



SEIZING DIGITAL OPPORTUNITIES:

A BUSINESS PERSPECTIVE

A Joint Statement
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by

Alliance for Global Business, consisting of:

- **Business and Industry Advisory Committee to the OECD**
- **Global Information Infrastructure Commission**
- **International Chamber of Commerce**
- **International Telecommunications Users Group**
- **World Information Technology and Services Alliance**

Seizing Digital Opportunities

A Business Perspective

1. Background

Private sector has already demonstrated its leadership in advancing towards a coherent rules-based policy environment for electronic business and digital economy in general by developing numerous policy analyses, statements, commitments and advising on government action. Business organisations around the globe continue to develop practical solutions to policy problems, perceived or real, affecting the development of digital information and communications networks, and, more importantly, their utilisation for economic and social development objectives. The compilation of information on such initiatives is a challenging task in itself.

The Alliance for Global Business, which is an informal network of five prominent international business organisations, represents one of the key focal points of private sector leadership in this area. Its *Global Action Plan on Electronic Commerce prepared by Business with Recommendations for Governments* consists of both a policy statement on the broad range of issues affecting electronic commerce as well as an Annex compiling practical initiatives by business. The main body of the 2nd edition (October 1999) Global Action Plan remains broadly valid, in particular in terms of the recommendations made to governments.¹

The Global Business Dialogue on Electronic Commerce has been a useful mechanism for dialogue between business, governments and international organisations on electronic commerce issues. It has issued recommendations on a broad set of policy issues and presented them at its annual summits to high-level policy officials from governments and international organisations. It has plans to develop a further round of recommendations on the next generation policy issues concerning the digital networks.

In this statement the Alliance for Global Business addresses one particular facet of the policy nexus affecting global electronic commerce, namely the prevention of a digital divide and the development of digital opportunities. The statement draws significantly from previous studies and declarations made by AGB and its members.²

2. On Digital Opportunities

Preventing a "digital divide" is an essential goal for both business and governments. To that end, business has been working hard through independent projects to provide assistance to disadvantaged economic groups, localities, regions or countries, aimed at transforming the digital divide into a digital opportunity. Almost any sizeable company today has taken up some local or regional responsibility in bridging the digital divide. An illustrative sample of private sector initiatives in the area of bridging the digital divide can be seen in a "Clearinghouse" prepared by the Global Business Dialogue on Electronic Commerce Task Force on Digital Bridges.³

However, these assistance programs will become a digital opportunity only if governments adopt a policy framework which ensures that access to digital information and communication networks is a viable option for the citizenry at large. Global business organisations which support the present statement believe that such a policy framework is one that promotes open markets, competition and private sector investment.

In order for innovation to actually generate productivity and income impacts at the economy-wide level, the necessary inputs and conditions must also be widely available. A crucial policy challenge is to encourage and promote the expansion and distribution of “digital” opportunities. These opportunities can contribute to and encourage economic development. Trade liberalisation is a key energiser of this global imperative - increased liberalisation in both goods and services and effective implementation of the TRIPS agreement are an essential element in ensuring that countries can seize the digital opportunity.

Business has spent enormous resources on research and development to make the Internet an effective commercial medium that has brought about substantial increases in economic efficiency⁴ through more transparent processes and greater information. These efficiencies are manifested, for example, through reduced production cycles and better customisation of products and services. Productivity resulting from innovation will be maximised when the regulatory environment surrounding the labour, capital and product markets is conducive to competition and adaptation. Indeed, the commercial use of the Internet has already increased competition within markets.

In particular, developing countries can reap these benefits resulting from the technological innovations that have led to the commercialisation of the Internet -- they can leapfrog technologies and become active participants in the online global economy. This obviates the need for developing countries to reinvent the wheel and can lead to access to the global marketplace and economic growth. However, to seize the benefits of technological advances governments must accept and encourage new business models and new markets necessitating that some more traditional ways of doing business be modified or abandoned.

Importantly, trade can assist the promotion of adjustment in industries and firms faced with the challenge of adapting new opportunities to facilitate continued growth. One of the implications of the new economy is that it strengthens the case for trade and investment liberalisation in traditional sectors. The benefits of technological change will only be fully realised if traditional sectors are able to operate more freely and flexibly by responding to and confronting new markets that are the result of innovation and digital opportunities.

On the other hand, to the extent that new opportunities fail to spread quickly they can contribute to the formation of what one might call “traps” where the “have not” falls further behind the digitally innovative “have”. By virtue of not being able to keep up with the changing requirements for skill, knowledge and context, groups without access or the skills to utilise digital technologies may fall *further* behind those with access.

Currently, public policy discussions which are carried out under the catch word of “digital divide” seem overly focused on the divide, as a result rather than a risk, and do not stress sufficiently either the opportunity aspect or an understanding of the conditions under which inadequate endowment turns into a *trap*. In order to reduce the risk that discussions on the “digital divide” become a self-fulfilling prophesy, discussion needs to focus on developing greater understanding of how to advance digital opportunities.

3. The world trading system offers the best path towards these objectives.

Therefore, business recommends that governments:

On General Trade Issues

- Confirm that the WTO rules -- GATT, GATS and TRIPS -- apply to electronic commerce. In the context of the services negotiations, it is particularly relevant to confirm that the GATS applies to the electronic delivery of services.

- Agree to refrain from enacting measures that have the effect of impeding, actually or potentially, international e-commerce.
- Agree to a standstill commitment not to impose new restrictions that could adversely affect e-commerce during the course of the Services 2000 negotiations.
- Agree to the continuation of the work program on electronic commerce with the WTO.
- Agree to extend of the practice of not imposing customs duties on electronic transmissions.

On Information Technology Agreement (ITA)

Sign-on to the ITA and redouble their efforts to conclude the ITA II agreement.

On Telecommunications, Value-Added and Other Services

Basic Telecommunications Services

- In the context of Basic Telecommunications governments should commit to:
 - Significantly expanded and improved market access and national treatment commitments from all Members
 - Timelier implementation dates
 - Progressive reduction or elimination of foreign ownership restrictions and
 - Adoption of the Reference Paper on Regulatory Principles in its entirety
- In addition, avoid reopening the Reference Paper and limitations on commitments that would restrict the types of infrastructure that service suppliers may invest in and the types of services that may be supplied via that infrastructure.

Value-added Services

- In the context of Value-added Services governments should commit to:
 - Significantly expanded and improved market access and national treatment commitments from all Members;
 - Timelier implementation dates
 - Reduction or elimination of foreign ownership restrictions
- In addition, the Reference Paper should not be applied to value-added services, including Internet services.

Other Services

- pursue further liberalisation in all services sectors in the Services 2000 negotiations.
- In order to ensure that countries can reap the benefits of electronic commerce it is necessary that negotiators pursue further liberalisation of the services that can be delivered electronically, including, *for example*, consultancy, professional, and education services.
- An equally essential second element is to ensure that there are the necessary commitments across sectors that are associated with the infrastructure needed for business-to-business and business-to-consumer e-commerce.

4. Policy Link between innovation and the regulatory framework^{5 6}

While the availability of and access to technology *inputs* may appear to be a crucial issue, it is in effect an aspect where there is a great deal of clarity as to what policies are most appropriate. Even in the absence of any charitable activities to make ICT tools available to disadvantaged segments of our societies (and such activities remain significant) the quality/function/price ratios of them have been rising rapidly and are expected to continue to evolve in a positive manner unlike any other category of commodity in recent economic history. The real challenge for the policy community there is to encourage and utilise effectively what is a rapidly widening sphere of affordability.

The availability of new technology tools is merely a first, albeit essential, step. The digital opportunities that we are interested in spreading are embodied in the new business opportunities. In particular, any serious impact on productivity from the adoption of new business models generally takes the form of opening to market forces aspects and portions of the production and supply chains which had hitherto been shielded from such competition.

While the impact of e-business is felt throughout economic sectors, and a great deal of attention has been given to the fortunes of e-commerce directed at the individual consumer, currently the most pervasive impact of e-business activity is registered in the commerce between business (B2B).⁷

While the part of manufacturing in B2B commerce is significant, a great deal of potential e-business activity is also likely to be found in the services sector, including finance, telecommunications, logistics management, education, and energy which are creating the reality of a global infrastructure for the world economy. That is not only because of the fact that service industries constitute the bulk (ranging from half to three quarters) of the GDP in advanced economies, but also because these sectors have tended to be most shielded from competition so far. Indeed, an increasing number of enterprises and sectors find themselves compelled to combine a manufacturing activity with services to the customer in the increasingly competitive environment. Technology-based innovation has the greatest possibility to be a mechanism for bringing within them higher private sector productivity as well as more efficiently and effectively delivered public service.

The link between the reduction of unjustified barriers to cross-border economic interaction and regulatory reform on the one hand, and greater opportunities for innovation and productive activities on the other is even more important from the point of view of smaller enterprises (SMEs) which cannot always afford to maintain in house expertise on the myriad of different regulatory conditions affecting international business. Improving the efficiency of regulation and openness of markets is therefore a crucial requirement for avoiding a digital divide between larger and smaller enterprises.

To ensure that the digital opportunities are realised business recommends that the following conditions be strengthened:

- Inputs of information and communications technologies (including software) must be widely available in a market-based environment;
- The regulatory environment has to be strongly in favour of competition, business creation and private sector investment;
- Incentives have to be correct for skill acquisition and necessary changes in the organisation of the workforce;

- Important changes are required in the attitudes and capability at all levels of society regarding the application and use of information technology in business and non-business contexts; and
- Continuation of strengthening standards world-wide for intellectual property rights protection is needed.

5. Conclusions regarding multilateral and national trade policy

Policy makers need to be alert to the synergies at work in today's economy that can spark innovation. As they may not always be predictable, dialogue between private and public sector policy makers is crucial to continue building the understanding and co-operation that is essential to developing an environment where innovation can flourish and provide maximum benefits to productivity and world standards of living.

Innovation stemming from technological (such as ICT) and managerial advances will lead to productivity gains when the regulatory environment surrounding the labour, capital, and product markets is conducive to competition and adaptation. An essential component to the expansion and distribution of the income impacts of innovation is trade liberalisation.

In addition to the broad policy framework attuned to the new realities of the global marketplace, the following are important trade-related objectives in enabling innovation.

- An early focus and agreement on the agenda for a new WTO Round
- Substantial outreach to LDCs to encourage their full participation
- Reinforced and implemented commitments
- An acceleration of the Services 2000 effort
- The strengthening of intellectual property protection
- The elimination of tariff inhibitions to products essential for ICT
- The permanence of tariff-free cyberspace
- Serious attention to trade facilitation and full implementation of the Valuation Agreement
- Elimination of non-tariff barriers
- Implementation of international standards and simplified conformance testing
- Expeditious accession

Policy makers should also continue to think globally with regard to issues such as transparency, and technological neutrality, and keep in mind that strengthening the rules-based trading system is complementary to the development of innovation potential. At the same time, policy makers must remain alert to the potential development of impediments that could result from short-sighted or overly restrictive policies relating to technology, innovation and e-commerce. *Strengthening the rules based global trading system is necessary to maximise opportunities for innovation, and the enhance the ability for all to reap its benefits.*

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NOTES

¹ The Alliance for Global Business (AGB, "the Alliance") is a co-ordinating mechanism of leading international business organisations. The AGB mechanism has been created to provide private sector leadership on information society issues and electronic commerce. Jointly, these organisations represent the bulk of electronic commerce in almost all countries in the world. The coalition represents a diverse cross section of business in over 140 countries. Membership includes providers and users of information technology, large multinational enterprises and small start-ups, and companies in developing as well as developed economies. The following organisations take part in the AGB:

BIAC – Business and Industry Advisory Committee to the OECD (www.biac.org)

GIIC - Forum for the Global Information Infrastructure (www.giic.org)

ICC - International Chamber of Commerce (www.iccwbo.org)

INTUG - International Telecommunication Users Group (www.intug.net)

WITSA - World Information Technology and Services Alliance (www.witsa.org)

The Global Action Plan for Electronic Commerce prepared by Business with Recommendations to Governments, 2nd Edition, Paris, October 1999, can be accessed on line at the following URL:

http://www.biac.org/Textes/BIAC_TEXTES/BIAC_SubmissionsPDF/ICCP/AP2FIN.pdf

² An illustrative sample of existing AGB work in the area of economics and trade issues relating to e-commerce includes:

- *A Discussion Paper by AGB on Trade-Related Aspects of Electronic Commerce in Response to the WTO's E-Commerce Work Programme*, April 1999

- *BIAC Discussion Paper on Innovation and Global Growth*, November 2000

- *GIIC Statement at the Africa Communications Conference: "Communications Infrastructure Development. The Challenges for Attracting Investment in Africa"*, Abuja, Nigeria, June 2000

- *GIIC Asia Call To Action "Asia in the New Economy: Knowledge As Capital"*, Manila, July 2000

- *The Digital Divide: Bridging the Gap*. WITSA Global Public Policy Conference 2001. Cape Town September 11-12, 2001

- *Risk E-Business: Seizing the Opportunity of Global E-Readiness*. WITSA & McConnell International, August 2000

- *Digital Planet 2000: The Global Information Economy*. WITSA, November 2000

- *International Survey of E-Commerce 2000*. WITSA, February 2000.

³ See in GBDe Web site. <http://www.gbde.org/dbtf2000.html>

⁴ See the OECD *Report The Economic and Social Impact of Electronic Commerce: Preliminary Findings and Research Agenda*, Paris, 1999.

⁵ The discussion on digital opportunities and divides concerns the use of digital technologies not only in economic activity, but also in broader personal, social and educational contexts. This paper has no pretension to cover all of these but focuses on the former aspects.

⁶ Parts 4 and 5 of this Statement borrow largely from a BIAC Discussion Paper on *Innovation Global Growth* presented to the OECD in November 2000. This paper can be accessed at URL:

http://www.biac.org/Textes/BIAC_TEXTES/BIAC_SubmissionsPDF/HIGH_LEVEL_Statements/InnovationGlobalGrowthFIN.pdf

⁷ Some commentators tend to see a problem in the mere fact that B2B e-commerce far outweighs (by a factor of 5 to 6) B2C and may be growing faster in the current juncture. While the relative growth rates of the two segments may change in the fast-evolving nature world of e-business, the mere fact of B2B being several times B2C would be broadly in line with what one would expect in a modern economy with high degree of specialisation at the firm level, and where final value added is only a fraction of total volume of transactions. International organisations such as the OECD would enlighten the e-commerce discussion by communicating this point in some visible fashion.