



Intergovernmental Group of Experts on
**e-COMMERCE and
THE DIGITAL ECONOMY**

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**The development dimension of
e-commerce and the digital economy**

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Structure

- Trends in e-commerce and the digital economy
- The development dimension of e-commerce and the digital economy
- Policy implications and guiding questions



Trends in e-commerce and the digital economy



The digital economy is of growing importance...

- Production of information and communications services and ICT goods amounts to about 6.5% of global GDP
- Some 100 million people worldwide employed in ICT services alone, (1.5% of total employment)
- Between 2010 and 2015 telecommunications, computer and information services exports grew 40%, in a time of stagnant trade
- ICT goods account for 13% of global merchandise trade



...and evolving fast

- Global Internet protocol traffic is set to grow at an annual rate of 23% between 2014 and 2019
- By 2019 global Internet traffic is expected to be 66 times the volume in 2005
- The number of machine-to-machine systems is forecast to reach 12.2 billion by 2020
- Worldwide shipments of 3D printers more than doubled in 2016 to over 450,000, and are expected to reach 6.7 million in 2020
- Sales of robots were at their highest level ever in 2015



Key technologies underpinning the digital economy

- Improved broadband connectivity
- Cloud computing
- Advanced robotics
- Big data
- Internet of Things
- 3D printing

With far-reaching implications for the organization of work, production and trade



Wide digital divides remain

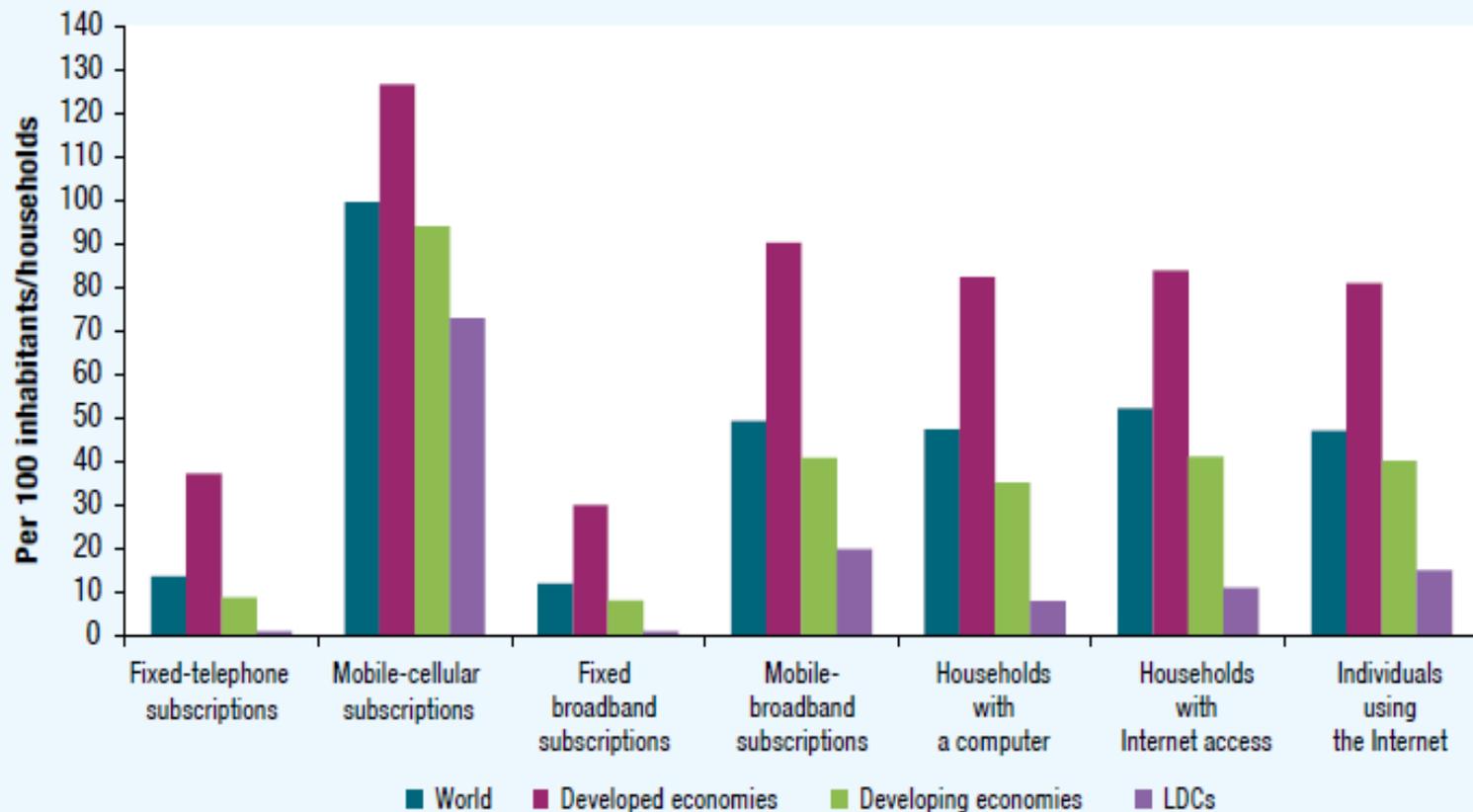
- In 2016, mobile cellular penetration reached over 90% in developing countries, mobile broadband stood at just above 40%, and fixed broadband was below 10%
- Only 40% of the people in developing countries used the Internet in 2016, compared with more than 80% in developed countries.
- In LDCs, only 16% of population are using the Internet and much fewer have broadband access
- Less than 2% of people in LDCs currently buy things online

Large divides within countries: Rural/urban, women/men, young/old, big/small companies, and across industries



Digital divides

ICT penetration by level of development, 2016





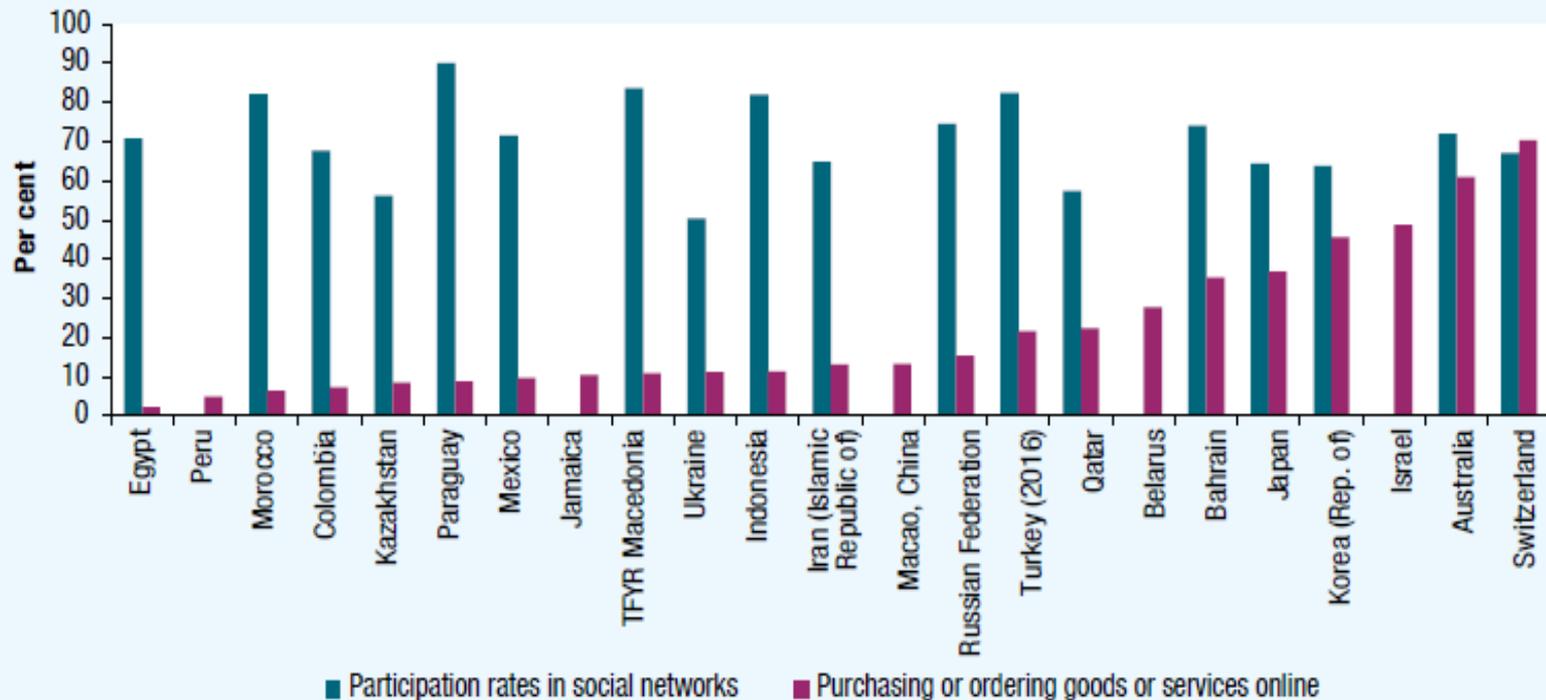
But there has been progress

- In LDCs, connectivity has improved
 - Mobile penetration soared from 5 subscriptions per 100 people in 2005 to 73 in 2016
 - The share of individual using the Internet rose from 0.6% in 2005 to 3.7% in 2015.
- Developing countries are increasingly prominent online
 - 70% of world's Internet users in 2015 lived in developing and transition economies
 - Nearly 90% of the 750 billion people that came online for the first time between 2012 and 2015 were from developing countries.



It takes more than ICT connectivity to realize the potential of the digital economy

Proportion of Internet users purchasing online and participating in social networks, selected countries, 2015





Growth of global e-commerce

- Global e-commerce reached \$25 trillion in 2015
 - B2C sales at \$2.9 trillion
 - B2B sales exceeded \$22 trillion
- Most e-commerce is domestic
 - Cross-border B2C e-commerce was \$189 billion in 2015, or 7% of domestic B2C e-commerce.
- China: world's largest B2C e-commerce market
- No other developing or transition economy features among the top 10 e-commerce markets in 2015
- Highest growth is observed in developing regions, especially in Asia



The development dimension of e-commerce and the digital economy



Opportunities

- Economic growth and development through lower transaction costs and remote delivery of more goods and services
- Enhanced productivity of enterprises
- Increased scope for entrepreneurship, innovation and job creation
- Help overcome barriers to the expansion of MSMEs
- Enabling rural development
- Consumer benefits: price transparency, expanded choice, availability of reviews from other consumers, convenience



Challenges

- Digital divides and uneven access to affordable ICTs can lead to inequitable distribution of benefits
- Risk of job losses
- Growing income inequalities and greater concentration of market power and wealth
- The need for skills adaptation
- Negative impact on bargaining power of consumers and users
- Loss of privacy
- Increased vulnerability to hacking, theft, espionage and sabotage



Net outcome?

- Effects will differ between countries and stakeholders depending on their levels of development and capabilities to adapt
- Policies should seek to maximize potential benefits and opportunities and cope with relevant challenges and costs
- Various factors may slow or even derail the development of the digital economy
 - data security concerns, data localization pressures
 - privacy concerns
 - cybercrime



Guiding questions

1. What do developing countries need in order to build competitive advantages through e-commerce and the digital economy?
2. What can developing countries do to strengthen their physical and technology infrastructure?
3. How can developed countries partner, in the most impactful way, with developing countries to maximize opportunities and address challenges relating to e-commerce and the digital economy?



Q1: What do developing countries need...?

- Is it clear which part of the government is taking the lead?
- Is the digital strategy coherent with broader national development agendas?
- Is there a base of knowledge with regard to strengths and weaknesses (digital or e-commerce readiness)
 - The seven policy areas of eTrade for all
- Does the government have access to relevant data and statistics?
- Are adequate legal and regulatory frameworks in place?
- Does the government know how to secure capacity building if needed?



The seven policy areas of eTrade for all





Questions for discussion

- What are the most relevant indicators to measure the readiness of countries to engage in and benefit from e-commerce and the digital economy?
- How can the IGE support the production of relevant statistics on the digital economy in developing countries?
- What are best practices to engage all relevant stakeholders in developing policies for the digital economy?
- How can this IGE contribute to advancing consensus-building in relevant areas of law reform, such as data protection and privacy, and cybercrime?



Q2: What can developing countries do to strengthen their physical and technology infrastructure?

- Strengthen digital infrastructure
- Ensure that electricity supply meets the needs of users in productive sectors and moves towards universal access for households
- Smooth transport of goods
- Address challenges posed to cross-border e-commerce (bottlenecks in land ports, customs-related problems and complex export procedures and documents) through improved trade facilitation
- Improve postal addressing system as appropriate
- Address issues of international returns and tax refunds



Questions for discussion

- How to accelerate the roll-out of relevant ICT connectivity, especially broadband connectivity, in developing countries, including in rural areas?
- How to enable more efficient logistics to enable e-commerce domestically and across borders?



Q3: How to partner in the most impactful way?

- Urgent need for more effective support to developing countries to benefit from the digital economy
 - ICT in global aid for trade down from 3% in 2002-2005 to 1% in 2015
- Need for holistic, cross-sectoral and multi-stakeholder approach
- Some relevant multilateral initiatives exist
 - eTrade for all
 - Rapid eTrade Readiness Assessments for LDCs
- Regional collaboration
 - For example in e-commerce and law reform
- Bilateral collaboration



Questions for discussion

- What are good practices for developed countries to partner with developing countries to build the ability of the latter to engage in and benefit from e-commerce and the digital economy?
- How to enable adequate follow-up of rapid eTrade assessments in LDCs?
- How to best leverage eTrade for all to facilitate effective capacity-building in relevant areas in developing countries?
- What good regional and bilateral examples exist?



Thank you!

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