

REGIONAL WORKSHOP ON TRADE-LED DEVELOPMENT | October 2016

E-COMMERCE & IT'S ROLE IN TRADE-LED DEVELOPMENT



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E-Commerce as a Great Equalizer

- For decades, the biggest firms operated internationally, while smaller firms tended to be domestic
- Today, nimble mid-sized firms are taking on new markets earlier in their business cycle, thanks to digital
- Entrepreneurs able to make more money from niche products at low marginal cost, without issues of scale economies, minimum order quantities
- Fosters women's entrepreneurship – over 50% of successful online sellers are women

Even the
smallest firm
can be
'born global'

Rise of Micro-Multinationals

- The rise of '**micro-multinationals**' who are immediately catering to global markets
 - Typically mid-sized firms, not start-ups but not large firms either
- Using digital technologies to circumvent traditional market entry barriers
- Social media, online marketplaces are helping to level the playing field for new entrants
 - My friends who are on Etsy.com – baby clothes and shoes, handbags and jewellery, dress slippers
 - BakesbyBella grew her business entirely on Instagram

Key Benefits of E – Commerce

**New driver of
International Trade**

**Enhanced Participation in
International supply
chains**

**Highly Enhanced Market
Access and Reach**

**Lower Transaction Costs
and Entry Barriers**

**Strong contribution to
inclusive PSD with SMEs**

E-Commerce helps SMEs join international supply chains – sourcing + selling

Online B2B marketplaces are providing opportunities for suppliers in developing countries to access export markets and international supply chains



IndiaMart is the country's largest online B2B market place catering to SMEs



In **Kenya**, **tradekey.com** is a B2B platform with 39,732 members



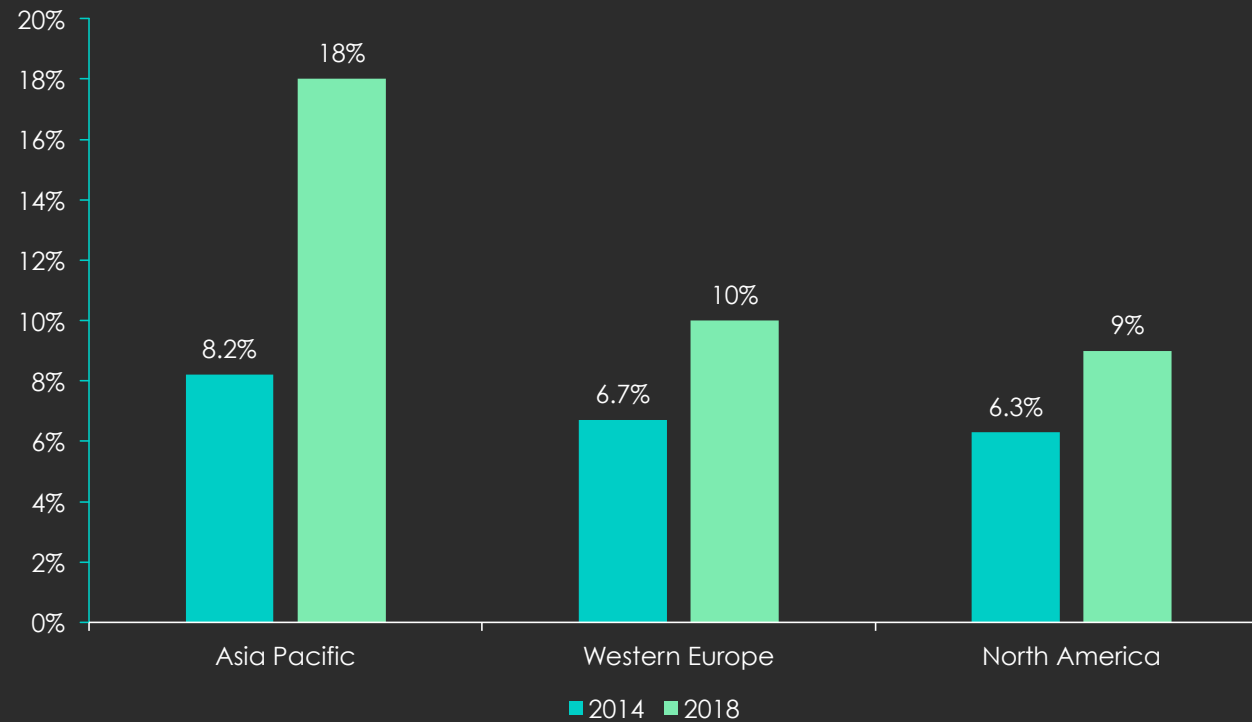
In **Korea** **EC21.com** is a B2B market place with 2.5 Mn members



Alibaba.com launched a B2B platform for 1 Mn Indian SMEs to access Chinese suppliers

E-commerce is now a larger share of retail sales in Asia-Pacific

E-Commerce as a % of retail sales – 2014 vs 2018



Source: Forbes

Opportunity for Professionals in developing countries to serve global clients

Elancers.com is a platform providing freelancers to take their services global.
The site has over 2.3 Mn users in over 170 countries

The highest number of freelancers come from;

1	Unites States (715,964)
2	India (359, 476)
3	Pakistan (113,219)

Among LDCs the highest numbers were from

Rwanda -127

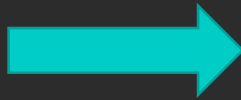
Afghanistan – 95

MSMES THAT USE **ON-LINE**
PLATFORMS ARE **5x** MORE LIKELY
TO EXPORT THAN THOSE IN THE
TRADITIONAL ECONOMY.

Source: International Chamber of Commerce

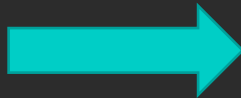
Impact of ICT on trade performance

10 % increase in fixed and mobile phone subscriptions



0.1-0.2% increase in total exports of goods

10% increase in high-speed broadband subscriptions and secured internet services



0.23-0.36% and 0.03-0.04% increase in bilateral trade

Source: CUTS International

What areas must be addressed?

National recognition as a key economic activity

- Their business models not recognised and understood
- Risk: BAD regulation for sake of TAX revenue
- The needs of firms in this sector vary; more unique than conventional firms.

Internet infrastructure, mobile payments, IPGs

- Broadband internet is key
- In SL, PayPal, Stripe etc. don't exist
- Expensive Internet Payment Gateways (IPGs) with restrictive conditions and high commission fees

Modernising trade facilitation

- E-Commerce cannot operate without nimble and modern trade facilitation
- Older rules no longer useful – e.g. Parkville wooden sunglasses and forestry regulations

Critical bottlenecks to E-Commerce in SL?

1

Poor progress in the introduction of payments gateways and development of mobile financial services

2

Government institutions have poor knowledge in e-commerce and related industries, and their business models

3

Current policies & laws hurt new business formation and formalisation – e.g. annual registration fees & closing down fees.