



**United Nations
Conference
on Trade and
Development**

Distr.
LIMITED

TD/B/COM.3/L.16
26 January 2001

Original: ENGLISH

TRADE AND DEVELOPMENT BOARD
Commission on Enterprise, Business
Facilitation and Development
Fifth session
Geneva, 22 – 26 January 2001

**DRAFT REPORT OF THE COMMISSION ON ENTERPRISE, BUSINESS
FACILITATION AND DEVELOPMENT ON ITS FIFTH SESSION**
22 – 26 January 2001

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Note for delegations

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

Requests for amendments to statements by individual delegations – to be submitted in English and French – should be communicated by **Friday, 2 February 2001** at the latest, to:

UNCTAD Editorial Section, Room E.8102, Fax No. 907 0056, Tel. No. 907 5654.

Chapter I

INTRODUCTION

A. Opening Statement

1. The **Deputy Secretary-General** of UNCTAD noted that item 3 of the provisional agenda on enhancing the competitiveness of 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.

2. Recognizing the important role played by 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. The Deputy Secretary-General urged the Commission to consider policy options to promote positive linkages emanating from that Meeting.

3. Turning to item 4 of the provisional agenda on capacity-building in electronic commerce the Deputy Secretary-General 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 companies of developed countries or those of more advanced developing countries.

4. Many of the issues that had yet to be solved in the area of e-commerce had been addressed at the Expert Meeting on Electronic Commerce and Tourism, held in September 2000. This Meeting 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 that outcome and elaborate its policy implications.

5. Turning now to item 5 of the provisional agenda, the Deputy Secretary-General 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 now and 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 great influence on the capacity of all countries, but above all the LDCs, to grow and participate more fully in world trade.

Chapter II

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)

6. 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 Relationship between SMEs and TNCs to Ensure the Competitiveness of SMEs” TD/B/COM.3/31

Outcome of the Expert Meeting TD/B/COM.3/EM.11/L.1

A. Statements made in plenary session

7. 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 the 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.

8. The Expert Meeting on Relationships between SMEs and TNCs 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 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.

9. The **Head** of the **Technology and Enterprise Branch**, in 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 use 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 analyze links between TNCs and SMEs. She said that the development impact of TNCs was often assumed but rarely measured, and that the methods that 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 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.

10. The **resource person** introduced the report of the Expert Meeting on 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.

11. 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.

12. 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.

13. 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.

14. The Expert Meeting had made a number of policy recommendations. First, investment policies must be tailored not only to attract investment but also to target the right kind of investors. Thus, Governments must adopt a targeted approach. Second, investment policies and SME promotion policies must be consistent. Third, investment policies and SME promotion policies must be formulated by means of public–private sector dialogue that takes 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.

15. 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 SMEs.

16. 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.

17. Turning to the Expert Meeting on 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.

18. 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.

19. 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.

20. 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.

21. The representative of **China** stressed the potential benefits for SMEs deriving 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.

22. 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 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.

23. The representative of **Japan** summarized the presentation made by the Japanese expert on Japanese TNC-SME linkages through industrial subcontracting at the November 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 automobile 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.

24. 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 resource 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.

25. 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 technological transfer.

26. 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.

27. 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.

28. 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.

29. 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 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.

30. 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.

31. 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 deregulation measures had been taken. Reform of banking, customs and investment rules was also under way. The need for effective interaction by all private sector players, particularly TNCs and SMEs, as well as by governments and NGOs, was underscored. TNCs were important partners for the transfer of technology. The financing of SMEs was particularly important and an area where support was needed.

B. Summary of the informal discussions *

32. 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.

1. Enabling business environment

33. 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, as well as good physical and social infrastructure.

34. 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.

* Prepared by the UNCTAD secretariat.

2. Targeted foreign direct investment policies

35. 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.

36. 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.

3. Selectivity and support programmes for SMEs

37. 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.

4. Policy consistency and dialogue

38. 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.

39. 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.

5. Other issues

40. 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 III

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

(Agenda item 4)

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

TD/B/COM.3/35 “Expert Meeting on E-commerce and Tourism”

TD/B/COM.3/30 “Report of the Expert Meeting on E-commerce and Tourism”

TD/B/COM.3/EM.9/L.1 “Outcome of the Expert Meeting”

A. Statements made in plenary session

42. **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 members. 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 countries, all endorsing the outcome of the Meeting. He assured the Commission that the members of the UNCTAD secretariat were fully available for consultations and clarifications during the course of the Commission’s session.

43. **The Chairman of the Expert Meeting on Electronic Commerce and Tourism** reported on the outcome of the Expert 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 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 and others dealt with e-commerce in general. The recommendations were contained in

document TD/B/COM.3/30 - TD/B/COM.3/EM.9/3. 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 that 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.

44. The **first resource person**, Mr. Edi Nuque of Kalakbayan Travel Systems, 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 cyber cafés in regions where access was limited. He concluded by underlining the essential recommendations that UNCTAD could contribute to the Commission's deliberations.

45. The **second resource person**, Mrs. Gabrielle Kaufman-Kohler, Professor of Law at the University of Geneva, 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 to 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, there was a need 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. She concluded her presentation by stating that 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 of legal aspects of e-commerce.

46. The **third resource person**, Mrs. Claudia Colic from Citibank e-Business, 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. She concluded her

presentation by recommending that UNCTAD include the subject of on-line payment systems in its training activities.

47. 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 was 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.

48. 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 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, consumer confidence, protection of 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.

49. 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. 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.

50. 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 and relate its work to that of the World Tourism Organization, the GATS negotiations and ICANN, as well as the UNDP. UNCTAD did not have the capacity to serve as an e-commerce incubator.

51. 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.

52. The representative of the **United States of America** explained 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 resource 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.

53. 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.

54. 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.

55. 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.

56. 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.

57. 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.

58. 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.