



Summary of UNCTAD E-Commerce and Development Report 2002

UNCTAD has released in November its E-Commerce and Development Report 2002 (EDR 2002) and FIAM is happy to provide you with a summary of the findings as well as input on what multimedia associations can gather from this document.

UNCTAD is a member of the United Nations family of multilateral organizations. It focuses on the integrated treatment of trade and development and the interrelated issues in the areas of finance, technology, investment and sustainable development in developing countries. EDR 2002 is published annually and falls into UNCTAD's mandate to undertake research, policy analysis and data collection in order to provide inputs for the discussions of experts and government representatives.

What Internet and Multimedia associations (IMAs) should get out of the report:

- Lobby their governments on domain name systems because of e-commerce implications
- Develop gender-specific ICT and multimedia programs
- Establish business and financing strategies for their SMEs
- Develop export-led programs for their SMEs digital products and applications
- Study the evolution of m-commerce within their membership

1) Regional Status Reports

Of the estimated 655 million 2002 Internet users worldwide, developing countries account for almost one third of new users.

In **Africa**, dial-up subscribers increased by 30% and stand today at 1.3 million. Only 1 in 118 Africans has Internet access and 1 in 440 if we exclude the five most wired African countries. E-commerce is negligible despite gains in B2B (online or offline services) or B2C (handicrafts for exports).

In **Latin America**, Internet is widely used by businesses for contacts and information-gathering (especially in Argentina, Mexico, Brazil and Chile, but minimal online transactions). A few large corporations in the transportation and banking industries are heavy users of Internet. E-government is picking up as well.

In **Asia and the Pacific**, Internet use by businesses for e-commerce purposes has grown rapidly especially in manufacturing. No real take-off in B2B transactions will happen though because of the insufficient digital networks.

In **Central and Eastern Europe**, e-commerce is growing but at a slow speed.

Finally in **North America and Western Europe**, B2B transactions have not measured up to expectations. The share of online transactions to total B2B sales does indicate a shift towards the online environment (20% of total B2B sales over the next 2 to 4 years).

2) ICANN and Developing Countries

UNCTAD's report stresses the need for developing countries to participate in the debate over domain names. The development of a satisfactory domain name system (DNS) infrastructure

will help national companies in developing countries establish and protect their trademarks and brands online and further the cause of e-commerce.

The Internet Corporation for Assigned Names and Numbers (ICANN), decision-making body regarding DNS and country code top-level domains (ccTLDs) is mired in continuing questions concerning its structure, its basis for legitimacy, its sources of funding, and its international representation.

One issue the UN organization is raising is that most ccTLDs administrators in developing countries have not yet signed formal agreements defining rights and responsibilities and funding commitments with ICANN. UNCTAD is also wondering whether ccTLDs should be structured so that anyone, even non-residents, can register, or whether to reserve them exclusively for local residents and companies.

A significant improvement for e-commerce is the implementation and acceptance of an international dispute resolution mechanism, the Uniform Name Dispute Resolution Policy (UDRP) which covers generic TLDs (such as .biz and .info) and certain ccTLDs. Bringing a claim under the UDRP is not too onerous, even for companies coming from developing countries.

Developing countries have to get involved in the current UDRP debate, in particular on the issue of extending DNS categories of identifiers other than trademarks (personal names, geographical indications or trade names, etc.).

3) Gender, E-commerce and Development

The report stresses the role of women in acquiring and using ICT for e-commerce and in IT-related services. In many developing countries, these women account for a sizable number of small and medium-size businesses. When not owners of their own enterprises, they work in data processing and storing, transcription services and claims processing, activities closely related to IT outsourcing services.

Women encounter however strong barriers to entry, when compared to men, especially in obtaining computer-related education and training. The UNCTAD report stresses education as the best means for improving women's participation in ICT, followed by access to Internet infrastructure and technologies and some financial capital.

4) Mobile Commerce

M-commerce (economic transactions using wireless handheld devices and Pdas), seems to have caught UNCTAD's attention as well. Considering that the number of such devices will reach one billion by the end of 2002, the report was eager to emphasize its electronic commerce potential. By the end of 2002, M-commerce revenues are expected to reach \$50 billion.

In developing countries, the introduction of prepaid cards was a major driver for mobile services adoption. Asia led the way, followed by Latin America and to a lesser degree Africa. Main uses of e-commerce include text messaging or SMS (especially in developing countries), micro-payments, financial services, logistics and information services (in richer countries).

The report however warns that for real e-commerce to take off in developing countries, national governments have to promote the adoption of authentication, security and data privacy policies and regulations, not to mention improving connectivity.

5) IT industry, E-Business and Development

The IT industry in developing countries accounts for a sizable 22% of overall exports and a recent survey done by UNCTAD demonstrates how this industry is an important user of e-commerce. The industry though is not yet fully engaged in delivery or use of services such as online catalogues, online orders or online payments.

The IT sector has positive effects on the development and localization of software (proprietary and open source) to the advantage of local enterprises, government and civil organizations. The report emphasizes the role of governments who are encouraged to adopt business-oriented e-commerce policies focusing on access and telecommunications, e-commerce legal frameworks and training.

6) E-Finance for Development: Global Trends, National Experiences and SMEs

Noting that most e-finance services are situated in OECD countries, UNCTAD calls for financial institutions in developing countries to find their own niche and develop e-finance initiatives in areas such as banking, payments and trade finance, especially toward small and medium-size enterprises (SMEs). In particular, the UN body wants payment and settlement services for these SMEs to be integrated to the global banking systems.

Though too early to determine best-practice benchmarks in e-finance initiatives in developing countries, the report does allow the identification of several key challenges: **a)** the need to localize financial solutions for region-specific SMEs, **b)** the need to continue with public-sector support in helping SMEs, **c)** the need to create adequate regulatory and institutional frameworks, **d)** the need to mainstream SMEs towards e-finance.

7) Export Competitiveness and E-Services

The UNCTAD report argues that an increasing number of companies from developing and developed countries are directing their efforts towards becoming more competitive in their services exports. Two countries have shown very interesting results in export-led strategies, Costa Rica and India. Both countries, states the report, have an educated workforce, IT know-how, long experience in high-tech development, contacts in their major export markets and goodwill abroad.