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E-commerce Strategies for Development
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Let me begin these remarks by thanking the Royal Thai Government for their generous support of this UNCTAD initiative and for the energy, effectiveness and cordial hospitality evinced by the Thai authorities as hosts of our conference.

I also wish to express my satisfaction that the memorandum of understanding for the establishment of closer cooperation between ESCAP and UNCTAD, which Mr. Kim Hak-Su and I signed here in Bangkok only a few months ago, is already yielding its first, very concrete results.

Ladies and gentlemen,

The transformation engendered by the Internet and information and communications technologies – not only in the organization of economic activity, but also in the social and cultural life of people around the world – is fast becoming one of the most defining features of the early 21st century. Let me quote just a few figures to illustrate the magnitude of the forces at play.

This year, about 155 million people, one third of them living and working in developing countries, will join the "Internet population", bringing the total number of Internet users to some 655 million people. Every year, in other words, the equivalent of the population of a country like Russia is joining those who can access vast amounts of knowledge and information almost without any constraints of time or distance. And the weight of developing countries in this population is growing very quickly – China's Internet population is already the world's third largest.

The importance of the Internet in economic terms is not only related to demographics. Electronic commerce, often conducted by "traditional" firms, keeps rising. Forecasts of the value of the goods that will be traded online around the world this year range from less than \$ 1 trillion to close to \$ 2.3 trillion. By comparison, global trade amounted to about \$ 7.4 trillion in 2001. Fast rates of growth for e-commerce transactions are predicted in the coming years by almost every analyst.

It is difficult to assess how much of this e-commerce is taking place in developing countries. According to some estimates, the amount would be \$ 100 billion – a small share of the global e-commerce market. The overwhelming majority of these transactions are concentrated in Asia and the Pacific, where e-business will soon represent as big a share of economic activity as in the more advanced regions. At the same time, we should keep in mind that these encouraging developments are limited to a few of the region's more developed countries, and that in many of the less developed countries e-commerce has not yet taken off.

The growing importance of the Internet and other applications of ICT to productive and commercial activities will remain a key feature of change in the economy in years to come. It is therefore essential that we engage in a collective effort of reflection, preparation and practical action to ensure that the forces unleashed by rapid technological change work to close the multiple gaps still separating the poor from the affluent, both within and among nations. More specifically, as actors on the international trade and development scene, we face a challenge to ensure that the potential of ICT and

the Internet is actually used to create economic opportunities, fight poverty and inequality and promote a more balanced economic relationship between the developed and the developing world.

Consideration of the implications of the emerging digital economy often underlines its potential to exacerbate inequality. However, action for change requires that we leave aside prejudices and realize that the digital economy holds as much promise for developing countries as it does for the more advanced players. In fact, some of the old distinctions and categories used to analyse economic and social inequality may lose their validity in the information economy. For instance, inequality within countries is increasingly a function of unequal access to information. Similarly, some of the severe handicaps faced by many developing countries in the “old economy”, such as distance from major world markets, become less severe once these countries begin to export digitized products and services. At the same time, such new factors as poor access to global information networks can become bottlenecks that limit a country’s development prospects. In both cases, the impact of ICT on competitiveness is the key consideration.

In more and more industries, the capacity of a firm to remain competitive in global markets depends on its ability to capture, transform, utilize and transmit information. In the digital economy what you have is not as important for success as what you know. The digital economy is not as much about computers and networks, vital as they are, as it is about using and exchanging knowledge and information more effectively. And while infrastructure and finance may be all too scarce in many developing countries, ingenuity, knowledge, wisdom, motivation and the will to share them with the rest of the global community are not. That is why I am convinced that the emergence of a global digital economy represents a formidable opportunity for the developing countries.

My optimism is to a large extent inspired by the experience of several countries in Asia and the Pacific that have taken the lead among developing countries in the adoption of e-commerce and e-business practices. This is in part due to policies that have resulted in a greater integration of their enterprises into intraregional and global trade flows. But specific policies of the region’s Governments – policies that support, for instance, the deployment of crucial broadband technologies or the creation of a skilled, educated workforce to meet the growing needs for outsourcing by foreign firms – are also playing an important role.

Let me take the example of India. The Indian software sector is well known because of its breathtaking growth over the past decade. The country’s IT services exports – software and business process outsourcing in particular – have almost doubled in two years, and currently account for more than 16 per cent of exports and 8 per cent of foreign exchange earnings. They are predicted to reach \$ 77 billion by 2008, contributing 10 per cent of GDP and 30 per cent of all foreign exchange and creating four million new jobs, both directly and indirectly.

Let me now move to some of the policy considerations that I would like to suggest as issues for your debate today.

In the first place, we must remember that it is people, not computers, who create and diffuse knowledge and information. We must first and foremost look at how to develop human competence. Awareness-building, education and training should focus not only on improving technical competencies but also on developing an e-commerce culture.

Secondly, public policy frameworks need to be defined and implemented. In the digital as in the traditional economy, markets cannot perform their functions without a policy framework that ensures genuine competition and fair access to equal opportunities. Public policy must provide a predictable and supportive legal framework. Issues such as security, privacy, consumer protection and intellectual property rights need to be addressed in a way that not only fits the circumstances and the reality of developing countries, but also looks beyond the present to anticipate the future potential of the digital economy.

Thirdly, issues of infrastructure, connectivity and access need to be addressed. Governments should step up their efforts to link the “virtual” and “physical” sides of the economy. The advantages of e-commerce are lost if goods sold online are held up for weeks at the border because of inefficient customs operations, or because the cost of transport multiplies the cost of goods by a factor or two or more, as is the case in many landlocked countries. ICT provides the tools for offsetting some of the inefficiencies that affect transport (such as slow transit transport procedures) – an area in which UNCTAD has direct experience, particularly in this region.

Lastly, in the less advanced developing countries, e-commerce will not take off unless they engage in partnership with players from the more advanced countries that are likely to generate most demand for e-services in the foreseeable future. Governments can help make these partnerships possible by addressing physical and regulatory constraints.

Regional initiatives, such as APEC or ASEAN, are useful forums for exchanging experiences and establishing common positions in international debates. Accordingly, this conference brings together representatives of all countries in the Asia-Pacific region. This is also why we have supported similar initiatives in other regions, including Africa and Latin America.

I am proud to say that UNCTAD is one of the first international organizations to emphasize the potential of electronic commerce for developing countries. International awareness of the need to address these issues has, fortunately, increased over time. The Millennium Declaration, in which UN Member States expressed their commitment to “ensure that the benefits of new technologies, especially information and communication technologies, are available to all”, was a strong signal of this growing awareness. Numerous international initiatives are now under way in the field of ICT and development, with bilateral donors increasingly including ICT considerations in the design of their programmes of international cooperation.

Providing support to developing countries in defining and implementing their own e-strategies for development should receive priority attention. UNCTAD participates actively in a number of international initiatives that have e-strategies on their agenda, such the ICT Task Force convened by Kofi Annan and preparations for the World Summit on the Information Society, to be held in Geneva in 2003 and Tunis in 2005. In this context, the emergence of as wide a consensus as possible on the fundamentals of e-strategies is important, particularly if ICT is to be mainstreamed into official development assistance programmes. Creating the political will to implement the necessary changes will be equally important. This conference, which is part of an intergovernmental policy dialogue taking place both in Geneva and in a series of regional events on e-strategies, represents an opportunity to move quickly in that direction. Identifying the international components that such action plans must necessarily contemplate could be part of the agenda of the eleventh UNCTAD, to be held in mid-2004.

In the face of these challenges, a commitment at the highest political level is required. This is why we have come together today, not only to address the issues at the decision-making level, but also to ensure that the outcomes of today's Roundtable Debate help you and your Governments to lead the process of adaptation that economies will have to undergo. Let me express my confidence that the Declaration on E-Commerce Strategies for Development that is expected to emerge from your deliberations will be a strong manifestation of the political will of the Governments of Asia and the Pacific to ensure that their people take their full part in the emerging digital economy.

Thank you for your attention.

Bangkok
22 November 2002