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UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

**Report of the Commission on Enterprise,  
Business Facilitation and Development  
on its fifth session**

held at the Palais des Nations, Geneva,  
from 22 to 26 January 2001



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## Chapter I

### AGREED RECOMMENDATIONS ADOPTED BY THE COMMISSION AT ITS FIFTH SESSION

#### **A. Enhancing the competitiveness of SMEs in the context of FDI in developing countries: Relationships between SMEs and TNCs to ensure the competitiveness of SMEs**

1. The Commission took note of the secretariat documents entitled “Enhancing the competitiveness of SMEs in the context of FDI in developing countries” (TD/B/COM.3/34) and “Report of the Expert Meeting on the Relationships between SMEs and TNCs to Ensure the Competitiveness of SMEs” (TD/B/COM.3/31), which served as background for the policy dialogue during the session.
2. The discussion in the Commission’s session highlighted the positive impact that TNC–SME linkages can have on national growth and development, in particular for enhancing the productive capacity of a strong domestic enterprise sector. Also, the Commission acknowledged that to enter into such linkages, SMEs should be more competitive and should be ready to meet internationally agreed standards. TNCs should contribute to the local economy of developing countries through applying best practices concerning linkages with SMEs by working with small and medium-sized companies for their managerial and technological upgrading, as well as entering into public–private partnerships to work together with Governments, other TNCs and local business organizations to create support institutions.
3. In the light of these considerations the Commission calls on:

#### **Governments**

- (a) To ensure that there is consistency between their trade, investment and enterprise development policies;
- (b) To provide an enabling business environment characterized by stable macroeconomic policies; a sound legal, regulatory and tax framework; adequate physical infrastructure, including for transport and telecommunications; and an available pool of skilled labour, particularly with engineering skills;
- (c) To target those TNCs which could have a positive development impact on the local economy, and a corporate vision and mission to promote such an impact;
- (d) To consider policies which encourage TNCs to apply “best practices” in working with SMEs for their managerial and technological upgrading, including:
  - (i) mentoring programmes for SMEs in order to transfer best practices, and coaching them in total quality management and continuous improvement; giving them access to TNC innovation centres and corporate training

programmes; making available engineers and management consultants; and assigning staff to SMEs;

- (ii) sharing with SMEs relevant information such as market trends and future plans; allowing them to support TNC operations outside the host country; and providing them with additional business opportunities through business matching, brokering strategic alliances, and participation in trade fairs and road shows;
- (e) To promote a meaningful and continuous public–private sector dialogue on strengthening the enabling business environment, for example through the establishment of representative mechanisms for periodic consultations;
- (f) To promote public–private sector partnerships to create support institutions at the appropriate levels (e.g. skill-training centres), which can facilitate the transfer of technology and help SMEs achieve the capability for continuous innovation;
- (g) To design adequate policies aimed at improving the competitiveness of all SMEs, including support measures for SMEs with growth potential;
- (h) To adopt special measures to help SMEs become partnership-ready by facilitating their access to technology and finance, and improving managerial skills;
- (i) To encourage SMEs to diversify their customer base to avoid overdependence on one linkage partner.

### **International community**

- (a) To promote an enabling environment with a view to improving the access of SMEs to the global economy;
- (b) To better coordinate programmes for SME support so that SMEs are more partnership-ready; and in particular to create reciprocal links between the UNCTAD website and the SME websites of development partners;
- (c) To identify best practices in forging TNC–SME linkages and to disseminate them;
- (d) To promote public–private partnerships not only for SME support institutions but also for creating an enabling business environment and the necessary physical and human infrastructure.

### **UNCTAD**

- (a) To continue to collect and to disseminate national best practices stimulating TNC–SME linkages in collaboration with other development actors, taking into account the special situation of SMEs in LDCs;

- (b) To conduct regional workshops on successful linkage programmes which could be adapted to local circumstances and to produce a manual of best practices in this area;
- (c) To explore ways and means of promoting TNC–SME linkages within the framework of existing technical assistance programmes, including through the EMPRETEC programme, in order for SMEs to become more competitive;
- (d) To undertake further research and analysis on certain topics, such as financing SMEs, the use and the impact of economic incentives and strategies to promote corporate social responsibility, and the impact of WTO commitments on national policies for SME development.

**B. Capacity-building in electronic commerce: Impact of the new economy on traditional sectors of developing countries: Electronic commerce and tourism**

4. Noting the UNCTAD X Plan of Action and the outcome of the Expert Meeting on Electronic Commerce and Tourism, and also taking into account the note by the UNCTAD secretariat contained in document TD/B/COM.3/35, the Commission adopts the policy recommendations set out below as a means of promoting the development and growth of e-commerce, including e-tourism, in developing countries.

5. The Commission notes that e-commerce is making a considerable positive impact on world trade and business activities, but that for the most part developing countries play a negligible role, which has resulted in widening the international digital divide that affects developing countries in particular.

6. The current low level of participation in e-commerce by developing countries cannot be attributed to the lack of benefits of e-commerce for those countries; rather, it has more to do with the special constraints that developing countries are facing in this area, including lack of awareness, the high cost of connectivity, lack of infrastructure, legal issues and security problems, as well as the need to enhance national and international policies that encourage competition and investment.

7. The Commission also notes that tourism and the emerging e-tourism are of vital importance to the economies of developing countries by being a major source of income and employment and a major factor in promoting the development of other economic activities. It recognizes that policy measures for the development of the e-commerce aspects of e-tourism should reflect broader policies that address e-commerce in general.

8. Priority attention and support should be given to the development of e-tourism in order to maximize its contribution to sustained economic growth and the sustainable development of developing countries.

9. In the light of these considerations, the Commission makes the recommendations set out below:

## **Governments**

10. Governments should become aware of and support, through all possible means, existing and potential regional and international initiatives aimed at narrowing the growing international digital divide.

11. Governments, with the involvement of industry players, producers and local communities, should facilitate the development of national strategies and guidelines on e-commerce and sustainable e-tourism. Particular attention should be given to the improvement and liberalization of Internet services and telecommunications, investments in information infrastructure and the encouragement of the private sector in developing e-businesses.

12. Governments should show leadership in promoting e-commerce and could support its expansion by using it, for instance, in administration and procurement.

13. Governments should promote consumer confidence, privacy and intellectual property rights. Possible approaches include industry self-regulation, laws and regulations.

14. High priority should be given to the development and empowerment of institutions, including tourist destination marketing organizations (DMOs) and chambers of commerce that can support the promotion of e-commerce and e-tourism. These should be strengthened through the establishment of brand names, portals, databases, capacity-building, enhancement of consumer awareness and up-to-date content on the Internet.

15. Regulatory authorities should facilitate the development of appropriate, technology-neutral payments and trade-financing systems that will promote and support the development of e-commerce and e-tourism.

16. Developing countries should ensure that efforts to promote on-line transactions are accompanied by the enhanced production of physical goods and services, satisfactory product delivery and fulfilment and the supply of adequate support services, particularly banking, insurance, transport and customs.

17. Governments should create an enabling environment and encourage travel agents and other intermediaries to adapt themselves by using new information technologies and enhancing their expertise and creativity so as to improve their efficiency and ensure their continuity.

18. To the extent possible, Governments should encourage the development of local content on the Internet in local languages and in the languages of the most important tourism consumers.

## **International community**

19. International organizations involved in electronic commerce should cooperate and coordinate their activities to ensure an adequate exchange of information and the efficient use of resources.

20. Developed countries should provide necessary assistance to developing countries, particularly the least developed countries, so as to enable them to further develop e-tourism aimed at sustained economic growth and sustainable development.

21. Multilateral and bilateral donor agencies should provide financial support to e-commerce activities in order to empower enterprises in developing countries, particularly the least developed countries, with technology, human skills and policies encouraging competition and investment.

## **UNCTAD**

22. UNCTAD, within its mandate, should contribute to strengthening the ability of developing countries, particularly the least developed countries, to develop and implement policies on e-commerce, by:

- (a) Carrying out analytical and statistical studies on the implications, for the developing countries, of the economic, social and legal aspects of e-commerce, and, in so doing, complementing and enriching from the development perspective the work being carried out by other international organizations, such as the World Trade Organization, the World Tourism Organization, the International Telecommunication Union, the World Intellectual Property Organization and the United Nations Commission on International Trade Law;
- (b) Disseminating information to developing countries on approaches and elements of policies and best practices for e-tourism, taking into account successful experiences in the developing and developed countries;
- (c) Organizing Expert Meetings, seminars and workshops aimed at assisting developing countries to learn approaches to be used in applying e-commerce in various economic sectors and activities, such as banking, transport, insurance and procurement;
- (d) Raising the awareness of developing countries and collecting and disseminating information through various channels, including periodical publications, about different aspects of e-commerce, including the potential benefits of e-commerce, new Internet technologies, on-line trading practices and systems, payment systems, Internet strategies, ongoing work on e-commerce carried out in other international forums, developments regarding legal and regulatory issues and policy approaches adopted by other countries;
- (e) Assisting developing countries in capacity-building through training courses and technical cooperation on various aspects of e-commerce generally, and in specific sectors, including e-tourism, e-transport, e-finance and enterprise development;
- (f) Assisting developing countries, particularly least developed countries, in identifying potential opportunities for the development of e-businesses in their countries and promoting partnerships with e-businesses in developed countries;



- (g) Assisting developing countries and their DMOs, in cooperation with other relevant international organizations, in developing tourism portals in order to improve their marketing of e-commerce and e-tourism.

23. UNCTAD, within its mandate and in cooperation with other international organizations, should continue to assist countries in transition in studying e-commerce issues, capacity-building, and developing and implementing policies on various aspects of e-commerce generally, as well as on its specific sectors.

**C. Human resources development and training in trade-supporting services:  
Key to growth with special potential for LDCs**

24. The Commission examined the report of the Expert Meeting on Human Resources Development and Training in Trade-Supporting Services: Key to Growth with Special Potential for LDCs and the note by the UNCTAD secretariat, as contained in documents TD/B/COM.3/32 and TD/B/COM.3/36 respectively.

25. In its policy discussion it paid particular attention to the fact that human resources development (HRD) is an indispensable element in all development activities, as illustrated by the discussions on relationships between SMEs and TNCs as well as on electronic commerce and tourism.

26. It consequently recognized the need to accord the highest priority to the issue of HRD. Success in this endeavour depends upon concerted national and international efforts to support universal basic education for developing countries, particularly for least developed countries (LDCs). In this context, HRD initiatives should be consistent with the broader national policies for education and training and the overall trade strategy.

27. It further emphasized that exchange of national experiences and the dissemination of best practices would enhance cooperation among countries. For this purpose, the type of networking already promoted by UNCTAD in its capacity-building programmes is useful.

28. In view of the above and taking into account the UNCTAD X Plan of Action, the Commission calls upon all stakeholders in the area of HRD and training in trade-supporting services to work together towards improving the situation and reaping the benefits.

**Governments**

29. Governments should consider adopting a policy framework for HRD, which should be developed by them in cooperation with the private sector. The framework could include the concept of national councils for HRD in trade-supporting services, which would be public/private partnerships with the participation of employee representatives, and common standards and procedures for the carrying out of professional duties in trade-supporting services.

30. To encourage the application and adoption of policy measures, awareness raising needs to start promptly; this may be initiated by local institutes for management or public

administrations, with the support of programmes undertaken by international bodies as appropriate.

31. The effective application of HRD policies will be greatly enhanced by the existence, at local or regional level, of high-quality HRD institutions covering training, advisory, analytical and research functions. These could be developed from or within existing institutions where appropriate; and government, business-sector and international/regional institutions could all collaborate in setting them up.

32. Regional and international cooperation is essential for expanding and improving HRD and for keeping practices up to date, especially in LDCs. Such cooperation, by communities, institutes and businesses, needs to be encouraged by government policies; it may be reinforced through networking programmes of United Nations agencies.

33. Governments, the business community and individual businesses should cooperate in their respective ways so that HRD policies use the role of the private sector as a motor for their implementation, bearing in mind the need for regulatory and institutional change to make training and HRD effective.

34. Governments should support UNCTAD's activities carried out in the context of paragraph 166 of the UNCTAD X Plan of Action and fully associate the participants in any HRD national plan.

35. Governments could consider strengthening, in accordance with their national policies, the role of the private sector in their HRD policy framework through measures that promote competition, establish incentives for continuous training, change attitudes, retain qualified manpower and encourage the exchange of expertise among developing countries.

### **International community**

36. Action by the international community is particularly important in relation to HRD for trade-supporting services, such as the programmes under the Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries and the Joint Integrated Technical Assistance Programme in Selected Least Developed and Other African Countries (JITAP). A number of international agencies – UNCTAD, United Nations Development Programme (UNDP), United Nations Educational, Scientific and Cultural Organization (UNESCO), United Nations Industrial Development Organization (UNIDO), International Trade Centre (ITC), World Trade Organization (WTO), International Labour Organization (ILO), Organisation for Economic Co-operation and Development (OECD), the World Bank and the International Monetary Fund – have an important role to play, and their efforts need to be coherent in order to encourage best use of resources. The involvement of UNCTAD was mandated in the Bangkok Plan of Action, with its emphasis on capacity-building.

37. The international community should encourage and facilitate networking by educational and training institutions in developed countries with those in developing countries, particularly LDCs, to enhance voluntary services in HRD.

38. It should contribute, through partnerships and cooperation, to the enhancement of competence in developing countries, and advocate that support for HRD should be rendered more specific and operational, and provided with a time frame.

## **UNCTAD**

39. UNCTAD should promote awareness-raising and dissemination of best practices among government officials, private-sector companies, relevant business associations and academic institutions through the holding of workshops, the production and dissemination of printed materials and the maintenance of web pages dedicated to HRD in trade-supporting services.

40. It should take complementary initiatives in HRD for international and regional cooperation and participate in existing ones in cooperation with ITC, WTO and other international organizations.

41. It should conduct a pilot exercise in a particular country, with assistance from the secretariat and external technical expertise, preferably from developing countries, to prepare a model policy framework for use at national level. The findings of this pilot exercise, including a review of the resulting action within the country, should be published and further reviewed at a regional workshop of HRD specialists, officials and managers including regional organizations.

42. It should assist LDCs to adapt the model policy framework for HRD, taking into account the market needs of the LDCs and their learning capacities, as well as the learning needs of individuals involved in trade-supporting services.

43. It should reinforce international programmes for training the trainers and help to establish or reinforce regional-based training systems so as to enhance training opportunities and optimize use of resources, including universities.

44. It should explore and make recommendations on the role of communities in trade-supporting services and the ways in which HRD can be enhanced by cooperation across communities.

45. It should integrate distance-learning techniques into the range of measures to carry out the above activities and provide assistance for the necessary infrastructures.

46. It should strengthen UNCTAD capacity-building programmes to further promote networking among countries in the field of HRD.

## Chapter II

### OPENING STATEMENT

47. The **Deputy Secretary-General of UNCTAD** noted that item 3 of the provisional agenda – on enhancing the competitiveness of small and medium-sized enterprises (SMEs) – originated from the Bangkok Plan of Action, which stated that the survival and growth of SMEs in a globalizing world economy requires national and international policies and programmes enabling them to compete both at home and abroad. Entrepreneurship, innovative capacity-building and the ability to meet international product quality, health and safety standards were particularly needed at the national level. Measures should also be taken to increase SMEs' access to markets, finance, business skills and technology.

48. Recognizing the important role played by transnational corporations (TNCs) in upgrading the technological and managerial skills of SMEs, an Expert Meeting on the Relationships between SMEs and TNCs to Ensure the Competitiveness of SMEs had been held. He urged the Commission to consider policy options to promote positive linkages emanating from that Meeting.

49. Turning to item 4 of the provisional agenda – on capacity-building in electronic commerce – he noted that the Bangkok Plan of Action called upon UNCTAD to contribute to international debate on the developmental impact of global information networks, addressing developing countries' specific problems. Topics for the debate included access to information technology, infrastructure constraints and building of human resource capacity. While some developing countries had begun to create a presence in global e-commerce, for the most part they continued to lag far behind the developed countries. UNCTAD's work programme on e-commerce was a major thrust aimed at assisting developing countries in their effort to narrow the digital divide. In this regard, UNCTAD wished to use the occasion of the Third United Nations Conference on the Least Developed Countries, in May 2001, to promote the growth of partnerships between e-businesses in LDCs and dot-com companies of developed countries or those of more advanced developing countries.

50. Many of the issues that had yet to be resolved in the area of e-commerce had been addressed at the Expert Meeting on Electronic Commerce and Tourism, held in September 2000. This Meeting had brought together those with practical experience in e-commerce and tourism, in both the private and public sectors, so that they could share their experiences for the benefit of all, especially developing countries. It was essential that efforts be increased to provide a framework in which developing countries could derive maximum benefits in the global economy. The application of e-commerce in individual economic sectors such as tourism was an essential element of that process. The outcome of the Expert Meeting had no doubt provided stakeholders in the tourism industry with elements of practical policies and strategies in this important sector. The Commission might wish to build upon the outcome and elaborate its policy implications.

51. Turning to item 5 of the provisional agenda, he commented on the positive start that had been made to implementing the Bangkok Plan of Action with respect to trade-supporting services. While UNCTAD had been active in the development of training for such services,

in particular with its networking programmes for the reinforcement of local training services, little had previously been done in the wider field of human resource development. A first step had been taken by the Expert Meeting on Human Resources Development and Training in Trade-Supporting Services, held in December 2000. The experts had concluded that action must be taken at the national level, bringing together public and private interests, and that this action needed to be promoted and supported by the international community. Human competence and personal ingenuity were central to progress and would remain so in the years ahead. For the potential of globalization to be realized, human resource development needed to be implemented and must be effective. The outcome of the Commission's session would have a great influence on the capacity of all countries, but above all the LDCs, to grow and participate more fully in world trade.

### Chapter III

#### ENHANCING THE COMPETITIVENESS OF SMEs IN THE CONTEXT OF FDI IN DEVELOPING COUNTRIES: RELATIONSHIPS BETWEEN SMEs AND TNCs TO ENSURE THE COMPETITIVENESS OF SMEs

(Agenda item 3)

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

“Enhancing the competitiveness of SMEs in the context of FDI in developing countries” (TD/B/COM.3/34)

“Report of the Expert Meeting on the Relationships between SMEs and TNCs to Ensure the Competitiveness of SMEs” (TD/B/COM.3/31 - TD/B/COM.3/EM.11/3)

“The relationships between SMEs and TNCs to ensure the competitiveness of SMEs: Outcome of the Expert Meeting” (TD/B/COM.3/EM.11/L.1)

53. The **Officer-in-Charge of the Division on Investment, Technology and Enterprise Development** noted that paragraph 170 of the Bangkok Plan of Action outlined a new approach for improving the functioning and the structure of the intergovernmental machinery of UNCTAD. Expert Meetings should discuss various enterprise development issues requiring attention at the international level and produce outcomes that should stimulate a formal policy dialogue during the Commission sessions, leading to both concrete policy recommendations and practical actions. During the formal dialogue, it was important to remember that enterprise development issues had cross-sectoral dimensions, such as gender and poverty alleviation.

54. The Expert Meeting on the Relationships between SMEs and TNCs to Ensure the Competitiveness of SMEs had concentrated on key issues regarding enterprise development, including the impact of foreign direct investment (FDI) on local economies, the transfer of technology from large to small enterprises, enhancing local production capacity and ensuring the competitiveness of SMEs. The task of the Commission was to formulate policy recommendations on the basis of the findings of the Expert Meeting and each Government’s own understanding. He pointed out that the policy recommendations and the outcome of the formal dialogue during the Commission’s session would provide an input to the preparatory process for the Third United Nations Conference on the Least Developed Countries, including the second session of the Intergovernmental Preparatory Committee to be held in New York in early February.

55. The **Head of the Technology and Enterprise Branch**, introducing agenda item 3, noted that SMEs faced the same problems worldwide – lack of markets, finance, technology and management skills. What was different was the severity of these problems across countries and the measures that Governments used to tackle them. UNCTAD X had suggested that UNCTAD look at the question of SME development within the context of FDI

since the latter was a major source of technology and management skills and could provide access to markets and finance for SMEs. It had requested UNCTAD to collect and analyse data on best national practices promoting enterprise development and examine links between TNCs and SMEs. The development impact of TNCs was often assumed but rarely measured, and the methods TNCs used to put down roots in the local economy had certainly not been subject to much scrutiny or intergovernmental discussion. Through a series of meetings attended by both TNCs and SMEs since UNCTAD X it had been discovered that some development-friendly TNCs had been engaging in public–private sector partnerships and had developed comprehensive programmes to work with SMEs to upgrade their technological and management levels. However, most of the examples discussed had been concentrated in Asia, with a few in Latin America and practically none in Africa or the LDCs. This raised the question of what it would take to induce a development-friendly TNC to start a supplier project in a least developed country. She urged the Commission to focus on those policies and measures that could facilitate SME–TNC linkages in all regions.

56. The **resource person** introduced the report of the Expert Meeting on the Relationships between SMEs and TNCs to Ensure the Competitiveness of SMEs. He started by describing the benefits and risks to SMEs from linkages with TNCs. Benefits included opportunities to upgrade technological and managerial skills, access information on market trends towards strategic positioning, access markets and a guaranteed outlet for products, access credit or other financial support, and establish additional business alliances. On the other hand, SMEs faced the risk of becoming too dependent on one customer, being caught in “cost-down” market cycles imposed by TNCs, and being unable to meet ever-higher corporate and international standards on price, quality and delivery.

57. Key elements in the examples of successful linkages in Asia were strong commitment by both Governments and TNCs, public–private sector partnerships for the creation of meso institutions, and the provision of appropriate economic incentives for TNCs and SMEs. In particular, a long-term perspective was crucial for establishing stable and mutually beneficial linkages which could nurture a core group of dynamic and competitive SMEs. Distinctive features of the Asian experiences included selective support programmes for SMEs and a positive corporate philosophy which included a commitment to the local economy and delegation of decisions to local affiliates.

58. Within the context of their supplier programmes, TNCs undertook a phased upgrading of SME technological and productive capacities by facilitating access to TNC innovation centres and engineers and management consultants, assigning TNC staff to SMEs, and mentoring and coaching their SME partners. TNCs also shared with SMEs relevant information on market trends and future plans so that SMEs could change direction with the TNCs. Most important of all, TNCs encouraged SMEs not to become too dependent on them and provided them with additional business opportunities within their global network or through business matching, brokering of strategic alliances, trade fairs and road shows.

59. The international community could play an important role in promoting good TNC corporate citizenship, seeking better coordination among international donors and national

programmes for SMEs development, and identifying best practices in providing business development services to make SMEs partnership-ready.

60. The Expert Meeting had made a number of policy recommendations. First, investment policies should be tailored not only to attract investment but also to target the right kind of investors. Thus, Governments should adopt a targeted approach. Second, investment policies and SME promotion policies had to be consistent. Third, investment policies and SME promotion policies should be formulated by means of public–private sector dialogue that took place through established mechanisms. Fourth, SME support policies and measures should be selective in order to create a dynamic core of partnership-ready SMEs. Finally, both TNCs and SMEs might need special economic incentives in order to make linkage programmes possible.

61. The representative of **Cuba** noted that increasing SME competitiveness through technological upgrading was an urgent task. Strategies to strengthen the enterprise sector and to better prepare it to act on the international scene required targeted and effective policies and measures to be in place. Particularly important were policies and measures for fostering public–private sector dialogue. Cuba had put in place strategies for SME development and had gained experience with linkages between large enterprises and cooperatives. The benefits achieved were increased efficiency in production methods, better prices, and larger markets for local products. Previous meetings in UNCTAD had highlighted the importance of access to finance for SMEs. In granting loans, financial institutions should consider the future performance of the enterprise rather than its size or assets as was currently the practice. More transparency in financial information and a simplified accounting system for SMEs would contribute to making financial institutions more responsive to the latter.

62. The representative of **Sweden**, speaking on behalf of the **European Union (EU)**, said that the EU supported the secretariat's new approach to Expert Meetings and their relationship with Commission meetings. Particularly important was the fact that experts participated in their personal capacity, but it was equally important that experts' positions be well reflected in the reports. There was a need to reach agreed conclusions at the Commission level, which were ultimately to be considered by the Trade and Development Board.

63. Turning to the Expert Meeting on the Relationships between SMEs and TNCs to Ensure the Competitiveness of SMEs, she remarked that while its outcome was perhaps not revolutionary the Meeting had been valuable and its topic important. Linkages were best achieved through a set of measures which included public–private sector partnerships. There were benefits to be derived from linkages with TNCs, which in today's media-driven world were aware of their contribution to development. Policies to attract FDI and to promote linkages were similar and were based on enhancing fundamentals: creating an enabling environment through *inter alia* political and macroeconomic stability and good governance, a well-functioning public administration, a sound legal and regulatory framework and a strategy to combat corruption. Incentives to attract FDI were also needed at the national level and SME policies had to be in place, especially policies for establishing public–private partnerships.



64. The representative of the **Philippines**, speaking on behalf of the **Asian Group and China**, congratulated UNCTAD on remaining faithful to its development mission through the attention it accorded to private sector development. In today's globalizing and liberalizing economic environment, the role of the private sector was gaining importance and the economic and political influence of that sector was increasingly being witnessed, for example at the Davos World Economic Forum. A balanced economy required a healthy mixture of enterprises of different sizes. In the globalized economy, policies needed to be developed and continuously adjusted if the developing countries and their SME sector wished to seize the opportunities of globalization. To that end, the enterprise sector had to be strengthened. Lessons could be learned from the long experience of developed countries, the policies applied and the support mechanisms used for the development of their private sectors. Sharing experiences among developed and developing countries remained important. The issue of TNC–SME linkages was among the key issues for SME competitiveness. The Expert Meeting had demonstrated that effective policies, such as those applied in certain countries in the Asian region, impacted positively on the competitiveness of the SME sector as a whole. The question was how these experiences could be replicated in other Asian countries, including the least developed ones.

65. The representative of **Egypt**, speaking on behalf of the **African Group**, noted that linkages between TNCs and SMEs played a pivotal role in creating and promoting productive capacity in developing countries. These linkages facilitated SMEs' access to markets, skills and technology, while TNCs benefited from increased flexibility and lower costs in their operations. However, he believed that it was important to analyse the effect of such linkages on the long-run ability of local enterprises to compete internationally. It was clear that TNCs were the major beneficiaries of recent market liberalization, but their roles and responsibilities had not been defined. Governments needed flexibility in formulating long-term national strategies to target investment which could have a positive development impact. In this regard, it would be of interest to look closely at the limitations imposed by international trade disciplines on domestic enterprise development policies.

66. He mentioned another area of interest, namely how Governments could best use economic incentives to facilitate linkages between TNCs and SMEs. A number of examples had shown that such linkages produced positive impacts on national growth and development. However, these successful examples were concentrated in the few countries that attracted foreign investment. There was a lack of linkages between TNCs and SMEs in Africa, despite the fact that there were plenty of opportunities. African countries should continue their efforts to create a business-friendly environment to attract FDI, but these would not have the desired effect without investment in infrastructure and human resource development. Finally, most international organizations had not promoted SME–TNC linkages within their SME programmes. UNCTAD's Entrepreneurship Development Programme (EMPRETEC) should return to one of its original objectives and implement a programme to create such linkages.

67. The representative of **China** stressed the potential benefits for SMEs resulting from linkages with TNCs on account of the latter's advanced technology, managerial skills, vast distribution network and knowledge of the global market. For their part, TNCs derived

advantages from this international division of labour through such linkages. The international community should establish measures to support this process. If it did not, there was a danger that only TNCs would benefit from these linkages, while SMEs would encounter problems in complying with the quality and environmental standards imposed by TNCs.

68. Moreover, Governments of developing countries should stimulate TNC–SME linkages by establishing a legal framework for businesses, and providing training and adequate physical infrastructure. He recognized the role played by UNCTAD in promoting linkages between SMEs and TNCs, and considered that the Expert Meeting on the Relationships between SMEs and TNCs, held in November 2000, had yielded important recommendations. The Government of China was ready to explore with other delegations these policy options for promoting TNC–SME relationships.

69. The representative of **Japan** summarized the presentation made by the Japanese expert on Japanese TNC–SME linkages through industrial subcontracting at the Expert Meeting. The industrial subcontracting system played a major role in fostering the competitiveness of the entire multi-tier productive structure in the Japanese automobile industry. From the large automobile manufacturers' point of view, the system allowed them to expand their production without the need for vast investment and to use small- and medium-sized suppliers as a buffer against business fluctuations. The long-term relationship between automobile makers and their suppliers enabled the entire sector to lower transaction costs by creating an effective inter-firm division of labour. In turn, suppliers were able to perform efficiently through quality upgrading and cost savings as a result of linking up with the manufacturers. This typical subcontracting system had been evolving in an era of flexible production needs. Small-lot production with higher value added by suppliers had become more common, while suppliers had become more independent in horizontal relations among themselves.

70. The case study of Toyota Thailand demonstrated the long-term commitment between Toyota and its local suppliers in Thailand during the Asian financial crisis. Recognizing that without a stable network of local suppliers, its own existence would be at risk, Toyota had initiated various support measures to keep its supply chain intact. Actions undertaken by Toyota suggested three points in terms of the TNC–SME linkage. First, a long-term perspective in that linkage was better in providing for SMEs' sustainability throughout periods of economic volatility. Second, SME supplier associations had proved to be useful mechanisms for upgrading their members. Third, human resources development played an effective role in improving manufacturing productivity. The Japanese Government hoped that sharing this example would contribute to SME development in developing countries.

71. The representative of **Mexico**, speaking on behalf of the **Latin American and Caribbean Group**, indicated its interest in discussing strategies regarding FDI which would lead to the development of productive capacity in local enterprises, including the issue of corporate social responsibility with a view to community development of the recipient countries. UNCTAD should continue its efforts in promoting TNC–SME linkages through the improvement of physical infrastructure and the enhancement of human resources for the development of engineering and management skills. In particular, it would be useful to

prepare a manual describing various TNC–SME linkages, such as strategic alliances, subcontracting, franchises and technology licences, and elaborating on practical aspects with regard to better quality control, market information and technical assistance through education programmes, for the purpose of facilitating technology transfer.

72. The Group requested UNCTAD to organize a regional seminar for Latin American and Caribbean countries on development of local SMEs through linkages with TNCs. Realizing that a lack of access to financing remained a serious problem for SMEs, the Group proposed that this topic be the subject of an Expert Meeting. In addition, it was important to achieve consistency between enterprise development and WTO commitments. To that end, the Group suggested that an Expert Meeting be organized jointly by UNCTAD and WTO.

73. The representative of **Ethiopia** noted that enterprise development was an essential element for building productive capacities which would in turn generate employment and income in the LDCs. However, various structural constraints continued to hinder the ability of the private sector in LDCs to grow. Major constraints included institutional weaknesses, poor physical infrastructure, limited technological capacities and a lack of skilled human resources. As a result, SMEs in the LDCs had serious difficulty in competing in the global market. In order to overcome such constraints, concrete programmes must be designed to support private sector development in the LDCs and to eradicate poverty.

74. African countries hoped that such programmes would form part of the “deliverables” of the Third UN Conference on the LDCs. EMPRETEC had been a successful instrument for providing entrepreneurial training, business development services, and networking and partnering opportunities. Extension of such a programme to LDCs would have enormous implications for their private sector development. In addition, it was vital to design specific projects aimed at deepening entrepreneurial skills, especially for women.

75. The representative of **Morocco** supported the statement made by the previous speaker and stressed that SME development was a basic element for SME competitiveness. Morocco was creating a specific agency for SMEs and hosted a “House for Young Entrepreneurs”. Such agencies should facilitate technology transfer to SMEs in order to avoid their marginalization in the globalization process. In this regard, the Expert Meeting on the Relationships between SMEs and TNCs to Ensure the Competitiveness of SMEs had laid a good foundation for further work in the area of SME development.

76. The representative of the **United States of America** said that he appreciated the fact that all views had been incorporated into the report of the Expert Meeting. There was a strong development rationale for focusing on SME development since small businesses were growing in size and number. Their economic benefits spread widely throughout the community. Small businesses tended to be in industries that were labour-intensive and rapidly exploited new market opportunities. They created jobs, particularly for the poorest people, and were typically strong change agents as markets forced innovation. They were numerous and competitive, and would become engaged in the policy process and technology improvement when they were offered significant services. Income generated by small businesses was spent on education, health, shelter, nutrition and other quality-of-life

improvements. Linking small business development to democratic decentralization and the strengthening of non-governmental actors promoted an efficient and effective civil society.

77. The representative of the **Russian Federation** said that her Government recognized the essential role of SMEs in its economy and for social stability, and had recently promulgated new rules and regulations for private sector development. At the beginning of 2001 a new tax regime had been introduced and further deregulation measures were being taken. Reform of banking, customs and investment rules was also under way. The need for effective interaction by all actors in economic life, including Governments, the private sector and non-governmental organizations, was underscored. The financing of SMEs was particularly important and was an area where support was needed. UNCTAD's efforts in promoting SME development were welcomed.

### **Summary of the informal discussions on agenda item 3 \***

78. After the formal statements, the Commission began an exchange of views on appropriate policies and measures to promote TNC–SME linkages, based on the outcome of the Expert Meeting. They noted that the objective of their recommendations was to improve the competitiveness of SMEs and facilitate their access to the global economy.

#### **(a) *Enabling business environment***

79. A number of delegates stressed that a necessary condition for SME development in general and linkages in particular was the existence of an enabling business environment. This required that Governments ensure that the necessary fundamentals for such an environment were in place, such as macroeconomic stability, good governance and a sound public administration free from corruption, an adequate legal and regulatory framework, and good physical and social infrastructure.

80. While all delegates acknowledged that linkages between TNCs and SMEs could play a pivotal role in creating productive capacity, it was noted by some that the ability of developing countries to attract foreign direct investment and TNCs willing to create linkages with local SMEs required prior investment in physical infrastructure and human resource development. While African countries should continue to promote a business-friendly environment, without the existence of resources for physical infrastructure and education these efforts would not yield the desired results in terms of linkages and would lead instead to a brain and skill drain from Africa.

#### **(b) *Targeted foreign direct investment policies***

81. Delegates took up the question of targeted policies for attracting foreign direct investment and deepening its impact on the local economy. Such an approach to investors presupposed that the Government had already identified the economic sectors it wished to develop.

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\* Prepared by the UNCTAD secretariat.

82. One delegate noted that the European experience in this regard indicated that a flexible approach was needed and that investment and enterprise policies, whether targeted or otherwise, had to fit the local conditions. Another delegate from a developing country stated that the major beneficiaries of globalization were the transnational corporations and that their role and responsibility for development or corporate social responsibility had yet to be defined.

***(c) Selectivity and support programmes for SMEs***

83. The Commission then took up the issue of SME promotion policies having to be selective, i.e. a broad-brush approach to support would not create a dynamic core of SMEs which were partnership-ready. Rather, it was necessary to concentrate support efforts on those SMEs which had growth potential and were capable of creating partnerships with TNCs. One delegate further clarified this point by noting that size and structure were important and that only SMEs of a certain size could benefit from linkage programmes. There was a general consensus on the need for SME support programmes and on the need to be selective in the case of linkage programmes. However, one delegate reminded the Commission that although it was probably appropriate to target or select a group of SMEs, caution would have to be exercised when it came to selecting individual SMEs for programmes in order to avoid “crony capitalism”. With regard to support programmes, a number of delegates requested UNCTAD to strengthen and consolidate the EMPRETEC programme so that one of its original objectives – creating partnerships between TNCs and SMEs – could be realized.

***(d) Policy consistency and dialogue***

84. A number of delegates raised the issue of consistency between their international trade and investment commitments and their programmes for SME support. In their view, this was an area that still needed assessment so that it could be clear what scope was left for manoeuvre for making their SMEs competitive. In this connection, the question of economic incentives for TNCs and SMEs was discussed. Some felt that developing countries might not be able to afford the incentives or even allowed to use the incentives that had been relied on in the case of those Asian countries where linkages had been successfully promoted. This was an additional aspect that needed further study. Such study had been noted in the Bangkok Plan of Action.

85. Delegates believed that one way to achieve consistency between investment and enterprise policies was to promote a public–private sector dialogue in which all stakeholders could participate. Some delegates stated that the institutional aspect of this dialogue was crucial and gave examples of councils which had been set up in their countries to facilitate dialogue and give guidance on a regular basis. Such an institutional structure could no doubt also contribute to building the enabling business environment necessary for private sector development.

*(e) Other issues*

86. During the exchange of views, delegates cited other issues which would need further attention if SMEs were to become competitive. These included the financing of SMEs, the lack of access to long-term credit and equity being a severe constraint on SMEs' ability to invest in either production or technology. While having an outlet for their production in the form of guaranteed sales to a TNC could facilitate access to credit, it was still short-term in nature and involved high interest rates. Therefore, it was necessary to ensure that international practices were being implemented by banking systems in developing countries enabling them to better facilitate financial intermediation between savers and investors, both domestic and foreign.

## Chapter IV

### CAPACITY-BUILDING IN ELECTRONIC COMMERCE: IMPACT OF THE NEW ECONOMY ON TRADITIONAL SECTORS OF DEVELOPING ECONOMIES: ELECTRONIC COMMERCE AND TOURISM

(Agenda item 4)

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

“Capacity-building in electronic commerce: Impact of the new economy on traditional sectors of developing economies: Electronic commerce and tourism”  
(TD/B/COM.3/35)

“Report of the Expert Meeting on Electronic Commerce and Tourism”  
(TD/B/COM.3/30)

“Electronic commerce and tourism: Recommendations of the Expert Meeting”  
(TD/B/COM.3/EM.9/L.1 )

88. The **Director of the Division for Services Infrastructure for Development and Trade Efficiency** explained the context and importance of e-tourism and e-commerce in general for the economic and social development of UNCTAD member States. The use of Internet technology for booking and purchase of tourism and travel products was growing rapidly and already achieving double-digit figures in certain sectors. Since the report of the UNCTAD Expert Meeting on Electronic Commerce and Tourism had been issued, three replies and comments had been received from member States, all endorsing the outcome of the Meeting. He assured the Commission that the members of the UNCTAD secretariat were fully available for any consultations and clarifications during the course of the Commission’s session.

89. The **Chairperson of the Expert Meeting on Electronic Commerce and Tourism** reported on the outcome of the Meeting. He said that the event had provided an opportunity for an exchange of experiences and views on a wide range of issues concerning e-commerce and tourism. A large number of the presentations made and the ensuing discussions had been practical in nature, and had provided effective guidance to all stakeholders in e-commerce and tourism. While the recommendations reflected the views of experts in their individual capacity, the outcome was to be seen as their consensus views. There had been broad agreement on the issues and the recommendations. Where divergences of views had arisen there had been substantive exchanges leading to the adoption of a recommendation by the whole Meeting. The outcome therefore reflected the views of a variety of stakeholders in e-commerce and tourism, such as Governments, destination marketing organizations (DMOs), NGOs, intermediaries, tourism service providers and information and communication technology (ICT) specialists. He noted that the experts had made two sets of recommendations, one set addressed to Governments and enterprises and the second set addressed to UNCTAD. Within the two sets, some recommendations focused on e-tourism

while others dealt with e-commerce in general. Without describing in detail the individual items, he summarized the highlights of the recommendations. He stressed that the recommendations provided an indication of the direction of UNCTAD's future work in the area of electronic commerce. It was also clear from the discussions that there would be high economic costs for developing countries if they continued to remain marginal participants in electronic commerce. It was therefore vital that e-commerce continue to be high on the development agenda in UNCTAD.

90. The **first resource person** explained what mechanisms were used in the Philippines to overcome the digital divide and discussed their relationship with the policy issues and conclusions of the UNCTAD Expert Meeting on Electronic Commerce and Tourism. He gave examples of the need for cooperation between the private sector, civil society and government from the community level up to the national level. He showed that the use of appropriate, rather than only state-of-the-art, and near-real-time, together with real-time, technological solutions should be considered important steps in developing full-blown e-commerce applications. The use of off-line marketing, particularly through television, was emphasized as a means of "pushing" clients to Internet centres and cybercafes in regions where access was limited. He concluded by underlining the essential recommendations that UNCTAD could contribute to the Commission's deliberations.

91. The **second resource person** introduced the issues of applicable law, consumer protection and resolution of e-commerce disputes in the on-line environment. She stressed the importance of establishing a clear and consistent legal framework, recognizing the validity of electronic transactions and thus boosting trust in e-commerce. She noted that a key element in building trust was ensuring that users and consumers had effective redress for disputes arising from transactions on-line. Given that traditional dispute settlement mechanisms did not provide effective redress in e-commerce transactions, it was necessary to consider alternative dispute resolution mechanisms that would provide speedy, low-cost redress for a large number of the small claims and low-value transactions arising from consumers' on-line interactions. In addition to the adoption of an appropriate legal framework to accommodate e-commerce, there was a need to adopt rules and standards concerning consumer protection and resolution of disputes on-line. She suggested that UNCTAD could play an important role by promoting public awareness and education with regard to the legal aspects of e-commerce.

92. The **third resource person** provided a banker's perspective on e-commerce and the global payment systems. She emphasized that banks were becoming global intermediaries in e-space by providing information, managing risk and facilitating trade. She noted that many radical changes were taking place in the way in which organizations dealt with their suppliers, and pointed out the need for financial services to deliver a complete end-to-end solution. She referred to a number of web-enabled financial services developed by Citibank for real-time value transfer between trading parties in both the traditional supply chain and e-business communities. In conclusion, she recommended that UNCTAD include the subject of on-line payment systems in its training activities.

93. The representative of **Mexico**, speaking on behalf of the **Latin American and Caribbean Group**, requested that UNCTAD continue work on analysing the role of e-



commerce and its impacts, both positive and negative, on economic development. The need for capacity-building in e-commerce and the potential role of UNCTAD as an e-commerce incubator were noted. He emphasized that more activity was needed to respond to the interests of all economic sectors and all countries, and he was looking forward to the 2001 edition of the UNCTAD report on e-commerce and development. World trends in e-commerce should be analysed on a regional basis, and seminars and workshops, as well as training and technical cooperation activities, needed to be put in place. Tourism was very important for the Latin American and Caribbean countries that wished to adopt e-commerce practices but were facing the obstacles of the high cost of technology and access as well as a lack of the resources needed to market an Internet tourism portal. He requested that the Commission, in formulating its conclusions, take particular notice of the annex to the report of the Expert Meeting on Electronic Commerce and Tourism and the proposals of his Group contained therein. UNCTAD should assist in establishing Internet portals for the Latin American and Caribbean region, and this point should be included in the agreed conclusions of the Commission.

94. The representative of **India**, speaking on behalf of the **Asian Group and China**, referred to the importance of e-commerce for economic development. Information and communication technology (ICT) was a powerful force for the economic empowerment of developing countries and some had made good progress. Unfortunately, the vast majority still lagged behind. A number of international initiatives were under way to assist in closing the international digital divide, and many countries were implementing national policies aimed at improving access and connectivity. Examples of such activities were the Okinawa Charter, the Asia-Pacific Telecommunity's Tokyo Declaration and the e-ASEAN Framework Agreement. In particular, the latter was meant to facilitate the development and liberalization of ICT infrastructure and the growth of e-commerce and to promote capacity-building and the development of the e-society and e-government. The Asian Group and China considered that national policies enabling e-commerce should be adopted and that UNCTAD should produce case studies examining the areas of e-commerce and tourism at the national and policy level, and their relation to laws and regulations needed to build trust and consumer confidence, and to protect privacy and intellectual property rights. Capacity-building should be provided through training, particularly for legal issues and e-tourism, as well as through seminars and technical cooperation activities. Developing countries needed to expand their production of physical goods and services, as well as support services such as banking, insurance, transport and customs. UNCTAD should take a leadership role in promoting e-commerce, in particular through raising awareness and collecting and disseminating information on the subject.

95. The representative of **Morocco**, speaking on behalf of the **African Group**, said that although e-commerce offered tremendous opportunities for enterprises, including SMEs, African countries continued to play a negligible role in global e-commerce. These countries faced a critical shortage of basic telecommunication infrastructure, technology, computer connectivity and skills that were required in order to support the development of e-commerce. The most critical manifestations of the international digital divide were on the continent of Africa. With reference to e-commerce in tourism, it was significant to note that practically all African countries were endowed with natural tourist attractions. In a large number of ways, many African countries enjoyed a competitive advantage in various forms of tourism. Yet

this advantage had not been fully realized and might indeed be reversed if African countries did not benefit from the Internet and ICT in marketing their tourism. He supported the recommendations of the Expert Meeting concerning measures that developing countries ought to take in order to promote e-tourism. The poor state of e-commerce in African countries could be improved only by a conscious effort on the part of African Governments and enterprises, as well as the international community, to establish policies and strategies for promoting the development of e-commerce in Africa. The African Group urged Governments to develop national strategies and guidelines on sustainable e-tourism and e-commerce generally, giving particular attention to the improvement and liberalization of Internet services and telecommunications.

96. It was also vital that countries establish laws and regulations in order to build trust, consumer confidence and privacy, and to protect intellectual property rights. Furthermore, in most developing countries, especially in Africa, public and private financial support and other incentives for e-commerce activities were crucial in empowering e-enterprises with technology and human and financial resources. He stressed that the African Group also attached great importance to some of the other recommendations made by the Expert Meeting, including the establishment of appropriate payment systems that supported the development of e-commerce and e-tourism, the expansion of the production of physical goods and services entering into e-commerce, and the supply of adequate support services, particularly banking, insurance, transport and customs. Finally, he requested the UNCTAD secretariat to contribute to strengthening the ability of developing countries to develop and implement policies on e-commerce.

97. The representative of **Sweden**, speaking on behalf of the **European Union**, said that by embracing e-commerce developing countries were expected to have a unique capability to improve their competitiveness in the field of tourism. The report of the Expert Meeting highlighted the most important measures to be undertaken, namely the improvement of infrastructure, liberalization of the ICT sector, confidence- and trust-building measures for improving consumer confidence, and increased involvement of the local business community. E-commerce in tourism could only do well if the underlying tourism industry was functioning as well. Since telecommunications underlay the development of e-commerce, developing countries were encouraged to adopt existing WTO agreements and take an active part in future negotiations. The role of UNCTAD, as expressed by the Expert Meeting, should be to provide analysis of best practice and capacity-building. In doing this, UNCTAD should cooperate with and relate its work to that of the World Tourism Organization, the negotiations under the General Agreement on Trade in Services (GATS) and the Internet Corporation for Assigned Names and Numbers (ICANN), as well as the United Nations Development Programme (UNDP). UNCTAD did not have the capacity to serve as an e-commerce incubator.

98. The representative of **Cuba** said that all available data confirmed the widening of the digital divide between developed and developing countries. It was important that the international community provide assistance to developing countries in enhancing their trade efficiency through the use of e-commerce. He urged the Governments of developed countries to dismantle barriers to global e-commerce for developing countries by removing restrictions

on the export of technology and computer systems. Finally, he underlined the importance of a predictable legal system that accommodated e-commerce, provided that the regulations in place did not interfere with the sovereignty of individual States.

99. The representative of the **United States of America** said that in e-commerce the private sector was at the forefront of developments, and he welcomed its contributions and presentations to the various UNCTAD forums. This highlighted the need for pro-competitive policies in this area. The efforts towards digital inclusion should be strongly supported, since everyone must benefit from the global information society. Key factors enabling inclusion were liberalization and investment in ICT infrastructure and services, human resources development and training and the wise use of appropriate technology promoting e-tourism, it being important that technology-neutral approaches be pursued. The UNCTAD report entitled “Building confidence: Electronic commerce and development” was useful in sharing best practices and UNCTAD should continue its work in that connection. Furthermore, UNCTAD should maintain its cooperation with other organizations and avoid duplication. The outcome of the Expert Meeting on Electronic Commerce and Tourism should encourage Governments to create predictable, transparent and non-discriminatory policies and a regulatory environment conducive to e-commerce while avoiding those that could hinder productivity and efficiency.

100. The representative of **Japan** said that as a focal point for trade and development issues in developing countries, UNCTAD should address issues that benefited all member States, including developing countries, with regard to the use of e-commerce. It was important that all developing countries, including LDCs, participate in the digital economy. In this connection, he noted that it was essential to build up e-commerce capacity, especially for SMEs. He referred to Japan’s comprehensive cooperation package to address the international digital divide. This package, which totalled US\$ 15 billion over a period of five years, focused on raising awareness of IT opportunities and contributing intellectually to policy- and institution-building; developing and training human resources; and building IT infrastructure and promoting the use of IT in development assistance. He expressed concern at the lack of Internet information in languages other than English and supported the setting up of multilingual websites. He stressed that although the existence of a legal framework to protect consumers and travellers conducting transactions on the Internet was important, the international community needed to address this issue in cooperation with other international organizations. UNCTAD did not have a comparative advantage in the legal field and its work therein should be focused on collecting and disseminating information about developments relating to legal and regulatory issues. Finally, he said that UNCTAD should integrate e-commerce and development issues, and that in this regard, priority should be given to exploring ways and means enabling it to act as an incubator for e-commerce and SMEs.

101. The representative of **Switzerland** said that the majority of the recommendations of the Expert Meeting on Electronic Commerce and Tourism were welcome, although his delegation had a few reservations. One particular issue that could be pursued further was the vertical integration of the tourism supply chain and how it was affected by the growth of e-tourism.

102. The representative of **China** said that electronic commerce was a key issue in many international organizations. It provided new trade opportunities. However, many developing countries would not be able to exploit these because of a lack of capital and investment in productive capacity as well as in the ICT sector. The problem was further compounded by many other problems more specific to e-commerce, such as the high cost or even lack of Internet access and underdeveloped ICT infrastructure. Many countries needed to put in place appropriate legislation and regulations to make e-commerce possible, and were in need of appropriate human resource development policies and training for e-commerce. The role of UNCTAD should be to study and analyse developments in the field of e-commerce and disseminate experiences and examples of best practice.

103. The representative of the **Russian Federation** underlined the importance of UNCTAD's work in electronic commerce through assisting developing countries and countries with economies in transition in identifying and making proposals to overcome problems related to their integration into the world information society. She said that although only 2 per cent of Russians were active Internet users, the Russian Federation was actively engaged in the process of building its e-commerce capacities, including making the necessary regulatory changes, developing ICT and improving connectivity. She stressed the importance of adopting a comprehensive approach in analysing e-commerce issues. UNCTAD and other international organizations were to be congratulated on their efforts to help countries to develop their e-commerce capacities. In particular, she supported the activities included in the TRAINFORTRADE programme, such as the course on legal and regulatory aspects of e-commerce and activities to support the participation of SMEs in e-commerce.

104. The representative of the **Islamic Republic of Iran** expressed appreciation for the work carried out by UNCTAD concerning capacity-building in the area of e-commerce. With regard to the significant global role of e-commerce in expanding trade relations and increasing productivity and efficiency, he said that developing countries deserved special attention. UNCTAD was well placed to assist developing countries in overcoming the existing obstacles, for example by helping them to secure access to information technology, removing infrastructure bottlenecks and promoting human resources development in the area of e-commerce. He stressed that to avoid further marginalization of developing countries and the widening of the digital divide there was a need for technical assistance programmes.

105. The representative of **Colombia** said that the growth of e-commerce depended, to a large extent, on the existence of an appropriate legal framework. He underlined the importance of developing a training course dealing with the legal aspects of e-commerce and noted that other important issues to be addressed were the protection of consumer rights and the resolution of disputes on-line.

## Chapter V

### HUMAN RESOURCES DEVELOPMENT AND TRAINING IN TRADE-SUPPORTING SERVICES: KEY TO GROWTH WITH SPECIAL POTENTIAL FOR LDCs

(Agenda item 5)

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

“Human resources development and training in trade-supporting services: Key to growth with special potential for LDCs” (TD/B/COM.3/36)

“Report of the Expert Meeting on Human Resources Development and Training in Trade-supporting Services: Key to Growth with Special Potential for LDCs” (TD/B/COM.3/32 – TD/B/COM.3/EM.10/3)

107. The **Director of the Division for Services Infrastructure for Development and Trade Efficiency**, introducing item 5, noted the key importance of human resources development (HRD) in general and its particular relevance to trade-supporting services (TSS), which were at the heart of the Division’s work. He expressed his belief in distance learning and the formidable opportunities it provided to better serve the training needs of communities everywhere, and explained that companies in the forefront of this field had presented their ideas to the Expert Meeting on Human Resources Development and Training in Trade-supporting Services. He also drew attention to the proposal made by the secretariat for work in a pilot country to introduce new approaches, including technology applications, to be shared with other countries.

108. The **Head of the Information and Training Branch** drew attention to the wide interest generated by the Expert Meeting and the impressive experience of many experts who had participated, which showed that countries had good experience, although there was much progress still to be made. Before itemizing the policy issues raised and the conclusions reached, he indicated the vital nature of HRD in relation to economic development in general, even though the experts had focused on TSS. He explained the indispensable nature of a culture for HRD, with support for it in the long term and the need to link it with change across society. Furthermore, he pointed to the importance of implementing HRD across a whole community of TSS suppliers. He referred to the important work already done by the secretariat through programmes such as TRAINFORTRADE and TRAINMAR for institution-building, and more diverse programmes under technical cooperation or in specific fields such as commercial diplomacy. Work had already been done in LDCs and the intention was that all work would take account of the conditions of application within developing countries, including LDCs. Finally, he outlined the policy issues raised and the recommendations made by the experts, which were presented in detail in document TD/B/COM.3/32. He also explained the proposal for a pilot exercise to help develop and

apply policy in a particular country, to be followed by one or more workshops to share experience, as described in document TD/B/COM.3/36.

109. The representative of **Mexico**, speaking on behalf of the **Latin American and Caribbean Group**, said that in line with the outcome of UNCTAD X his Group considered that HRD in TSS was a priority issue for UNCTAD. He supported the recommendations made, including the development of a policy framework that countries could adapt to local circumstances, and expressed particular interest in regional workshops at which proposals could be put forward and given shape. He wholly agreed with the policy lines laid down by UNCTAD.

110. The representative of **Uganda**, speaking on behalf of the **African Group**, noted the great importance attached to the subject as initiated at UNCTAD X. TSS should be a pillar of development by contributing to the creation of new business. The report of the Expert Meeting gave a clear picture of what needed to be done, the many parties involved and the need to work together. This action within countries should be recommended to Governments and supported by international agencies. An exchange of experience was needed and UNCTAD should help, with particular attention to LDCs, to ensure that trained manpower could be retained while encouraging an exchange of expertise. He approved of the proposal for a model policy framework and measures led by UNCTAD and the International Trade Centre (ITC) to encourage local action. Above all, he approved of the pilot exercise to develop a policy framework and work through a national council, which he said would be most meaningful if conducted in a LDC, and he noted the high number of LDCs in Africa and the rationale for choosing one of them. However, he suggested that the pilot exercise should be associated with a complete programme of action, which would call for resources. The use of demonstrated expertise among developing countries, including LDCs, would be effective in achieving sustainable results as well as keeping costs down. The momentum generated by the Expert Meeting should not be lost.

111. The representative of the **Philippines**, speaking on behalf of the **Asian Group and China**, agreed that HRD in TSS was a source of development, especially with globalization. All options for their improvement needed to be seized, and the report of the Expert Meeting was timely. Action by countries themselves should be given close attention, including the public-private partnerships, but should go hand in hand with an international effort. She agreed that this needed to be harmonized and UNCTAD should take a lead. In this regard, LDCs needed assistance in the field of human resources and her Group urged donors to provide assistance. However, every effort should be made to use this effectively, and she proposed that emphasis be given to the training of trainers to enhance the ability of local university professors to conduct training locally. UNCTAD could, she suggested, provide for the necessary support to local trainers so that costs could remain modest while results would be sustainable. The recommendations of the secretariat in document TD/B/COM.3/36 were important, including awareness, a model framework and the pilot exercise. However, she suggested that the competence of UNCTAD should be reinforced with experience from the field and proposed that a pilot exercise be carried out in Asia and the Pacific, preferably in an LDC, with inputs from the region. This would be effective at low cost, although it would still call for external financial assistance.

112. The representative of **Nepal** echoed the views of the previous speaker, while stressing their importance for LDCs and the need for international cooperation and support. He noted that qualified manpower would sometimes need to be brought in from outside but supported the concept of training through local universities. He asked that UNCTAD contact national authorities to promote the concept and provide assistance to staff of their universities in meeting local needs. He noted that Nepal had sent experts from the private sector to the Expert Meeting and that they were supportive of the pilot study. He believed that Nepal could provide good support for the study on condition that there were no financial implications.

113. The representative of **Switzerland** referred to the diverse levels at which HRD could be considered and enhanced, from reducing illiteracy to use of advanced technology. She suggested that the Commission make a clear assessment of action that was possible and the priorities and inevitable constraints. Wider issues could be a matter for follow-up by the secretariat, such as the implications of basic education, the interests of the private sector and integration with trade policy. She noted the recent round-table held by OECD countries that would lead to relevant guidelines, and the need to avoid overlap.

114. The representative of **Cuba**, supporting the statement made on behalf of the Latin American and Caribbean Group, emphasized the importance of HRD and training for competitiveness and development. However, he drew attention to the importance of education and provided statistics on literacy levels in different parts of the world. Illiteracy was too high in many countries, although Cuba had almost eliminated it by paying great attention to school attendance through investment of a high proportion of GDP in education. Training had become a follow-up to education, and Cuba had broadened opportunities by providing distance-learning possibilities through television. The need to start from basic education should be a concern of Governments.

115. The representative of **Sweden**, speaking on behalf of the **European Union**, noted that the special attention given to LDCs was highly appropriate. Investment in education and training, she said, also brought benefits by improving domestic income distribution. She noted that in all subjects discussed by the Commission human resources had been shown to be a vital factor, and most were ready for action at the domestic level. A policy framework was useful but should take account of the interests of all stakeholders, and should build on HRD institutions, promote common standards, and consider privatization to stimulate private initiative. The international community could support domestic action for policy reform, promoting best practices and mobilizing efforts. She drew attention to the need for countries to integrate measures with a trade strategy, and said it was necessary to consider how HRD policies should fit with wider human issues such as formal education.

116. The representative of the **Libyan Arab Jamahiriya** emphasized that HRD in TSS was a driving force for sustainable development. He suggested that it should be taken most seriously by the business world, which should take into account the need to prepare for electronic commerce. He supported in particular the statement made by the representative of the African Group with regard to training that would facilitate sharing in the benefits of globalization.

117. The representative of the **International Confederation of Free Trade Unions**, which had many members in LDCs, stressed the long-term nature of HRD. She noted the magnitude of the problems that remained by reference to the high number of illiterate people in the world. HRD was an investment that should be encouraged by reduction of foreign debt. However, success would also require structural change in many countries and must be linked to education. All policy measures should be developed in collaboration with workers. She reiterated the importance of education and training for all countries and drew attention to the meeting on HRD that had taken place during the Conference of the International Labour Organization in 2000.



## Chapter VI

### ACTION BY THE COMMISSION AND CLOSING STATEMENTS

#### Action by the Commission

118. At its 16th (closing) meeting, on 26 January 2001, the Commission adopted its agreed recommendations on agenda items 3, 4 and 5 (contained in chapter I).

#### Closing statements

119. The representative of the **Philippines**, speaking on behalf of the **Asian Group and China**, said that it would be desirable to look at the structure and procedures of the Commissions, including their strengths and weaknesses, so as to enhance the capability for substantive exchanges and dialogue. This could perhaps be done through an informal consultation.

120. The representative of Sweden, speaking on behalf of the **European Union**, said that the Commission's session had been an important one and would set the tone for the sessions of the other Commissions. A wide range of topics had been discussed. What was particularly important was to ensure that there was consistency in the procedures of the three Commissions.

121. The representative of the **United States of America** said that the topics dealt with at the Commission's session had a common feature: they touched the lives of people in the developing countries. This was consistent with UNCTAD's objectives. He added that it would be useful to examine the progress by the Commissions.

## **Chapter VII**

### **ORGANIZATIONAL MATTERS**

#### **A. Opening of the session**

122. The fifth session of the Commission on Enterprise, Business Facilitation and Development was held at the Palais des Nations, Geneva, from 22 to 26 January 2001. In the course of the session, the Commission held four plenary meetings (the 16th to the 19th meetings) and seven informal meetings. The session was opened on 22 January 2001 by Mr. Carlos Fortin, Deputy Secretary-General of UNCTAD.

#### **B. Election of officers**

(Agenda item 1)

123. At its 16th plenary meeting, on 22 January 2001, the Commission elected its Bureau as follows:

Chairperson: Mr. Martins Pavelsons (Latvia)

Vice-Chairpersons: Mr. Abdirizak Ali Musa (Kenya)  
Mr. Douglas Griffiths (United States of America)  
Mr. Eberhard von Schubert (Germany)  
Mr. Julio Vázquez Roque (Cuba)  
Mr. Sayyed Jalaleddin Alavi-Sabzevari (Islamic Republic of Iran)

Rapporteur: Mr. Sivaramen Palayathan (Mauritius)

#### **C. Adoption of the agenda and organization of work**

(Agenda item 2)

124. At the same meeting, the Commission adopted the provisional agenda circulated in document TD/B/COM.3/33. Accordingly, the agenda for the fourth session was as follows:

1. Election of officers
2. Adoption of the agenda and organization of work
3. Enhancing the competitiveness of SMEs in the context of FDI in developing countries: Relationships between SMEs and TNCs to ensure the competitiveness of SMEs

4. Capacity-building in electronic commerce: Impact of the new economy on traditional sectors of developing economies: Electronic commerce and tourism
5. Human resources development and training in trade-supporting services: Key to growth with special potential for LDCs
6. Provisional agenda for the sixth session of the Commission
7. Other business
8. Adoption of the report of the Commission to the Trade and Development Board

#### **D. Provisional agenda for the sixth session of the Commission**

(Agenda item 6)

125. At its closing plenary meeting, on 26 January 2001, the Commission noted the ongoing discussions, within the framework of the Consultations of the President of the Trade and Development Board, on the topics for its Expert Meetings in 2001. It decided to entrust those Consultations with choosing the topics to be discussed and with approving the provisional agenda for its sixth session.

#### **E. Adoption of the report of the Commission to the Trade and Development Board**

(Agenda item 8)

126. Also at its closing plenary meeting, the Commission adopted its draft report (TD/B/COM.3/L.16 and L.16/Add.1), subject to any amendments to the summaries of the statements, and authorized the Rapporteur to finalize the report in the light of the proceedings of the closing plenary meeting.

## Annex

### ATTENDANCE \*

1. The following States members of UNCTAD were represented at the session:

Albania	Malta
Austria	Mauritania
Barbados	Mauritius
Belarus	Mexico
Bolivia	Morocco
Bosnia and Herzegovina	Nepal
Brazil	Netherlands
Bulgaria	Panama
Chad	Philippines
China	Portugal
Colombia	Romania
Cuba	Russian Federation
Democratic People's Republic of Korea	Saudi Arabia
Dominican Republic	Senegal
Ecuador	Slovakia
Egypt	Spain
Ethiopia	Sri Lanka
Finland	Sweden
France	Switzerland
Germany	Thailand
Guinea	Trinidad and Tobago
Haiti	Tunisia
India	Turkey
Indonesia	Uganda
Iran (Islamic Republic of)	Ukraine
Italy	United Kingdom of Great Britain and Northern Ireland
Jamaica	United States of America
Japan	Viet Nam
Kenya	Zambia
Latvia	Zimbabwe
Libyan Arab Jamahiriya	
Malaysia	

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\* For the list of participants, see TD/B/COM.3/INF.5.

2. The following intergovernmental organizations were represented at the session:

African, Caribbean and Pacific Group of States  
European Community  
Organization of the Islamic Conference  
Organization of African Unity

3. The following specialized agencies and related organization were represented at the session:

World Intellectual Property Organization  
United Nations Industrial Development Organization  
World Trade Organization

4. The following non-governmental organizations were represented at the session:

*General Category*

International Confederation of Free Trade Unions  
World Association of Small and Medium Enterprises  
World Federation of United Nations Associations

5. The following resource persons attended the session:

Ms. Claudia Colic, Citibank e-Business, Zurich  
Ms. Gabrielle Kaufman-Kohler, Professor of Law, University of Geneva  
Mr. Edi Nuque, Managing Director, Kalakbayan Travel Systems, Inc., Philippines  
Dr. Philippe Régnier, Senior Lecturer in SME Economics, Graduate Institute of  
Development Studies, Geneva