

**“The role of the eCommerce Committee within the establishment of the Free Trade Area of the Americas”**

**Presentation by Dale D. Marshall, Chairman , FTAA Joint Government/Private Sector Committee of Experts on Electronic Commerce at the 22<sup>nd</sup> Miami Conference on the Caribbean and Latin America on the 9<sup>th</sup> December, 1998**

---

Madame Chairman, fellow panelists, distinguished guests, ladies and gentlemen.

I am honored to have been invited to be a part of this distinguished panel and I am particularly pleased to have the opportunity to speak on, and to discuss with you, the role of the **Joint Government / Private Sector Committee of Experts on Electronic Commerce** within the context of the Free Trade Area of the Americas. As you may be aware, the governments of the countries in the hemisphere have agreed to put in place a Free Trade Area of the of the whole of the Americas by the year 2005. In pursuance of this objective, the Trade Ministers of the region have set up nine (9) negotiating groups and three (3) consultative committees to look at specific areas of action. The Joint Government / Private Sector Committee of experts on Electronic Commerce, is one of those consultative groups.

In agreeing to set up this committee, the ministers recognized the rapid expansion of Internet usage and of eCommerce in the region. It was clear to them that this new phenomenon would impact on trade in a way that was fundamentally different from the impact of other developments over the centuries.

That eCommerce is booming cannot be doubted. Statistics show that it took **radio** 38 years to reach fifty million households in the USA. It took **television** 13 years to reach fifty million households. It took the **Internet** a mere four years to reach fifty million households. I have, I must confess, no statistics for the other 33 countries in the

hemisphere, however some simple extrapolation would lead us to conclude that similar rates of growth occurred in those countries. Extrapolating even further would lead us to the same conclusion about the likely rate of growth for the rest of the world.

We have estimates today of 20 million Internet hosts and well over 100 million Internet users. We have predictions ranging from 140 million users by the year 2000, to Nicholas Negroponte's prediction of 1 billion by the year 2000. In terms of dollars and cents, we have predictions ranging from \$220 billion dollars of trade by the year 2001 to the more optimistic predictions of \$1 trillion dollars of total revenue.

With such rapid growth in terms of number of users and also in terms of revenue, it is little wonder then, that **eCommerce** has so quickly become the darling of today's commercial activity. It's advantages and attributes are being heralded by business leaders, leaders in education, economists, politicians and political pundits. As I came through the Miami Airport on my way home to Barbados on Saturday, I picked up a copy of news Week and on the cover was America's own darling, Martha Stewart. She wrote in depth on what eCommerce has meant to her business.

Today, it is certain that the United States dominates the world's eCommerce. This is not surprising. But the important thing about eCommerce is that, as the great leveler of the business playing field, it is also certain that the US dominance will not go unchallenged. Every single one of the much talked about advantages of eCommerce, - the fact that it makes geographical barriers irrelevant, the fact that the set-up costs are low, the fact that merchants can reduce or eliminate inventories, these are the very factors which will cause and which have been causing businesses in the rest of the world to look to the Internet. They look to the Internet for the chance to penetrate the markets around the world that have eluded them for so long.

Since becoming Chairman, I have traveled to many places to address gatherings such as this. In the "margins" of those meetings, I have always sought out the people at random to find out how they feel about eCommerce and related matters. I have heard frequently

heard the view expressed, that eCommerce is essentially a US thing and that people from developing countries will never be able to seriously get involved except to buy things from US websites. They proceeded to explain what in their view were the reasons for holding this view. They said:

- We don't have the critical mass of people online to sustain activity in eCommerce
- Our networks are not reliable. The backbone is frequently down.
- The cost of access is too high
- We don't have the range of products to offer.

And there were others.

I do not dispute that the items which they specified were important issues and had to be looked at. However, in my view, we need to look to the opportunities and the advantages before a judgment is passed.

The Internet and eCommerce will be hugely beneficial to developing countries. A potter, manufacturing beautiful works of art in the hills of Barbados, in the past would have found it virtually impossible to market his work in European markets. eCommerce opens up the world to him. I must admit that I am now buying fine Chilean wines on-line. But those are tangibles.

In terms of intangibles such as services, the professionals in developing countries finally have a real opportunity to conveniently offer their services internationally in a cost effective way. Banks in Latin America have gone online. Legal and administrative systems are always the last to use new technologies, yet in the town of Bahia, in Brazil, the court system has gone on line with claims and counterclaims filed via that media resulting in savings in costs and more importantly for the litigants, a savings in time. My own law firm has significantly cut its communication costs, in terms of overseas calls and faxes and the costs of sending completed documents by courier, through the

aggressive use of e-mail. No doubt you have your own success stories and new opportunities are being created every day.

Barbados, as a developing country, and as a major player in the arena of the **International Financial Services Sector**, has put substantial investment into planning for the effective use of eCommerce in exploiting that market.

eCommerce is being studied in many fora throughout the world. The subject is being studied by at least 14 international bodies - the World Bank; the World Trade Organization; the World Customs Organization; The World Intellectual Property Organization included among them. There are also numerous regional and sub-regional bodies studying eCommerce; the OECD; APEC; the EU; and of course, the FTAA to name a few. Of all of these, the FTAA is a relatively latecomer. The FTAA only set up this Committee of Experts on eCommerce, earlier this year. The mandate of the committee is to make recommendations by October of 1999, to the Trade Ministers of the hemisphere on

**“how to increase and broaden the benefits of electronic commerce and, in particular, how electronic commerce should be dealt with within the context of the FTAA”.**

The committee is required, as part of its mandate, to

**“examine eCommerce with a view towards identifying the environment that will allow eCommerce to benefit (all) the countries of the hemisphere”.**

The first questions usually posed are “Why is the FTAA devoting time and resources to further study? Will we not be duplicating the efforts of the WTO ? The OECD? Surely this is nothing more than an effort to reinvent the wheel?

Not only are these questions asked of us, but as people and nations of the hemisphere,

we need to ask them of ourselves. First let me say that the committee has not been charged with the responsibility to reinvent the wheel. In fact the committee has been specifically directed to consider the work being done in the other international fora and to stay abreast of that work

It has even been stated that the Committee will only be of relevance if it can provide some *value added* component to the work already being undertaken internationally. In my view, in the FTAA deliberations of the committee of Experts on eCommerce, will provide significant value added. The composition of the committee is key to how it will be able to provide that “value added”.

The committee is composed of two representatives from each country in the hemisphere. One of these delegates represents the government of the country, and the other is a representative of the private sector in that country. This private sector input will be pivotal in the deliberations of the committee, as these private sector persons are in fact the experts on eCommerce for his or her country. Their input will ensure that the committee takes into account *firsthand*, the views of a mature private sector on how to increase and broaden the benefits of eCommerce in all 34 countries of the hemisphere; on how it can **benefit** the countries of the FTAA .

I dare to say here that eCommerce will only benefit the countries of the hemisphere when there is established an environment where eCommerce will flourish. The private sector will give input on what kind of environment will allow eCommerce to flourish **from the point of view of the private sector**. Of course, the public sector participation will ensure that not just the business point of view will be considered but also the policy questions will be addressed. But let us not fool ourselves by thinking that the public sector view point and the view point of the private sector are opposing views.

Indeed, in eCommerce, both business and policy makers have common interests. For example, eCommerce will only flourish where you have a large number of well educated, computer literate people. eCommerce will only flourish where there is a good

telecommunications network, with high bandwidth. Governments have a vested interest in these areas, for these are key to any country's national development. It is precisely because such matters as these are interdependent, that both governments and businesses must work together to achieve success. This committee provides the vehicle for such interaction.

There is another very important factor.

For the first time in the context of International relations of the hemisphere's governments, the private sector has been included in a committee where they have the opportunity to participate with government representatives in deliberating and making recommendations on a matter which is fundamental to the way they do business. I must stress, this is not a committee where the governments are consulting the private sector. The private sector are actually involved in the deliberations – in the process of formulating the recommendations.

The inclusion of the private sector in the deliberations of the committee demonstrates a recognition of the vital role which the private sector has played, and will continue to play, in electronic commerce. The stark reality is that the growth in e-commerce has been driven and led by the private sector. This leading role is not expected to change as more and more businesses of all kinds and sizes will recognize the benefits of electronic commerce and opt to do business via this medium. It is therefore appropriate that they participate in the process from the seminal stages of the deliberations so that they can influence the outputs.

In my view, this is a call to arms for the private sector !! Indeed, one distinguished commentator wrote:

*“ the private sector should bring many of the answers to the table with regard to juridical, political and technical objectives and barriers or deterrents surrounding eCommerce.... When the Internet activities create new problems, the*

*Governments of the hemisphere should first turn to... the private sector in order to see if they can find solutions without government intervention.*

In addition to the distinct advantage of its composition, there is another point to be made. Most of the countries in the hemisphere are developing countries, with special needs and whose resources are limited. The processes in the international fora are long and complex. Most of the countries do not belong to any of the major regional groupings such as the OECD . Consequently, the opportunity to participate in a comprehensive program of deliberations on eCommerce and in a timely manner, is found only in the FTAA process. There are also mechanisms built in to the FTAA process, such as with the Committee on Small Economies, which are designed to ensure that the special circumstances of small economies are considered in the course of the deliberations and the formulation of the recommendations. The FTAA work on eCommerce will therefore be of immediate value and relevance to the countries of the region, particularly in the developing countries, in a way and within a time-frame, that the work being done in other fora cannot be.

### **The Work Program**

As I mentioned before, the committee has to complete its study of the eCommerce issues and formulate it's recommendations, all within the next 10 months. As Chair, I have circulated a draft work program to cover all of our meetings over that period. That draft program calls for the January meeting to open its substantive deliberations by looking at how to make the eCommerce work in the region and issues of business facilitation. Specifically, we hope to discuss over the three days the following subject areas:

1. Standards for Forms of Transmission
2. Implications for Small Economies
3. Implications for Small Business
4. Governments as Model Users
5. Business Users

6. Raising Skills and Awareness
7. Network Access and Reliability

An in-depth look at these issues will allow us to begin to develop recommendations at this early stage, on the kind of national environment which will allow eCommerce to grow. We will be looking at such areas as education and training and also access to the Internet, both in terms of availability of the hardware and also access to networks. As mentioned before, without a serious look at these areas, we will not move off of the starting line.

After, setting the environment at this first meeting, we will then look to more specific issues such as **taxation and payment issues, legal issues, International trade issues** and “so-called” **user issues**, such as privacy, security and encryption, authentication, and consumer protection.

It is an ambitious program of work over a relatively short space of time. However, the intensity of the work program shows a clear desire of the nations in the hemisphere **not to be left behind in this area.**

There are many issues to be considered and in considering these issues, we will be looking to see whether or not there will be a need for government regulation, and if there is such a need, at what level might such regulation be set. This is an area in which great care must be exercised for there is much disparity among the nations of the hemisphere. Some countries may wish to avoid regulation of the sector, while others may be more conservative.

eCommerce will have a significant implications for taxation and some countries may be wary of adopting a hands off approach when the very nature of this type of commerce does not easily lend itself to the imposition of tariffs or to the levying of domestic taxation. The **WTO** in a recent publication entitled ***Electronic Commerce and the Role of the WTO*** posits that while a system that circumvent the levying of taxes such as the



Value Added Tax would be attractive for buyers and sellers, it would not be in the interest of the general public which, as a whole would be the beneficiary of the revenue raised by the VAT. As difficult as it might be to develop a system of taxation, some countries will in all likelihood still wish to preserve their rights in this area.

We know that eCommerce will have also have important implications for labor not simply in terms of permitting more and more people to work from at home, but also in terms of the possible job losses if companies shift comprehensively to eCommerce. For example, if a retailer in Costa Rica chooses to move away from the typical retail operation and instead sell his goods exclusively on-line. It is likely that there will be some job losses. Some of his workers may be able to retool, but the need for a large number of staff on the floor, cashiers, and so on, will be diminished.

I do not mean to suggest that eCommerce will render droves of people unemployed. Far from this, it will create many, many opportunities. However, governments will need to plan for this shift for the many job opportunities expected to open up can only be taken advantage of, if there is a well trained labor force with the skills required by the industry.

You will forgive me if I make mention of a program implemented in Barbados called *Edutech 2000*. This is a program expected to cost US \$150 million dollars which has as it's aim to ensure that each student in all of our primary and secondary schools are trained in the use of the computer and the Internet as. Each student is to have access to computers and the Internet. This new generation is in effect being primed for this shift. This is the kind of planning that I am referring to.

## **Conclusion**

My committee is only a consultative group. We are charged with the responsibility to study eCommerce and make recommendations to the Governments of the region. We are not waiting until the subject is covered by the other agencies. It is too important an issue for us all, that we should try where possible to establish a framework for ourselves and

move to take advantage of this new method of conducting commercial activity. The issues are many and perhaps, given the rate at which the technology is developing, our recommendations may become academic over a short space of time. However try we must.

The possibilities for trade and education and the simple sharing of information are limitless. We can barely guess at what is in store for the industry in the next decade. We may find that buying music and movies as discs or tapes will give way completely to purchasing and downloading them over the Internet. The concept of a library as a place where books are stored and a place where the serious student must visit daily, will change. Consulting doctors will review x-rays sent to them by e-mail and render a diagnosis.

The march of technology is inexorable. The region as a whole must, through the FTAA, grasp the opportunity to be at the forefront of eCommerce. We cannot afford to play “catch-up”.

Thank you.

09 Dec, 1998