forecast for the year 2000. The number of websites was expected to increase to 500,000 in 1999.

10. Electronic commerce was beginning to have an impact on traditional forms of trade and related services, and would inevitably have an impact on the relations between business, consumers and Governments. Meanwhile, the framework for electronic commerce was being studied by a number of institutions, such as the World Intellectual Property Organization (WIPO), the United Nations Commission on International Trade Law (UNCITRAL), the OECD and the World Trade Organization (WTO), and developing countries were faced with negotiations to regulate and define the future use of electronic transmissions. UNCTAD's work was particularly important in focusing on the developmental aspects of electronic commerce, and UNCTAD needed to use its analytical ability to assess the social and economic impact of electronic commerce on the development of the Latin American and Caribbean region. Local businesses would greatly benefit from guidelines and training in electronic commerce.

11. In the forthcoming discussions at the current session of the Commission on ways of facilitating the access of developing countries to electronic commerce, attention should be given to the need to determine the appropriate ways to improve Internet access, particularly with regard to the legal framework and the economic and financial implications. He noted that UNCTAD's Trade Point Programme was an important element to be taken into account in that exercise. He therefore recommended that an expert meeting, with the participation of representatives from Trade Points, should be convened in 1999 to discuss matters pertaining to electronic commerce.

12. The representative of **India**, speaking on behalf of the **Asian Group and China**, said that UNCTAD was a vital link in the chain of trust and mutual understanding that needed to be built and strengthened in the area of electronic commerce. The Asian region had been one of the world's main sources of information technology, equipment and services over the last two decades. The region's high level of education and computer literacy made it a potential major player in global electronic commerce. Also, a large number of Asian countries had participated in the drafting of the proposals on electronic commerce made by the countries of the Asia-Pacific Economic Cooperation (APEC) forum, which were among the most advanced sets of proposals put forward by a regional group of countries. However, Asia also included some of the poorest countries in the world, and for those countries, electronic commerce would not become a reality unless the basic issues of access to information infrastructure and human resource development

were addressed. The Lyon meeting had provided a major opportunity to address those issues. He noted with satisfaction that the first Trade Efficiency Assessment Pilot Study had been carried out in an Asian least developed country. It was to be hoped that the next few months would see a renewal of donor interest in the Trade Point Programme, as recent developments in the programme in several Asian countries had been very positive. The Commission could make an important contribution to enhancing the way in which electronic commerce was dealt with at UNCTAD X, where it would be one of the most important items on the agenda.

13. UNCTAD should make efforts to improve the current infrastructure deficiencies in developing countries in terms of hardware, the legal framework and human resource development, to enable those countries, particularly the least developed countries, to take advantage of electronic commerce and avoid marginalization. UNCTAD ought to participate actively in all international forums where the international rules and standards of electronic commerce were being developed, to protect the interests of the developing countries.

14. The representative of **Mauritius**, speaking on behalf of the **African Group**, said that electronic commerce was bound to affect fundamentally the way economic activities were conducted, particularly with regard to business and financial services, entertainment and telecommunications. In those circumstances, there would be no place for onlookers, and collaborative and cooperative alliances would be commonplace. Those positive developments would have their own far-reaching consequences and implications for the necessary infrastructure, legal and regulatory issues, proprietary rights and other trade, technical and financial issues related to electronic commerce. The development dimension should not be ignored, and UNCTAD should use its comparative advantage in such a way as to ensure coordination and synergy in the work of all the relevant organizations and the international community in general in order to avoid the dangers of marginalization. Developing countries, and their small and medium-sized enterprises, should derive benefits from the development of electronic commerce: to do so, they needed to commit themselves to that development, as African Ministers had already done in giving their assent to the WTO Declaration on Global Electronic Commerce in May 1998.

15. The representative of **Cuba** said that electronic commerce was another expression of the pressure of globalization. A solution had to be found to the problems of human resources and the financial cost of access to the Internet in order to avoid increasing the gap between developed and developing countries. Privatization was not the only solution to that problem. A first step in the development of electronic commerce in developing countries would be to improve

business-to-business and government-to-business relationships. Such a strategy would help to increase the efficiency of both the State and the enterprises and would improve their competitiveness.

16. He supported the idea of having simple and flexible rules and regulations for electronic commerce, but they should not diminish State sovereignty, as the State had to be able to protect national vital interests. It was important that trade facilitation and enterprise development should take place in an adequate international environment without interference in the sovereignty of any State, without restrictive trade measures, without practices that went against established principles of international law, and without unilateral and extraterritorial laws.

17. The representative of the **United States of America** said that the progress report on the implementation of agreed conclusions and recommendations prepared by the secretariat should be discussed during the session to determine the suitability of, and need for, further action. UNCTAD could play a role in assisting developing countries to understand the policy implications of electronic commerce-related development. The most suitable role for UNCTAD was to serve as an analytical clearing house for information for developing countries. In close cooperation with the relevant organizations, UNCTAD could set up a database on the state of connectivity in developing countries, which would be useful for developed countries which wished to provide assistance in those areas. The President of the United States of America would be making an important announcement on electronic commerce on 30 November 1998; details of that statement would be made available on the Internet, as well as on hard copy.

18. While awaiting the outcome of the ongoing investigations of the Office of Internal Oversight Services (OIOS), all references to the SEAL (Secure Electronic Authenticated Link) project should be deleted from the UNCTAD website, and no SEAL projects should be carried out before being authorized by the Commission. Moreover, electronic trading opportunities should not be considered before the evaluation of them was discussed at the forthcoming meeting of the Working Party on the Medium-term Plan and the Programme Budget.

19. The representative of the **Russian Federation** said that the recent advances in information and telecommunications technology were reshaping the ways in which international trade was conducted, by connecting participants from different parts of the world in one electronic market. Given UNCTAD's mandate as the

central United Nations body for questions related to trade and development, he was in favour of UNCTAD's involvement in electronic commerce issues.

20. Electronic commerce was so far mainly restricted to developed countries, such as the United States of America, Japan and European countries, since its development was heavily dependent on the availability of a critical mass of Internet users. Developing countries and countries in transition were still constrained by the relatively high cost of access to and use of the Internet. Unequal conditions in that area, as well as in the availability of financial and human resources, needed to be addressed in order to make electronic commerce into a global instrument of growth and development for the whole international community. Governments should play an active role in that respect, not only as regulators, but also as active participants and, ideally, also as a source of funding for training and initial support to companies trying to establish themselves in the area of electronic commerce.

21. With a view to facilitating the further development of electronic commerce and increasing its benefits for all participants, a number of Governments had prepared proposals for a global framework for electronic commerce. The Russian Federation fully supported UNCTAD's activities in that area, including the recent meeting in Lyon, and was convinced that UNCTAD could contribute substantially to the creation of a harmonized and transparent legal environment for electronic commerce in the future.

22. The representative of **Austria**, speaking on behalf of the **European Union**, said that electronic commerce had fast become an attractive addition to the traditional ways to trade for enterprises in developing countries, and was generating new business practices. The secretariat's analytical work was useful in helping Governments to better identify the technical, human, financial and legal difficulties faced by companies in developing countries in accessing and using the new technologies. The expert meeting on "Capacity-building in the area of electronic commerce: human resource development" had been particularly useful in that regard.

23. The representative of **Japan** said that electronic commerce offered major opportunities to developing countries, as it allowed small and medium-sized enterprises with original ideas to compete with large enterprises without the need for large amounts of capital investment or a large infrastructure. The potential importance of electronic commerce between developing countries should not be overlooked. Electronic commerce was a system that made speedy transactions possible, but that also presented obstacles. Developing countries should therefore be encouraged to work on trade facilitation by providing the

necessary environment, such as trade processes and infrastructure, to allow enterprises to take full advantage of the benefits of electronic commerce.

24. The representative of **China** said that the impact of the information technology industry on the national economy was far greater than that of traditional industries. Electronic commerce, characterized by its high efficiency, low costs, high return and global nature, was replacing the traditional economic and trade structures, and it would surely have a far-reaching impact on the world economy and trade.

25. China had recently formulated a national strategy for the development of the information and Internet economy. It had been the first country to establish a Trade Point development centre after UNCTAD IX, and there were now three Trade Points in operation, in Beijing, Shanghai and Weifang. It had also established an international electronic commerce network with a large number of foreign trade information terminals, and had successfully launched its first electronic foreign trade tender in October 1998.

26. However, there were also problems in developing electronic commerce, such as the lack of awareness of its importance at the enterprise level, and the lack of technology, electronic infrastructure and qualified technicians, as well as related financial and legal problems.

27. He recommended that efforts should be undertaken to promote the understanding of electronic commerce between countries, and that the different levels of development of countries should be taken into account when drawing up a global regulatory framework, which should follow a gradual approach. Also, the developed countries should provide technical assistance and funds to the developing countries to build up their infrastructure and capacity, so as to promote a balanced development of electronic commerce. While the positive role of the private sector in the development of electronic commerce should be recognized, the Government's role in formulating policy and guidelines at the macro level should not be overlooked.

28. The representative of **Uganda** said that electronic commerce provided opportunities and challenges to developing countries, and gave them the possibility of "leapfrogging" in the process of becoming integrated in the world economy. He highlighted the wide disparities in access to services mentioned in document TD/B/COM.3/16 and the especially weak position of African countries. Connectivity in rural parts of Africa was problematic as wire telephone services were not available. In such areas, access to the Internet was only possible

through cellular or satellite telephone connections, which were more expensive. It was essential to create the necessary infrastructure and provide for the development of human resources.

29. Major proposals had been put forward to create a global framework for electronic commerce, with WTO considering the rules and regulations that would be required. UNCTAD had a vital role to play in helping developing countries, especially the least developed and African countries, to identify the issues that would be taken up in whatever global framework emerged. He expressed his appreciation for UNCTAD's work in establishing a Trade Point in Uganda, and developing capacity-building in the electronic field. The Lyon meeting had been useful in providing developing countries with the opportunity to network with actors from Governments, the business world and civil society.

30. The representative of **Switzerland** said that electronic commerce was evolving rapidly and that developing countries needed to be actively involved in it in order to increase their participation in the global trade in goods and services. The priority for developing countries should be to implement the necessary telecommunications infrastructures, and the private sector had a crucial role to play in defining the regulations that would govern electronic commerce. The role of States in that respect was also vital, but government policies should be limited to the protection of private interests.

31. Considering that several certification mechanisms existed, it was vital to apply the principle of non-discrimination and interoperability of such mechanisms, in particular through the mutual recognition of certificates and electronic signatures. However, the technology in that area was evolving so quickly that it was difficult to adopt a top-down approach to the subject.