

# Analysing E-Commerce for Development

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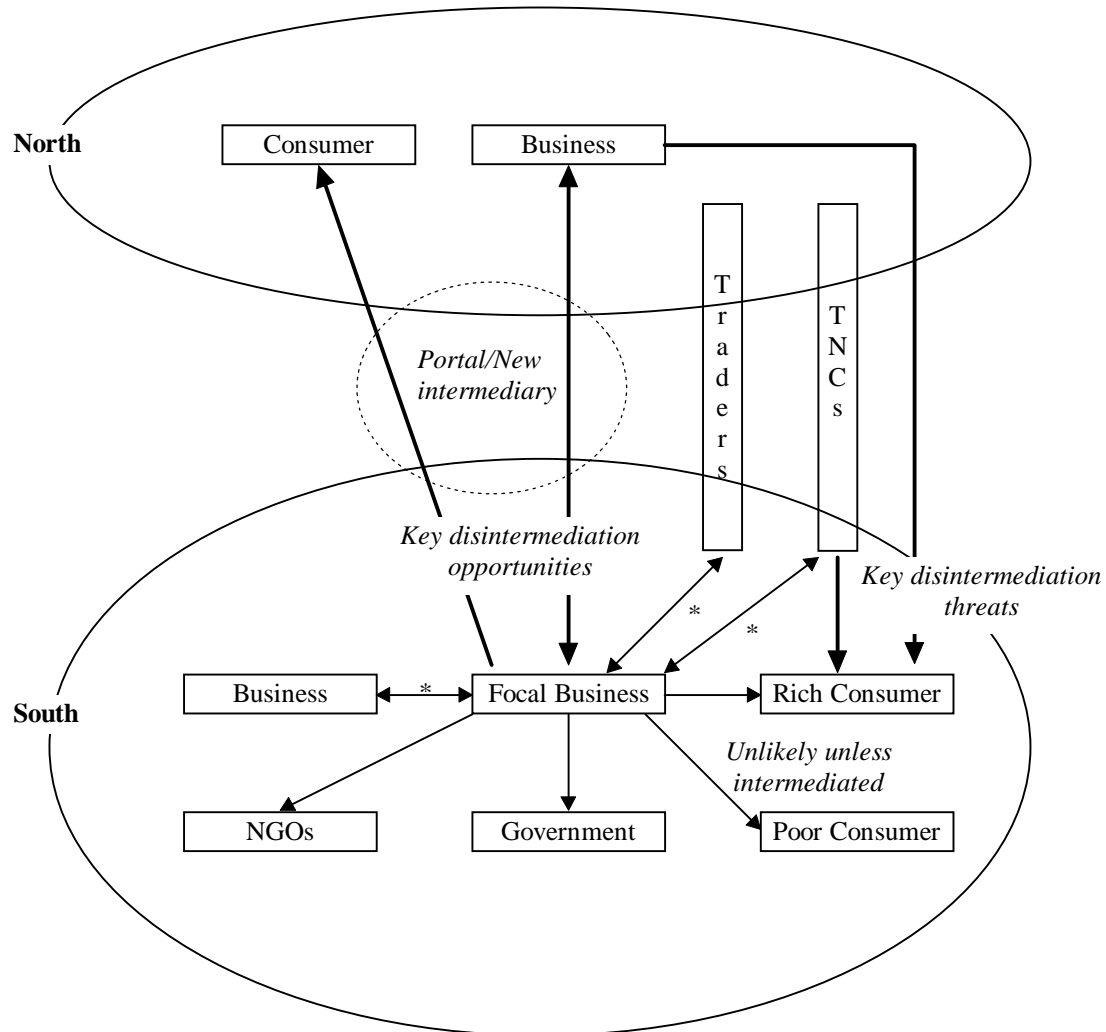
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E-commerce is spreading rapidly. World-wide, more than US\$1 trillion-worth of goods and services are likely to be traded electronically by 2003, covering b2c (business to consumer) and the far larger b2b (business to business). In the North, impacts on both business and trade have been uneven but rapid, particularly in certain sectors. Possibilities exist for both existing enterprises and new entrants: new supply-chain models are emerging around both disintermediation and reintermediation of existing firms (Markus 2000).

In the South, e-commerce is also present and expanding, albeit from a far smaller base. In the short-term, international trade will be the main locus for development of e-commerce, with a model as shown in Figure 1.

**Figure 1: Conceptual Model of E-Commerce and International Trade**



\* - Northern model key growth areas; potential disintermediation opportunities  
 Note: South exchanges/flows can be local, national or international (South-South)

Identifiable opportunities already present include:

- sb2nc (Southern business to Northern consumer): for example in tourism and in social trading portals (such as PEOPLink).
- sb2nb (Southern business to Northern business): for example the multi-billion dollar trade in software from India that is increasingly ICT-mediated, and other intermediated trade (e.g. UNCTAD Global Trade Point).
- South-South e-commerce links are also emerging which may present a key opportunity growth area.

There are also existing intra-country opportunities:

- sb2sc (Southern business to Southern consumer): for example, rediff.com in India

It must be recognised that the principal opportunities lie for large, established enterprises and for b2b models. Nevertheless, there will be some opportunities for Southern small and medium enterprises as producers. To these enterprises, the e-commerce benefits of reduced costs and increased revenues can accrue; again, particularly around b2b models. Opportunities for the majority of poor women and men to directly use e-commerce as consumers are currently limited (Networked Intelligence 2000).

In analysing the impact of e-commerce on development, these potential opportunities and benefits must be set alongside a considerable threat posed by e-commerce that takes two forms.

First, barriers to e-commerce entry that are considerable for Southern businesses. These barriers are found at the micro-level of individual enterprises and at the macro-level of national infrastructure and policy. Both enterprise support activities and national/global policy making from the South must become better informed of the new capacities that are required (Singh 1999).

Second, the threat posed that e-commerce will reverse import substitution (e.g. replacing sb2sc with nb2sc) more than it will open export opportunities. Poor countries must be alive to this threat, though also to the opportunities it provides for Southern consumers and to the sales/distribution opportunities it provides for Southern businesses (there are already suggestions from India that e-commerce to Southern consumers may be less disintermediated than Northern models would suggest).

In all, e-commerce presents a new model for trade and business. Diffusion of this new model will not be as instantaneous as the 'hypesters' predict. Nevertheless, entrepreneurs, enterprise support practitioners and policy makers in the South must all be made aware of the implications of this new model, and they must understand how to encourage development of e-commerce in ways that will optimise beneficial effects and minimise adverse effects.

## **Analysing E-Commerce for Development**

What are some of the key questions that remain to be answered about e-commerce for development? They include the following:

- What is the likely impact of e-commerce on developing countries?
- What are the main beneficial opportunities for application of e-commerce for developing countries?
- Which enterprises and which sectors will be best placed to take advantage of e-commerce?
- What package of policy and enterprise pre-conditions must be in place for this beneficial application of e-commerce?
- How can this 'e-commerce package' best be put in place in developing countries?
- What are the main threats and negative effects relating to application of e-commerce in developing countries?
- How can these best be addressed or mitigated?

From these questions, three analysis strands can be drawn out.

### **i. Impact Strand: Impact Analysis of E-commerce**

As noted, e-commerce is generally presented in very positive terms but, along with the potential benefits, come potential problems for developing countries. Understanding the impact of e-commerce means viewing impacts from two perspectives:

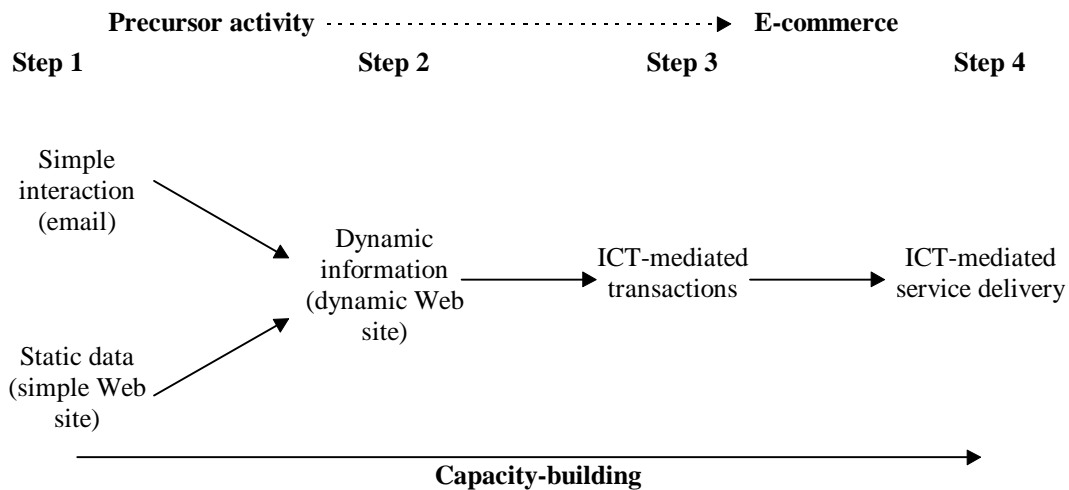
- Top-down from an economic analysis of global trade and the alterations to models of global trade that e-commerce is likely to bring through reductions in transaction and other costs.
- Bottom-up from the experiences of individual enterprises using SWOT analysis of e-commerce in relation to Southern enterprises, and business analysis of those enterprises pointing to relevant business models, strategies and trajectories.

### **ii. Capacity Strand: Support for E-commerce in Enterprises**

If e-commerce is to be taken up by enterprises in developing countries, it will require a number of underlying capacities to be present. An understanding of these capacities is therefore required. It may be that enterprises themselves and the market can supply some of these capacities. In other cases, though, there may be a case for promotional interventions at a national or support agency level. Likely areas for support include: skills development, facilitation of market access, infrastructure deployment (e.g. telecentres), and promotion of e-procurement within the local NGO, government and business community.

It is important to recognise the 'stepping stones' to e-commerce that capacity-building must support. From this, one can see that, behind the limited picture of full e-commerce activity, there is a much broader picture of precursor e-commerce activity in the South, as shown in Figure 2.

### **Figure 2: Stepping Stones to E-commerce in Development**



### iii. Policy Strand: National/International E-commerce Policy

Concept papers and the UN Commission on International Trade Law model law on e-commerce already provide a generic understanding of some of the policy issues raised by e-commerce. Relevant areas include trade (tariffs, intellectual property rights, market access), infrastructure (telecoms, human, transport), and business (contract law, enterprise development).

Policy makers in the South do not face the issue of whether or not to support e-commerce: if e-commerce is not supported, e-commerce-based foreign businesses will poach markets at home and overseas. Policy makers therefore face only the issue of how best to support e-commerce.

### References

Markus, L. (2000) *E-markets and E-commerce*, paper presented for Manchester Information Systems Seminar series, University of Manchester, 12 July

Networked Intelligence (2000) *Briefing Kit on E-commerce for Micro and Small Enterprises in Africa*, Toronto, Canada.

Singh, D. (1999) *Electronic Commerce: Issues for the South*, South Centre, Geneva, Switzerland.