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وزارة التجارة والاستثمار

- a. How can developing countries foster local platforms for domestic and cross-border commerce?

Developing countries can foster local platforms in multiple ways:

- Governments need to drive the push towards digital platforms through introducing regulatory frameworks, facilitating funds for local innovation and entrepreneurship, investing in internet and ICT infrastructure, and pushing awareness campaigns to show the citizens of those countries the positive economic effects this can have to their businesses
  - Since e-commerce platforms depend heavily on networks effect and economies of scale, it might be wise for digital platforms in developing countries to avoid going head to head with giants like Amazon and Alibaba and focus more on building smaller platforms that complement and take advantage of those giants. These smaller platforms can focus on their strength in understanding the local market trends and ecosystem. This will help those countries to build the know-how skills they need to excel in this industry.
  - As many developing countries have a shortage of technology skills necessary for building and maintaining those platforms, government can make special arrangements with technology and ecommerce giants to open areas of the market for them and in return arrange for skills and knowledge transfer. Governments can also sponsor a number of citizens to work temporarily for those giants and become ambassadors for their countries to spread their knowledge.
- b. What are the existing barriers related to international e-commerce platforms that developing countries, including the least developed countries, face and how can these barriers be overcome?

Developing countries have several barriers that vary between countries, but they include:

- Lack of access to certain platforms and services due to government policies and regulations
- Lack of payment solutions and platforms that can be used with cards issued from local banks due to monetary policies
- Language barriers and lack of adequate customer support in some countries
- Lack of consumer protection bodies or laws in relation to international platforms which create a lack of trust between local consumers and international platforms

Those barriers can be overcome by re-evaluating the outdated government regulations and have a flexible approach towards the new developments in the market. Government entities can have working groups with international platforms to clarify any concerns and find suitable solutions for both parties.





- c. What are some of the operational constraints that small and medium-sized businesses in developing countries face when setting up trade online, and how can they be overcome?

SMEs face multiple constraints due to the fact that the ecommerce industry is fairly new with rapid changes, and governments are finding it hard to keep up with its pace. While there are many shared constraints between developing countries such as the lack of ICT infrastructure, stable internet connectivity, and flexible regulatory framework, we will focus on the constraints in the Saudi market and how we are trying to resolve them:

- Lack of 3<sup>rd</sup> party cost-effective logistics centers and services provides a real challenge for many merchants who are incapable of building that infrastructure from scratch and hence find it difficult to compete with larger players.
- Due to financial policies, there is a shortage of electronic payments and mobile payments solutions as most of the international platforms are restricted till now. In addition, since the majority of the population is young, the adoption of credit cards is low and there is a big dependency on methods such as “cash-on-delivery” which make it very difficult for merchants to handle the expenses of handling cash and managing their cash-flow issues.
- There is a limited number of licensed last-mile delivery companies due to regulations. As a result, the quality of delivery is low due to low competition and this affect the whole merchant-customer experience
- Due to some bad experiences between customers and merchants (e.g. delivering wrong orders, bad return policies or experience) there is a lack of trust between customers and merchants which enforces customers to ask for options such as “cash-on-delivery” in order to verify their orders before paying anything.
- Lack of skillful talents in many areas related to ecommerce such as customer experience, data analytics, photography of products, coding and developments, and so on.

In order to address those challenges, Saudi Arabia is re-evaluating many of its outdated regulations in order to keep up with the rest of the world. In the financial sector, the Saudi Arabian Monetary Authority is enabling all of its debit cards to be used online for the first time to make up for the shortage of credit cards adoption. In addition, the country is re-assessing its position on FinTech and is working on working with the private sector on the financial sector. On logistics, the country is evaluating its postal and logistics services in order to improve the country’s Logistics Performance Index (LPI). Also, the Ministry of Commerce and Investment is making a lot of efforts to verify platforms in order to reduce





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fraud and increase customer trust in the market. In addition, the country is investing heavily in training and development for the private sector and local content

- d. What are the good practices that developed and developing countries, including the least developed countries, can learn from each other?

Developed and developing countries can always learn from each other's experiences and apply it in their respected markets. Below are some good practices done by different countries:

- In e-payment innovation and development, China had a very interesting story by de-regulating the market and allowing companies like Tenpay and Alipay to disrupt the market and innovate. This risk-taking approach, with all the risks and problems it had, resulted in two of the biggest payment platforms in the world (Alipay and WeChat) and it contributed to give Chinese consumers a full mobile experience from start to finish. This unusual approach of government risk taking might be necessary if countries want to push their boundaries in innovation
- In October, 2017, the UAE announced the launch of CommerCity, the first regional e-commerce free zone city. It will provide an environment that stimulates creativity and attracts more direct foreign investments.
- In building customer trust between merchants and customers, Saudi Arabia launched an initiative called Ma'roof (which translates to "known") to have a digital stamp on e-commerce websites from the Ministry of Commerce and Investment to signal to the customers that this website is safe to transact with and is guaranteed by the ministry.