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Committee for Trade, Industry and Enterprise Development

Trading into the Future:
E-Services for Trade, Investment and Enterprise

UNITED NATIONS
New York and Geneva, 2002
NOTE

This publication contains written statements, summaries of speeches and selected slide presentations delivered at the Forum on «Trading into the Future: E-services for Trade, Investment and Enterprise». The views expressed therein are those of the authors and do not necessarily reflect the views of the United Nations. Mention of company names or commercial products does not imply endorsement by the United Nations.

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This publication is based on the Forum Proceedings and the Workshop on Successful Services Exporting, 11-12 June 2001 at the Palais des Nations, Geneva, Switzerland. The Forum was organized in collaboration with the International Trade Centre (UNCTAD/WTO) and the European Electronic Messaging Association.

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Presentations available at
http://www.unece.org/trade/forums/

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PREFACE

The development of services in the modern economy contributes directly to economic development and encourages employment creation. Recognizing the importance of these issues, the United Nations Economic Commission for Europe (UNECE) decided to hold an international forum entitled “Trading into the Future: E-Services for Trade, Investment and Enterprise” to discuss the implications of services development, and particularly those services that can be delivered electronically.

The Forum attracted a large number of participants from all over the world and presented the views of high-ranking officials from UNECE member States, as well as those of key players from the business community and NGOs at both regional and global level. The present publication which is based on the Forum’s contributions, presents to policy makers the opportunities offered by the e-services sector and the policy or regulatory issues that need to be addressed in order to create a viable and sustainable enabling environment to support the shift from industrial to service sectors. It also describes the related employment opportunities in this high-growth sector and encourages the continuous training of a highly qualified workforce throughout the UNECE region to take advantage of these new openings. It is hoped that this publication will give entrepreneurs the opportunity to understand better how to enter trade in services and how new technologies can make better use of the opportunities offered in transition economy markets. Potential investors could learn how to enter these markets at least cost and manage the risks inherent in trade in e-services.

I believe that this publication gives an extensive overview of current and future developments in the e-services sector. It also includes
the outcome of the Forum and the practical recommendations that were adopted by the participants which should provide a very useful background for debate and discussion and encourage the promotion of e-services trade in the UNECE region.

Mr. Paolo Garonna  
Acting Executive Secretary  
United Nations Economic Commission for Europe, UNECE
RECOMMENDATIONS OF THE FORUM

Participants of the UNECE Forum “Trading into the future: E-services for Trade, Investment and Enterprise”,

Recognizing the following:

- that services, especially e-services, depend in large measure on the introduction of new information and communication technologies, the opening in many countries of monopolies (e.g. voice telephony and Internet services) and gradual liberalization of sectors such as banking and insurance and the implementation of internationally accepted regulatory frameworks;

- that the service infrastructure layer relies on the physical infrastructure and that a prerequisite for a prosperous services sector must include adequate telecom services; efficient banking, insurance, securities markets, financial information and insurance intermediation services; well-functioning road, rail, sea and air transport and logistics; adequate harbour and airport services; a wide range of business and professional services such as engineering and information technology and management consultancy, advertising, market research and legal and auditing services and crucial intermediate inputs for production, trade and intermediation which increase efficiency in all parts of the economy;

- that Governments have a central role to play in successfully managing globalization and that the international public domain must open up further to the participation of many actors, local and global whose contributions are essential to ensure legitimacy and sustainability and that the path of globalization contributes to prosperity for all;
that a country’s image abroad is especially important for its services production and export policy to succeed, and that the image depends on the overall macro-regulatory framework and efficiency of the economy, including the level of education, service orientation, civic security and trust, the quality of the public facilities as well as standard and reliable services;

that consumer and international business community confidence in a market or sector is highly based on a fair and transparent activity based regulatory framework which ensures a competitive level playing field for e-operators and non-virtual operators;

that an efficient service sector is increasingly viewed as a prerequisite for economic growth and social development, and this is particularly true for knowledge-based services with high value placed on the intellectual capital, the transition to knowledge-intensive service-oriented economies gives a powerful impetus to upgrading the educational level and skills of people, and that the member States are encouraged to make sure that they are not denying their population the opportunities offered by the potential for e-services;

**Recommend that the Committee take the following action:**

1. Draw the attention of Governments throughout the region to promote links between the public and private sectors to develop and operate a high-standard e-services infrastructure, particularly the telecommunications, and provide attractive terms for investment in it;

2. Explore ways to involve ad hoc global policy networks, using the potential offered by technology, that cut across national, institutional and disciplinary lines to build coalitions for change to promote e-services throughout the region;

3. Develop, in cooperation with relevant international organizations and private partners, recommendations on standards and norms for formal governance in e-services and compliance monitoring;

4. Promote, in close cooperation with international and national sector bodies, the development of National activity based, transparent
regulations in compliance with international regulatory and market practices and standards;

5. Seek to mobilize the will, imagination and resources of key decision makers and officials from the partners of the Forum and all the UNECE region to foster a capacity building and human resources development programme, particularly for small and medium-size enterprises (SMEs), by defining and promoting, in cooperation with relevant international organizations, sectoral trade bodies and private partners, a UNECE distance learning project to prepare people and business to seize the opportunities offered by e-services;

6. Assure the future work of the Team of Specialists on Internet Enterprise Development, established at the conclusion of the UNECE 2000 Forum on E-Commerce for Transition Economies in the Digital Age, and give high priority to it with the necessary secretariat resources to support the implementation of its E-Transition programme, especially those activities which promote best practices for the e-services Internet infrastructure;

7. Ask the relevant subsidiary bodies to further promote the adoption of trade facilitation measures, including international harmonization of electronic signatures, in order to reduce barriers to trade and to foster international exchanges of e-services and to assist Governments in the region with e-procurement;

8. Invite the UNECE Conference of European Statisticians to promote the implementation of the recommendations as contained in the forthcoming manual on the Statistics of International Trade in Services in view of the statistical needs of the GATS;

9. Call on Governments to ensure respect for the diversity of cultures, languages, creeds, and social structures in promoting the development of e-services, and the safeguarding of consumer rights and rights of the citizen;

10. Coordinate with the relevant bodies to ensure that trade in e-services respects the principles of sustainable development and encourage relevant actors to develop equivalent standards for assessment of ecological and ethical factors in e-services;
11. Promote special means for assisting transition and Mediterranean economies to develop e-services for trade, investment and enterprise development;

12. Publish the proceedings of the Forum as speedily as possible and forward them as an input to the United Nations High-level Information and Communication Technologies (ICT) Task Force in New York.

*These Recommendations were endorsed by the UNECE Committee for Trade, Industry and Enterprise Development at its fifth session in June 2001 and incorporated into the Programme of Work of the Committee for 2001-2003. (See Report of the Fifth Session, ECE Trade/280)*
CHAPTER I
E-SERVICES FOR TRADE, INVESTMENT AND ENTERPRISE
The importance of the services sector as a major determinant of prosperity was strongly endorsed by the UNECE Forum. Indeed, the speakers at the Forum emphasized that services play a very important role in almost all aspects of trade, innovation and enterprise development. The services sector is the key to full integration in the world economy. Moreover, not only do services account for the most dynamically growing sector but they are also the largest employment area and constitute already a considerable part of the gross national product. The most attractive feature of the services industry however, is its growth potential especially as an engine for sustainable economic development with vast possibilities.

The so-called New Economy, based on information and communication technologies has ushered in many innovative opportunities, both for new services and new ways of delivering established services. The UNECE Forum put the spotlight on the potential of e-services, (that is, services delivered electronically), and especially the development of e-services in the transition economies. E-services enable business to be done instantly and globally opening even wider opportunities and changing and improving the way knowledge is collected and exchanged. E-services allow business transactions between the most diverse geographical and cultural entities and speed up business processes. E-services offer the most exciting potential not only to large companies but especially to small and medium-sized enterprises (SMEs). Providing services over the Internet has transformed the marketplace in local, regional and global terms. Relationships between producers, intermediaries
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<th>Costs</th>
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<td><strong>Society</strong></td>
<td>- Increased scope and ease of access for citizens</td>
<td>- Syndrome of information overflow</td>
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<td>- Increased transparency, competition and innovation</td>
<td>- Invasion of privacy</td>
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<td></td>
<td>- Increased economic interactivity and higher economic efficiency</td>
<td>- Reduced face to face contacts</td>
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<td>- Catalyses the economy growth</td>
<td>- Reduction in employment in the medium term</td>
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<td>- Long term net employment gains</td>
<td>- Fall in tax revenue</td>
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<td><strong>Service Supplier</strong></td>
<td>- World wide presence</td>
<td>- Physical set-up and maintenance of Web site</td>
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<td>- Increased competitiveness, customization, and customer responsiveness</td>
<td>- Inability to control access in the e-market</td>
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<td>- Reduction in the production and transaction costs</td>
<td>- Reduction in profit margin</td>
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<td>- Reduction in the value chains</td>
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<td></td>
<td>- New business opportunity</td>
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<td><strong>Consumer</strong></td>
<td>- World wide choice</td>
<td>- Inability to physically inspect the products before purchase</td>
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<td>- Improved quality of services</td>
<td>- Unclear consumer protection issues</td>
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<td>- Personalized services</td>
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<td>- Prompt response</td>
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<td></td>
<td>- Eventually lower prices</td>
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Source: Elena Pamardzieva, April 2001
and customers have become more direct and much closer than ever before. Markets can react instantaneously, quality and competitiveness can be improved within split seconds, and a much wider variety of services can be offered. Business can be done and services can be provided anytime, anywhere and at a speed never seen before.

However, the development of e-services is still rather slow - in both developed and transition economies - due to reasons ranging from technological problems to a lack of adequate infrastructure and access to computers and the Internet to legal or logistical issues. Funding required to prepare the ground for adequate e-services deployment is still insufficient. Governments still have to introduce and enforce, with the help of international organizations, if required, well-balanced, carefully targeted regulations that provide for both a stable trading environment and an open marketplace for the development of e-services within and across national borders.

In general, the development of e-services cannot be dissociated from other aspects of the economic environment. E-services are just one tool, albeit a very powerful one, to achieve further progress and, especially in the countries of eastern and central Europe and the Commonwealth of Independent States, to encourage economic transition. Electronically enabled or not, the laws of the market and the laws of business continue to apply. Doing business in the New Economy is, after all, not fundamentally different from doing business the traditional way.

Furthermore, given the impersonal character of an Internet transaction, issues such as trust, security, transparency and contractual responsibilities are even more important than in traditional markets. Therefore, the overall image of a country is especially important. How a country is perceived or rated by investors depends on many factors such as the overall macro-regulatory framework and efficiency of the economy, the level of education, service orientation, security and trust, the quality of the public facilities and standards of quality control.

The transition to knowledge-intensive service-oriented economies, which also place high value on intellectual capital, gives a powerful impetus to upgrading the educational level and skills of people. To succeed, this growing importance of the services sector requires a
well-trained and well-prepared workforce. A positive development to be noted is that such a pool of skilled persons often already exists also in transition economies and therefore can simply be used in a more coherent and innovative way. On the other hand, there is a need to teach new skills especially to SMEs in transition economies, which are keen to access the world of e-services.

For transition economies, developing the services sector is a priority. It will not only help bridge the digital divide but speed up the transition process. Thus as one of the main features of a service industry is horizontal integration, re-organisation of enterprises, especially in transition countries, is not onlyfavoured but also facilitated. Transition economies are extremely fast in adopting new technologies. Thus, although the existence and development of a high-standard e-services infrastructure and good telecommunications are prerequisites for successful e-services expansion, the Forum welcomed the fact that the rapid growth of mobile communications and the willingness to work with the Internet in transition economies were rather encouraging for the “catching-up” process. Furthermore, there are lessons to be learnt from developed economies which have already experience, and transition economies perhaps do not have to go through some of the same failures again.

The UNECE fully recognizes the increasing importance of e-services and their potential for transition economies. Already, today the UNECE’s many recommendations, standards and norms in the field of data transmission and business facilitation and their overwhelming use in these countries are proof of the Commission’s constant commitment to improving electronic business. International action is indeed crucial and necessary in many areas ranging from standardization to project implementation. However, one of the most useful functions of organizations such as UNECE is their role of “linkage facilitator”. Links between public and private sector actors improve relationships, build capacities and communication, and help countries define more clearly their priorities for the future especially in such innovative and technology-intensive areas as e-services.

The Forum identified several areas where action would be needed over the coming years (reflected in its formal recommendations). A very exciting area of activity singled out by the Forum is the request to the UNECE to encourage Governments and the private sector to help develop a distance learning programme on e-services
development. Such a programme should help the public sector to provide the framework within which it would be possible to stimulate new job opportunities, prepare people and businesses for the challenges offered by e-services, and sensitise the business community and consumers to ultimately help close the digital divide across the UNECE region.

UNECE support for the development of a viable and sustainable e-services sector is an integral part of a broader United Nations’ effort to promote access to information and communication technology. In line with the Resolution adopted by the United Nations General Assembly (see A/RES/55/191 on the Integration of the economies in transition into the world economy of 20 December 2000) UNECE is committed to assist them to respond “to the challenges of globalisation, including in the field of information and communication technologies, and the need to enhance their capacity to utilize effectively the benefits and mitigate the negative implications of globalization”. Moreover, UNECE is pleased to develop “policy advice and technical assistance to the Governments of countries with economies in transition aimed at strengthening the social and political framework for completing market-oriented reforms with a

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**Trade in Services - Transition Economies**

Transition economies have an overall comparative advantage in services that rely on relatively low-skilled labor, natural endowments and low energy prices and are prone to deficit in services that are intensive in human capital, technology, and knowledge. In terms of sectors, transition economies are net importers of producer services such as banking and insurance, computer, and IT services, telecommunications, accounting, etc. By contrast, in transport and travel services including tourism (as labor and energy intensive), transition economies have a comparative advantage. For example, travel is the most important item accounting at the end of the 1990s for 2.3-3.0 per cent of GDP in Hungary, Slovenia and the Czech Republic, and a little less in Poland (about 2 per cent of GDP) and Slovakia. These countries too have a surplus in transport, at 1.0-1.5 per cent in Hungary and the Czech Republic, higher in the case of Poland (2.3-3.0 per cent of GDP) and lower in Slovenia (only 0.6 per cent of GDP). However, they have trade deficits in other service sectors, which includes producer services.

(Oxford Analytica Brief, 2001)
view to sustaining the positive trends in the economic and social development of those countries, and, in this regard, emphasizes the importance of their further integration into the knowledge-based world economy through the effective utilization of information and communication technologies”.

These efforts will depend on collaboration between Governments, and with the private sector and other international organizations. Coherent, concerted action will allow trade in e-services to take place in an environment of good governance and attract sustainable investment conducive to the creation and expansion of enterprises.
I am very pleased that that UNECE Forum on “Trading into the future: e-services for trade, investment and enterprise” which took place on 11 and 12 June 2001, was such a great success and attracted so many high-level participants from governments and the business community. The service sector is key to stimulating sustainable investment, enterprise development and employment and directly contributes to the success of the transition process.

The UNECE Committee for Trade, Industry and Enterprise Development, through this Forum as well as other initiatives, provides public sector representatives with unique opportunities to build links with the business community. The public sector, especially in countries with economies in transition, benefits from this Committee’s work, which assists State and local administrations to become more effective partners for the private sector. A successful e-services strategy is best built on the collaboration and goodwill of both, the public sector for setting up the necessary framework for development, education and regulation and the private sector for driving progress and technological innovation.

The Forum indicated current and future directions of e-services, their wide-ranging implications for the transition process and their impact on business development. It also demonstrated the massive funding still necessary for the advancement of innovation and
infrastructure platforms and the need for global strategies which combine investment with trade and explore innovative financing models to facilitate access to funding especially for SMEs, which have high growth potential.

The presentations at the Forum demonstrated that many banks, insurance companies, financial services companies, auditing firms and freight forwarders have already developed fully independent electronic services. Furthermore, intra-company services have also become more and more integrated, allowing a high potential for speeding up supply chains in manufacturing, logistics and international trade. This trend is also evident within government administrations themselves, especially regarding procurement.

The increasing integration of information and communication technologies, together with high investment requirements (human and financial) have increased the need for more transparency and a parallel implementation and enforcement of security measures. The overall image of a country, the Forum concluded, was therefore especially important for the success of its service sector and its service export policy. In these areas concerted action between the government, the private sector and international organisations was required to foster transparency, trust and carefully balanced regulation.

The deployment of electronically delivered services is a challenging exercise. It requires comprehensive approaches, good governance and the cooperation of the public and private sector as well as international organisations. I am confident that the Forum has given new impetus and guidance, which will result in a fruitful follow-up and equip all actors for the exciting challenges and opportunities ahead.
Written statement by H. E. Mr Boris Trajkovski, President of the former Yugoslav Republic of Macedonia

Geneva, 11 June 2001

“Excellencies,

Executive Secretary, Honourable Guests, Members of the Conference, Ladies and Gentlemen

First of all I would like to apologize sincerely for not being able to be with you this morning due to unpredicted circumstances in our country.

I would like to convey my gratitude to the UNECE secretariat for having invited me to address at this conference, which brings together highly distinguished delegates and eminent speakers, and addresses an issue of great relevance for all of us from both developed countries and economies in transition.

The dynamism of the new information technology and the related new electronic services are harbingers of a new economic era. Just five years ago, only three million people were connected to the Internet in the world and now it numbers to three hundred million. Anyone linked to the net can access more than one billion web pages, with an estimated three million new pages added every day. Few country’s production, distribution and consumption are immune to electronic services.

There is a need for our region to go with this intensive and interactive world wide process that leads to establishing a society based on information and knowledge. The breach between the rich and the poor countries, between market economies and transition economies, is now being replaced with the digital divide between those who have access to information and knowledge, and those who do not have that opportunity.

We are firmly determined to keep up with this new dimension of digital transition. In order to have in place the requirements for positive interaction with the new economy we have, at a relatively early stage, drawn up an initiative under my auspices called «E-Macedonia for All».

This new initiative aims at simulating various electronic services development to move towards the network-based economy. The national advisory committee on «E-Macedonia for All» consists of highlevel experts in the areas of telecommunications, education, public institutions, financial and banking sectors, etc., who can influence to help this process become a top priority in our society.

The ultimate goals and objectives of the initiative pertain to improving economic growth, employment and quality of life, empowering our people with more choice, information and better services and creating a sense of national unity based on peace, stability and prosperity.
Over the last decade, we have benefited from the expertise and knowledge of the UNECE on a number of economic themes which have been of relevance for continuing to proceed with economic transition. These issues, broadly covering the macroeconomic and structural reform, and the institution and capacity building, have been well addressed for transition economies where policymakers could share lessons learnt and best practices.

The digital economy is relatively new and its development process varies in many transition economies. There are few instances where lessons and best practices can be shared. In this connection, we would like to commend once more the UNECE secretariat for the renewed effort to address these issues with a new and timely initiative on «E-Transition for All» embodied in the work programme of the Team of Specialists on Internet Enterprise Development.

We are fully confident that the UNECE and the UN Center for Trade Facilitation and E-Business (UNCEFACT) will assist us in addressing the major issues of digital economy and electronic services development for transition economies.

As you are aware at the present time we are going through unprecedented historical challenges, which is not only painful but also detrimental to our economy and society as a whole. We hope to overcome these difficulties expeditiously in a peaceful and prudent manner.

We also hope the outcome of this conference could give us a better insight into how to make the use of new information technologies and electronic services for the benefit of our economy, and how to lay the foundation of peaceful and stable transition using these tools that can be shared universally by all members of our society irrespective of individual belief, tradition and cultural differences.

Finally, we believe that the process of digital transition commences with the flows of capital and technology, culminates with the flows of information and knowledge, and completes with the economic and social well-being of the vast majority of population.

We understand that to realize the full potential of digital transition, governments in the region and citizens of each country must be able to participate fully and make their own unique contribution to its development.

We wish that future generations in our region and other part of transition economies inherit peace, freedom and prosperity with this new development.

You will be discussing over the next two days how best to take advantage of electronic services and digital economy, and how best to deal with the challenges it poses.

In this regard, I was very pleased and honoured to be invited to open this conference today and I send you my very best wishes for success.

Thank you."
“Thank you to the United Nations Economic Commission for Europe for this opportunity to address the attendees at the e-Services for Trade, Investment and Enterprise Forum. I’m sorry I could not be with you in person today, but I wanted to share with you some of Microsoft’s thinking about the incredible opportunities that exist for governments to work in a completely new way.

The Internet creates a new communications medium that allow us to exchange information far more easily than ever before. By the end of 2001 more than 400 million people worldwide will have surfed the Web’s four billion pages and spent half a trillion dollars on goods and services providers, who will form the virtual sales channels of the future so buyers and sellers can find each other easily.

In many ways the impact of these technologies is largest in the transition economies. When you give people breakthrough communication tools they have a transformational effect. For example, we’ve seen very rapid changes in Eastern Europe as these countries build new telecommunication infrastructure and invest in training to build an IT-skilled workforce. In countries like Hungary, Czech Republic and Slovenia, the Internet is already used by 20 per cent of the population and mobile phones almost 50 per cent. This rapid technology adoption is helping these countries catch up with more developed Western European economies.

Microsoft is committed to creating software that empowers individuals and governments to do incredible things. As we look ahead to the next generation of the Internet, we envision a computing and communications platform that goes far beyond what we have today. Programs written for the Internet will run across multiple web sites, drawing on information and services from each, and combining and delivering the end-result in a customized form to any device in the world.

I want to congratulate the United Nations Economic Commission for Europe on its efforts to increase trade and improve economic performance worldwide. Having ministerial level discussions such as this one, focused on developing economies, will allow you to promote awareness of best practices and encourage responsible and ethical business standards in the new economy.

Sincerely,

Bill Gates
Chairman and Chief Software Architect Microsoft Corporation”
INTRODUCTORY ADDRESS

Jean E. Kubler, Trade Division, Forum Coordinator
Liliana Annovazzi-Jakab, Trade Division
United Nations Economic Commission for Europe, UNECE

During the organization of the Forum on ‘Trading into the Future: e-services for trade, investment and enterprise’ we were confronted with two major stumbling blocks: making an assessment of the principles that, in our view, would shape the future of trade in services, and addressing the wide-ranging subject of trade in e-services during a two day conference. Furthermore, the Forum was expected to send out a positive message while avoiding the euphoric anticipations linked to the Internet and e-commerce of the end of 2000. The Forum aimed at discussing examples of successes and failures, at examining the diverging interests in the e-services area, at outlining preconditions and rules needed for maximizing the benefits for all and providing an opportunity for sustainable development. Trade in services itself is a relatively new concept and deserves some attention before we discuss the principles that will shape its future.

Trade in services, the concept

Whereas the international trade in goods is a relatively simple idea to grasp, i.e. a product is transported from one country to another, trade in services is a much more diverse concept as services support and enhance all stages of the economic production processes. Telephone companies, banks, airlines or accountancy firms all provide their services in different ways. There is cross-border supply, consumption abroad, commercial presence or presence of natural persons. Services have long been considered to offer less potential for trade expansion than goods, given the myriad technical, institutional
Trading into the Future: E-Services for Trade, Investment and Enterprise

and regulatory barriers, the traditional perception of services being non-tradable and the numerous economic and technical constraints. However, the introduction of new information and communication technologies, the destruction in many countries of monopolies and the gradual liberalization of restricted sectors like banking and insurance have tainted this view.

Both goods and services are the result of a combination of labour, capital and other factors of production. Services are provided to physical persons who, e.g. receive haircuts or education, to legal entities such as companies or regulatory authorities, e.g. insurance companies or banks, or to objects such as in the case of the transport or maintenance sectors. Some services require proximity to the supplier, e.g. in the tourism or the medical sector, whereas others are services can be provided through mail or electronic means.

Trade in services also raises the question about the distinction between tangible and intangible resources. The concept of services traded electronically in particular might establish and reinforce the dichotomy between the object and its use. Computers, radios, a hammer, are all tangible goods whose use requires specific competencies. A tangible good cannot be disconnected from its culture of expertise required to use it. Every economic activity consists of a combination of tangible and intangible resources. In the industrial society, the assumption of the scarcity of goods leads to their production and trade. In the service economy too, the economic activity relies on a combination of tangible and intangible resources. However, what is important today is the requirements with regard to a good’s quality as the costs of serving goods can easily go beyond the actual production costs.

Another noteworthy point is the tradability of services and their impact on economic concepts1. If we consider the concept of an integrated world market for a good, it implies that the price of a good is the same in each national market when costs of transport and differences in national taxes are taken into account. If the price of a good is higher in A than B, shipment will be diverted from B to A. Hence, to produce an integrated world market in goods requires removing obstacles to the flow of goods. An integrated world market for services on the other hand involves different considerations. Thus, if a service is overpriced in A in relation to B, correction of the disequilibrium requires a flow of a number of factors, e.g. in shipping or air transport if profit of route A-B is higher than route C-D, it is
necessary to move ships, airplanes, perhaps crews from C-D to A-B. Furthermore, even if the service is provided locally in B by A, it is likely to require conformity with the regulatory system of B that is likely to affect the production costs in A. There is no reason to suppose that service providers from A can provide in B the same price-quality combination that they provide in A.

If, however, a technology can deliver a service everywhere, instantaneously, the logic of comparative cost would again become applicable. E-services provide such a possibility. Any service that takes place by e-mail, phone, Information and Communication Technologies, without direct personal contact, can instantly be traded internationally.

In keeping with these considerations, the Forum was designed to address how information and communication technologies transform the way services are produced, consumed and intermediated and how this challenges the way trade in services has traditionally been conceptualized.

**Shaping the future of trade in services**

- What are the factors of a dynamic expansion in trade in services?
- How do corporations use information and communication technologies to manage better and more effectively their operations?
- What are the new services that are/could be developed around it?

These were the most important questions that helped us identify the guiding principles for the Forum. The **first principle** we noted was that services should better be conceptualized in terms of being functions rather than sectors or stand-alone products. This allows identifying the service functions throughout the production, intermediation and consumption process. Individual components in the production chain become therefore tradable as services: specialization can take place. This increased tradability is bound to have profound implications for supply patterns and the structure of the service industry.

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The development of the service sector is the result of the constant improvement of the production, distribution and consumption processes and the associated increased demand for and development of new services to support these processes. Thus, for example, a restaurant is a service provider where a seated customer is served according to codified rules for the delivery of the service at a specified price. The same service will be different in terms of rules, organization and price in a ‘self-service’ restaurant. As the name indicates, the buyer of the service, i.e. the customer, performs a number of functions of the restaurant service. At the same time, the customer will adopt these functions and in the future improve them. What happened in this case is a shift from the ‘Front Office’, traditional interface between a buyer and a seller to the ‘Back Office’ where services are produced. The activities of the “Back Office” are in direct reach of the activities of the front, i.e. a ‘horizontalization’ of services has occurred.

This dynamic is also the underlying principle in the supply chain management between enterprises. It is further enhanced by the use of the information and communication technologies. Once the buyer controls and directs the production and supply process, he changes the traditional intermediary and information processing chain, i.e. the division of tasks between the Front and Back Office. At the same time, he generates a more automated and formalized production systems, paving the way for new services that would link into the supply chain.
Therefore, the increase of trade in services is a direct consequence of the improvements of the production process in the industry along the pattern: better supply chain -> better production -> more trade in goods -> better transport -> increased finance and insurance.

The two important elements of e-services are therefore the ‘horizontalization’ of services and the linking into an international supply chain through the use of information and communication technologies. It is this ‘linking’ capability that offers opportunities for restructuring the former conglomerates in the transition economies and creates new business opportunities for mini, micro and SMEs in the transition process.

A second principle that guided us when we defined the content of the Forum was to move away from our traditional way of thinking which is mainly defined by the industrial revolution to a paradigm shift of service-oriented production. In such a concept the maintenance costs for the life cycle of the product and its destruction are added to the actual cost of production. In other words, its function and usage determine the economic value of a product or a service.

The traditional economy still distinguishes between three sectors: agricultural, industrial and services and is essentially centred on the industry sector. In order to really understand the potential of electronic commerce and services, it is important to stress that the service economy is neither detached from agriculture nor industrial production structures but penetrates the whole production system which then depends predominantly on the performance of the service functions. Therefore, the development of the service sector can no longer be seen as independent from the production of goods.

In the industrial society, the economic value of a product depends on the existence of the good (and its related tradable value), as well as the production factors (labour, capital, and productivity). In the service society, the economic value of a service, e.g. its tradability, is linked to the value of the product as well as to services, which become necessary with regard to the good’s performance and usefulness during its life cycle. The economic value of services lies in the optimal

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use of goods and the related necessary services during the life cycle of the product. What counts is the performance of goods and not the goods themselves. If we take the example of nutrition, the objective of the industrial production system is to produce good and cheap food while for a restaurant the objective is to provide a good meal. The same holds with regard to the economic value of education, which cannot be measured by the number of teachers or investments in schools but by the system’s capacity to educate students.

The economic limits and social implications, that might arise from this performance approach, i.e. a very advanced technological level of production, where risks and vulnerability are highly concentrated, represent an essential managerial and governmental challenge. It is also closely linked with the issue of sustainable development and liberalization of trade in services. Sustainable development requires us, and not future generations, to deal with production, consumption and disposal requirements for goods and services. Sustainable development presupposes social equity between generations and within a generation. Dr. Rüoss, a rapporteur of the Forum,
summarized this as follows: ‘the e-future starts now, it concerns people and nature and should be done with responsibility and respect. It is not e-Europe but e-World. Can this challenge be kept e-sustainable?’

We as the organizers of the Forum hope that you will find the issues discussed at the Forum both timely and relevant. Two days are definitely not enough to address all matters that would have deserved attention. However, the Forum as a meeting place for the public and the private sectors fulfilled an important role in explaining and discussing what kind of environment and pre-conditions are necessary for the smooth development and implementation of e-services. We would like to express our most sincere gratitude to all the supporting organizations as well as the speakers, chairmen and rapporteurs who filled our programmes with life and helped us make this event a great success. Many more significant points remain to be made, but we are confident that the Forum succeeded in contributing to a better understanding of the importance of a dynamic trade in the service sector.
A. INTRODUCTION

**Mr. Robert Hensler**, Chancelier d’Etat, Chancellerie d’Etat, Geneva, Switzerland

The e-services sector contributes in a very dynamic way to economic growth. In developed market economies, it is the only sector where new employment was created during the past decade. Taking the example of Switzerland, Mr. Hensler stressed how essential the e-services sector was for his country. Switzerland has steadily increased the use of e-services over the past years, and this has resulted in e-signature projects and lately in an e-vote pilot project scheduled to start in 2002. The advantages of using e-services are manifold for the business community as well as for citizens and public administration which can no longer just wait and see. Administrations need to adapt business and administrative regulations to the new reality. Rapid technological changes are neither to be feared nor to be praised too much but their potential should be used. Although the move to an e-administration is still a long way ahead, efforts to elaborate and implement at least part of it have already begun and public administrations worldwide will soon be faced with these new challenges.

**Mr. Jaroslaw Pietras**, Undersecretary of State, Office of the Committee for European Integration, Poland

The speed of change in the IT sector is very high and very often policies are lagging behind technological innovation. The individual in what Mr. Pietras called an “e-society” is therefore also faced with new opportunities but also with new challenges related to customer confidence, electronic signature, copyright, different regulatory regimes despite a no-limit “e-trade”. In the investment area (“e-investment”) the issue of national supervision continues to pose problems. Investment flows have become instantaneous and
create instability, and although access is easy, it is difficult to choose or select investments. On the enterprise level (“e-enterprise”), the new technologies have changed management but structures are still rather complex; working or selling online no longer takes place in an office setting and often creates impersonal working relationships and, due to geographically dispersed structures, a greater distance to the client. The challenges related to “e-products” include the obvious increase of e-services to the detriment of “e-goods”, the lack of the personal touch and relationship in a virtual environment and mass production, which is often no longer adapted to individual needs. How can society, politics and the business community respond to these challenges? For Mr. Pietras, a main strategy is to avoid what he calls “e-illiteracy”, to develop the “e-infrastructure” rapidly and coherently and to implement urgently an “e-regulatory” framework which boosts confidence (e.g. through e-signature legislation, or codes of conduct).

B. OVERVIEW: E-SERVICES AND THE TRANSITION PROCESS

In most transition economies, the need for a regulatory framework has been recognized and is being worked on, Mr. Pietras emphasized. Despite infrastructure problems, transition economies have the great advantage of working from scratch, profiting from the lessons often painfully learnt by developed economies.

EU accession and the related harmonization with EU Law and practice makes it easier for many transition economies to catch up within short periods of time. The most valid conclusion to draw is definitely that whether desired or only tolerated by policy makers, e-life will come soon and it is unavoidable in both developed and transition economies.

Mr. Alexander V. Volokitin, Deputy Minister, Ministry of Communication and Information, Russian Federation

How can e-services develop and flourish in transition economies? Mr. Volokitin’s presentation focused more specifically on the current situation of the Russian Federation, listed three key prerequisites needed to be in place to encourage the dynamic development of e-services: an Internet infrastructure as the basis; secondly, an environment of trust and confidence; and thirdly, a
dynamic entrepreneurial climate. Although shortcomings exist in all three areas, rather promising developments, he said, were the rapid development of satellite systems which often compensated for the insufficient telecommunications infrastructure, the fast expansion of the use of the Internet and the rapid growth of the Russian-language segment. The Government, too, is committed to tackling the challenges linked to rapid e-services development including security and trust issues through, whenever possible, extensive cooperation with the private sector.

**Ms. Sofiya Aisagaliyeva, Chairperson, Anti-dumping Committee, Ministry of the Economy and Trade of the Republic of Kazakhstan**

E-services are definitely the future and important milestones in the transition process. However, technical and legal frameworks had to be in place before e-services can have a real effect on the transition process, **Ms. Aisagaliyeva** emphasized. People or customers need to regain confidence, which has been badly hurt in the early stages of the transition process. Nevertheless, during the past 10 years since transition got off to a full start, most transition economies have been able to establish the basic infrastructure for modern development, including the reform of the banking and financial sectors and their e-commerce facilities. Further support – access to information, best practices, current models and lessons, not to mention financial support and technical assistance – is still badly needed in most transition economies in order to develop legislation compatible with international standards and practice.

**Written address by Mr. Bill Gates, Microsoft Chairman**

**Mr. Gates** specifically noted the impressive catch-up process of transition economies and their eagerness and readiness to rapidly adopt new technologies. He also stressed that the impact of the new technologies was largest and most dynamic in transition economies. The basis of any improvement of the performance of transition economies in the global context, Mr. Gates emphasized, were responsible and ethical business standards. Governments had to be aware of this in order to exploit the huge possibilities that exist for them as computing and communication platforms will go far beyond of anything available today.
C. E-SERVICES FOR INNOVATION AND BUSINESS DEVELOPMENT

Mr. Bernard Vergnes, Chairman Emeritus, Microsoft EMEA

How will both the Internet and the services provided on the Internet change everyday business and private life over the next ten years? What lessons can be learnt from the “Internet bubble”? And how should Governments react in the light of these new and dynamic changes? Those were some of the issues discussed by Mr. Vergnes, who noted that despite recent developments on the stock exchanges there were many reasons to look positively into the future.

Developments in the IT market continue to be one of the most important driving forces behind productivity and growth. In Europe, in particular, realistic attitudes and positive developments such as the single European currency, EU enlargement or strong SME presence will favour IT-related business development. However, the “Internet bubble” taught everybody some important lessons and especially that the laws of the old economy applied also in the New Economy. Moreover, in the information economy, risk, investment and reward have a special role and it requires huge investments and a long time before any kind of service can be provided on the Internet. Therefore, Mr. Vergnes said, the coming ten years will bring many new applications which will change both our homes and our work environments. Thus, new leisure applications or just simply being able to use services from home will profoundly change and facilitate everyday life. At the workplace, phone/video meetings or screen-sharing will become a normal part of work life and favour group work without increasing travel expenses. In business-to-business transactions the Internet will allow us even more than during the previous ten years to focus on core business activities and on outsourcing the rest. Thus, “digital leadership”, which is built on an understanding of technological evolution, a wireless infrastructure and digital collaboration, will eventually make businesses more efficient without losing human contact. Furthermore, e-government projects, which empower citizens as never before and make administrations more efficient, promise to progress rapidly towards one-stop shops where services and personal advice from Governments can be obtained.
Mr. Karl Alsmar, Executive Vice-President, Ericsson

The “mobile evolution” with soon more mobile and fixed subscribers and the constantly expanding mobile Internet will fundamentally transform the way services are delivered. Currently, Mr. Alsmar explained, two Internet industries are co-existing: the broadband Internet and the mobile; the latter being still in its early stages of development. Devices that are always switched on, always accessible, and cheaper in terms of entry costs open unparalleled and unprecedented prospects to all and especially to eastern and central Europe. The rapid mobile telephone penetration in these countries gives them a unique opportunity to participate in the latest e-services developments, Mr. Alsmar stressed. However, before such ground-shaking events will reshape e-services, two major issues need to be addressed: standard and system integration on the one hand and security issues and consumer confidence on the other. Once these vital pre-requisites have been secured, mobile phones might become the next generation of retail, payment and entertainment channels, Mr. Alsmar predicted.

![Mobile Internet - what it takes](image-url)
Mr. Paul Jeremaes, E-services Business Manager, Hewlett-Packard

Although innovation and inventions, standards or regulations are clearly key factors for the successful development of e-services, Mr. Jeremaes felt that there was a need for a more comprehensive strategy. Such a strategy should allow and enable everybody to participate in the latest technological developments and open innovations to all (“e-inclusion”). This, Mr. Jeremaes said, could eventually close the digital divide. If the primary focus of any new technological development is the customer, independently of his cultural background or geographic location, the Internet will create high-potential links between people all over the world on a sustainable basis. The Internet and services provided via the Internet can therefore not only add value to business processes but foster sustainable development worldwide.

Mr. Marinko Vekovic, Vice-President for Marketing, Europe ICN Pharmaceuticals

Innovative new business processes have modified services that companies are able to provide today. Mr. Vekovic showed with the example of a big pharmaceutical company how in business-to-business transactions, parallel to traditional data interchange, private Internet functions, i.e. extra-nets, have been developed and continue to be expanded. These technological advances create major challenges for companies which are inherent to most e-services expansion drives and include the control of sales and shipments to approved locations, automated wholesaler sign-up or compliance with local regulatory requirements.
Rapporteur’s conclusions

Identified issues:
- New business opportunities in e-marketplaces
- New channels to find & deliver e-services
- Mobile commerce, wireless access
- New global interoperability standards
- High risk financing new e-service enterprises
- Growth of trade in e-services across Internet
- Transition economies open for e-services

Observations:
- Trust & Security must be part of infrastructure
- New standards for XML-based e-Business Repositories and Web Services will automate access, linking & delivery of global e-services
- Directory Services Markup Language (DSML)
- Universal Description Discovery & Integration (UDDI)
- ebXML Registry/Repository
- ebXML Collaboration Protocol Profile & Agreement
- OASIS Business Transaction Protocol (BTP)
- Business Process Management Initiative (BPMI)

Recommendations:
- UN & governmental agencies should promote projects to demonstrate & deploy e-business standards
- UNECE Team of Specialists on Internet Enterprise Development could stimulate e-services development
- Use government authorized sources for sustainable registries of businesses & services
- Encourage innovation in e-marketplace adoption of technology (wireless, voice synthesis, translation) to find, package and deliver services based on global network of interoperable e-business registries

(Mr. Patrick Gannon, President OASIS)
D. FINANCING INNOVATION AND E-SERVICES

Mr. Olivier Tavel, Senior Partner, Venture Partners

The benefits of the Internet and e-services are enormous and they can change the way a whole economy, individual companies, citizens and Governments do business. They create new prospects and through its linkages provide services to the remotest and culturally most diverse customer base. Furthermore, e-services require innovation, inventions, technological drive and an entrepreneurial spirit. It is precisely this spirit that will eventually attract the necessary funding, an aspect that will in the end decide over the fate of any company but particularly of SMEs. Sources of financing were manifold, Mr. Tavel explained, however, venture capital has become one of the foremost sought source of finance for start-up companies and new technologies for the global market. Companies funded through venture capital create jobs and perform very well; moreover, these companies profit from coaching and advice from the investor whose key strategy includes not only risk analysis but also risk reduction.

Despite such a positive outlook, high-growth SMEs are still not prospering and their overall economic impact in many countries is still too low compared to their actual potential. Major obstacles continue to exist and this is where government action is urgently required.
The economy of tomorrow needs a flexible, well-balanced framework with an adequate legal and fiscal environment, making room for alternative funding options. Governments need a vision, they need to be aware of the requirements of SMEs with high-growth e-potential and prepare the very much needed ground for tomorrow’s vast opportunities.

Mr. Peter Reiniger, Business Group Director, Banking Department, EBRD

Therefore, Governments need to be committed to do their part and facilitate the introduction of e-services and to attract finance for their implementation and operation. Such commitments are, of course, much more comprehensive in transition economies, Mr. Reiniger noted. They include vast legal and regulatory reforms, telecommunication deregulation, Internet access, infrastructure improvements, market reforms, and an increase in trust. In addition, funding in these countries is not readily available. The already common forms of financing used in developed economies (venture capital, business angel financing, business incubator models) are still a rarity in transition economies. Furthermore, attracting funds is simply more difficult for these countries and projects are often less realistic. Despite all this, the region of central and eastern Europe is still in a unique position given its proximity to western Europe, its skilled workforce and its eagerness to embrace new technologies as the mobile phone revolution has shown. The new economy has a

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**Obstacles to creation of high growth SME:**

- Find “intelligent money”
- Attract the best venture capitalists
  - Adapt fiscal & legal environment
  - Access to capital: Allow pension funds to invest in professional funds not limited to Switzerland
  - Rethink state financial support

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**E-Services for Trade, Investment and Enterprise**
tremendous importance for transition economies. It will not solve all problems but it will help reduce unemployment, it will have leapfrogging effects, accelerate access to information and strengthen the democratization process. The European Bank for Reconstruction and Development, Mr. Reiniger explained, had also started to fund e-business projects together with the Bank’s continuous investment into telecom infrastructure development.

E. E-SERVICES IN LOGISTICS, BANKING AND INSURANCE

E-services are today an integral part of many business transactions in various sectors. At the Forum, two sessions were dedicated to two of the most highly integrated sectors both inter and intra-company-wise: the transport and logistics sector and the banking and insurance sector.

1. E-SERVICES IN THE LOGISTICS SECTOR

Professor Francis-Luc Perret, International Institute for the Management of Logistics, University of Lausanne, Switzerland

In this highly developed sector, e-services go far beyond the notion of simple service provision: e-services actually add value to the business process as such. The major value added originates, as Prof. Perret pointed out, in synergies, synthesis, the mobilization of resources in every part of an enterprise and the opening towards larger networks both inside and outside companies.

Dr. Christian Frühwald, Vice-President, Global Logistics, Siemens AG, UN/CEFACT Chairperson

The same was stressed by Dr. Frühwald, who noted that especially big companies could today mobilize potential synergies through the horizontal development of e-services as opposed to the vertical development into business sectors. E-business is no longer merely an additional sales channel, it has become a new way of doing business, which over the years has become more and more integrated.

Supply chains today link suppliers, manufacturers, freight forwarders, customs services, wholesalers, retailers and consumers. They
integrate large, small and medium-sized enterprises in one interactive supply chain. Doing business in this new environment, however, is strongly dependent on the existence and constant development of internationally accepted and harmonized standards and reference models, which guarantee smooth transactions between horizontally integrated e-services across the globe. UN/EDIFACT and ebXML elaborated under the auspices of UN/CEFACT, Dr. Frühwald stressed, played a major role in the facilitation of trade and the integration of e-services.
Mr. Tim Schwarting, Business Development Director, Deutsche Post, e-business GmbH

Optimizing separate, sectorial supply chains and integrating them into a broader supply chain process, had immediate effects, Mr. Schwarting, too, emphasized. These include an acceleration of planning processes in manufacturing, reduction of operative costs resulting eventually in a reduction of retail prices and savings for the consumer. Supply chains, which improve the distribution process, are not static in nature; they can easily be changed and adapted to chosen sales or distribution channels, i.e. include intermediaries such as whole-salers or link more directly producers and customers.

The traditional logistics supply industry, including postal services, will certainly experience cut-backs owing to the new developments. However, they will be compensated by an increase in the volume of business due to cost savings along the value chain and the need for employees in other areas. E-services will become more and more important over the next years and the complexity of global trade will require international standards. In the postal sector (a primary delivery channel) in particular, reforms are urgently required. They should concern privatization, transparency, and cost reduction in the processing of trade documents, sales and purchasing.
Mr. V. Christopher J. Gillespie, President and CEO, Gillespie-Munro Inc, President of FIATA

Mr. Gillespie, too, discussed the necessary re-structuring and re-thinking of the roles of traditional services providers, including freight forwarders, the intermediaries in the supply chain. The trend in the industry of intermediaries is becoming more and more customer-driven.

Clients want real-time information, track-and-trace functions, automatic billing or payments. All this implies that a traditional industry branch has to consider continually how new business models can be embraced and most efficiently integrated and adapted. Proving services in the Internet era has already and will even more change certain business processes and increase the interconnectivity between...
industry and its clientele. However, it should also be noted that e-commerce is only one of the required tools to run a successful intermediary business; personal contacts, experience, service levels, skill and capacity will continue to determine business relations as well.

**Ms. Klara Karivan, Chief Executive Officer, EAN Croatia**

Distribution channels and the transfer of goods from the point of production to the point of delivery have been revolutionized due to the Internet and the introduction of e-services. However, Ms. Karivan stressed, many of the challenges linked to traditional distribution and their solutions such as the bar code identification of goods continue to be highly relevant despite new distribution platforms. The foremost role of using bar codes is the facilitation of integrated logistics and the improvement of supply chain management due to easy and unique identification modes. The use of e.g. bar code identification, although just one available tool in an e-commerce environment, will certainly facilitate the participation of transition economies in global trade and enable them to reap the gains from e-services as well.

**Mr. V. Mathivanan, Chief Executive Officer, Singapore Network Services Pte Ltd.**

As mentioned above, e-services change a business but e-services themselves are also prone to change. E-services, Mr. Mathivanan explained, are a composite with three main components: transaction, workflow and information sharing, the latter as already seen, being the most important of all. Thus, for example, in Singapore a single place for companies to store trade information has been established. There are also numerous initiatives and e-services in the business to government field that illustrate the value of shared information and processes. On the international level, however, neither the information flow nor other aspects such as interoperability, security, payment, taxation, and legal issues work as smoothly as would be required to foster the speedy development of global e-commerce and global e-services. It is mainly in these areas where government action is urgently needed.
2. E-SERVICES FOR BANKING, FINANCE AND INSURANCE

Sir Derek Thomas, Senior Advisor, Rothschild & Son

E-services have made major breakthroughs during recent years in the banking, insurance and financial services sector. In these sectors the Internet not only facilitated business-to-business transactions but business-to-customer transactions, as well, Sir Derek pointed out, and noted the particularly impressive progress of Nordic countries in the area of online services.

Risk management in the new service economy

«It is largely and specifically insurance systems that have generated the basic logic of the modern service economy in terms of price and the definition of value: for any systems producing wealth or utility, as for an insurance policy, the real issue is to estimate costs measured over an uncertain period of time and at levels which can only be fixed according to probabilities. The risk management goal is to identify, reduce, exploit and control the uncertainty level.»

(Dr. Orio Giarini, Special Adviser, ASEC/Geneva Association)
Mr. Yury Zaytsev, Member of the Executive Board, Head of the Information Technology SWISS RE

Mr. Zaytsev explained that e-solutions in the insurance sector have become a widespread reality in many countries. Furthermore, given the broader role of insurance, which in addition to the traditional risk transfer function, is also an information provider and a capital market player, fast and easily accessible services, which go beyond mere online selling functions, are of particular importance also to the insurance sector in transition economies. Additional value is bound to result from the shift from administration to improved services including support in claims settlement, client consulting, online risk exchanges, or new outsourcing possibilities to external providers. The latter have become particularly important in the light of efficiency increase for many companies. E-services make markets more accessible, they provide insurers with unprecedented gains in market shares, have huge cost saving potentials and offer solid entries also to non-insurers to set up their insurance operations. As a result, the traditional way of doing business in the insurance sector is seriously being challenged by new business models, the increased number of players as well as increased efficiency and improved service.

These transformations will also benefit the creation of a competitive and customer-friendly insurance market in eastern and central Europe, where the insurance penetration is still very low despite considerable progress in terms of market liberalization.
Mr. Karsten Höppner, Founding Partner and Chief Executive Officer, ESPRiT Business Consulting

In the banking sector too, e-services have revolutionized traditional services, Mr. Höppner explained. E-finance is a term used to describe the web-enabling of the main functions of financial institutions such as lending, offering investment options or executing transactions, and it has improved business processes in many ways.

**Conclusion: Two main playing fields**

- Clients become better informed and demand lower prices.
- Especially new entrants make efficient use of new technologies and put competitive pressure on incumbents.

insurers must streamline and redesign business processes (efficiency dimension)

insurers must fully embrace technology to take customer service to higher levels (service dimension)

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eFinance will change the world of business

eFinance is about web-enabling everything that a financial institution does – giving loans, offering investments (stocks, funds, bonds), executing transactions etc. - all available using web technology.

- A transaction via branch costs a bank USD 1.07, a transaction via an automated teller machine (ATM) costs USD 0.27. Using the internet the transaction costs less than USD 0.01. Deloitte & Touche, Consulting Report 2000
- The number of users doing internet banking in the US will increase from 8 million in 1998 to approximately 40 million by 2003. IDC, 2000
- In 1998, 1,150 banks offered online banking in the US. By 2003 this number is expected to increase to almost 16,000 banks. American Banker, 2000
- We have barely scratched the surface in understanding how to improve client experience in integrating technology and people. The people who do that are going to be the people who win.
  - David Pottruck, CEO Charles Schwab, 2000
Transaction costs have considerably decreased, value chains in banks have changed for the better and the number of Internet banking clients is increasing rapidly. Financial services employees can now provide better customer services as they no longer have to spend hours transmitting information and facilitating transactions. Administrative overhead costs are reduced, potential customers can be reached more easily, clients have easy access to personalized information and benefit from reduced transaction times and costs. Switching to e-finance requires a comprehensive strategy, knowledge, funds, and technology. However, outsourcing possibilities makes it easier today to access the required technology and know-how. It should also always be kept in mind that the benefits to be reaped are huge and any investment into such a step will pay off and lead to an efficient and reliable banking system, solid efficiency gains and high-quality jobs.

### Key Factors for successful eFinance

- **Education to understand functionality**
  - FIs have to educate their users in order to promote a full understanding of the offered functions

- **Personal advantage through usage of web interface**
  - Users have to be convinced of the strong personal advantage of web usage in order to change their behavior

- **Knowledge of eFinance offer**
  - Advertisement will be necessary to make contact with the potential users

- **Access to the Web and other new channels**
  - Only if enough people and companies have access to these channels relevant traffic will be generated

- **Successfully implementing eFinance will lead to huge benefits – but be realistic, it requires a lot of work!**
Mr. Krzysztof Pietraszkiewicz, General Director, Polish Banking Association

Commenting on the same topic, Mr. Pietraszkiewicz stressed that also in transition economies new technologies have fundamentally modified the banking sector and specifically the relationship between banks and their better informed customers. The example of Poland shows that the implementation of a legal and regulatory framework has taken place in parallel with the introduction and gradual up-dating of new technologies. This allowed the rapid development of e-banking services as well as inter-bank clearing systems and stock exchanges. The reasons for such a fast progress within a few years include privatization, internationalization of financial markets but also such determining factors as experience sharing with partners abroad, large-scale standardization efforts, training specialists abroad and investing huge sums into the introduction of e-services and technology. As any sudden change, the implementation of an e-service strategy requires serious restructuring and re-organization of bank management. This in turn can lead to rather painful job losses but also to the creation of new highly qualified occupations. It is also important that such prerequisites as data interchange standardization, security, taxation and data protection be addressed on the international level as only then will e-services and e-banking be able to prosper on the international level.

Mr. Eric Chambrin, Commissaire aux Comptes, Membre du Comité Informatique du Conseil Supérieur des Experts Comptables, France

Whether business is done in the traditional or in the new way, some basic requirements remain the same and have to be integrated into any e-business transaction, Mr. Chambrin emphasized. One of these requirements is accounting, which albeit being exposed to changes, still follows the basic principles and obligations of reporting, traceability, audit or archiving. Therefore each step in an e-business supply chain is necessarily linked to an accounting procedure. Today, entry standards, integrated software and e-archives already facilitate many accounting processes. New applications such as the use of accounting information to establish statistics by national administrations have opened up, and information is generally more readily and rapidly available both to companies and to their clients. Today, the Internet facilitates accounting procedures. In the future, however, it will provide access to real-time information and financial reports.
The e-effect permeates nearly everything, any time, anywhere, any transaction. Trade is driven by the entrepreneurial spirit, and relies on personal skills, experience and contacts, as well as ICT tools, which must be reliable, scaleable and flexible. Economies of scale and scope drive consolidation, convergence, and the use of capital market instruments. ICT enables consumer pull, as well as product push, demand for lower prices - the hunted now are hunting. The walls have come down.

Services investment is mostly for the long term, it needs to be trusted as local, not footloose, or relocatable. This soft investment brings in skills, knowledge and experience from abroad that can raise local standards to international best practice, and train nationals (who comprise over 99% of employment in foreign affiliates) in services orientation, and how to win by integrating people and technology.

Financial and business services, the ‘soft infrastructure’, work in parallel to the producers of physical products who outsource to benefit from the core skills of services providers, their partners of choice, whether it be for back-office integration, provision of information, independent audits, aiding success, increasing profit.

In this setting Governments have much to do: good governance is essential, carefully targeted regulation, which is proportionate, so as to:

- be trade and investment friendly: a sound macro-regulatory regime with experienced regulators and supervisors; and rules and standards for accounting messaging
- assure security against ‘attacks’, privacy, quality
- prevent abuse of monopoly power, dominance, fraud and money laundering
- providing consumer protection to build trust and confidence

«The significance of new techniques and technologies for the development of the economy may be best proven by the fact that they have been adopted by rather conservative institutions—the banks.»

(Mr. Krzysztof Pietraszkiewicz, General Director, Polish Banking Association)
. (but where does trust come from?)
. procure goods and services in an e-competent way
. assure global financial stability, by supporting the work of the Basel Committee of Banking Supervisors, IOSCO and the IAIS, and the Financial Stability Forum
. liberalize trade, at their own pace, with the least trade restrictive rules, the least burdensome measures to assure quality
. here there are many highly sensitive issues: health, education, culture, privacy, ethics, tax, the interaction of jurisdictions, and IPR protection.

The EU acquis communautaire helps Governments to leapfrog to the best regulation in many ways.

Setting standards for services shifts the focus from objective, scientifically measurable products, and standards which can be mandated beforehand, to those for invisible, unmeasurable services. These are more difficult to devise and enforce, the supplier and person, not the service, must demonstrate their competence with licences for education and professional training and experience.

The GATS framework of rules on how to make regulations trade-compatible are new, and still being worked on: reality is ahead of policies. The GATS specific commitments made in 1993 were:
. most for tourism (Mode 2)
. next for establishment and investment under many set conditions (Mode 3)
. far fewer for pure cross-border supply, as Governments fear loss of control, and do not accept regulation by others (Mode 1)
. least on the movement of persons, due to strict immigration controls, economic needs tests, which provide no predictability (Mode 4).

Since 1993, much unilateral liberalization has been undertaken to attract investment.

Now the GATS Round of negotiations is under way, when further liberalization will be attempted.

(Mr. Julian Arkell, Director, Insurance Outlook ASEC)
MARKET RESPONSE AND QUALITY: THE ROLE OF E-SERVICES

Dr. Orio Giarini, Special Adviser, ASEC/Geneva Association
Mr. Eric Fiechter, Partner, Law Firm, Secretan Troyanov
Mr. Nic De Maesschalck, Director, World Federation of Insurance Intermediaries
Mr. Mike Smith, International Organization for Standardization (ISO)
Mr. Gerardo Pataconi, Industrial Development Officer, Quality, Technology and Investment Branch, United Nations Industrial Development Organization (UNIDO)

Are the emergence of new technologies and their revolutionary impact and popularity an event unique to the end of the 20th century? No, Dr. Giarini said, new technologies and innovations have always been the driving force behind progress, and economies have eventually integrated them at all levels. However, what is new and unique is the emergence of technologies linked to a service-based industry, that is services that have a horizontal orientation and involve all parts of the economy. Today, older economic and newer and more innovative systems are constantly being integrated.

Products and services are no longer separate entities. Services represent today the biggest share of the value of goods. Services have also obtained an immense importance as a cost component of any good: thus operating and maintenance costs (service costs) outweigh by far initial purchasing prices. They often demand higher investments than initially required for the acquisition of the goods. Therefore, the demand for services and, with the emergence of new technologies, for e-services is constantly on the rise.

The new service economy

“We would suggest the idea that the present dichotomy between the old economy and the new economy (based on new technologies) does not help to really understand the fundamentals of the present economic situation and developments. In practice, older systems and new systems are constantly being integrated to obtain more efficient economic solutions, and this is the real final criterion for success. This also means that e-services inevitably have to fit within a great variety and complexity of economic situations.”

(Dr. Orio Giarini, Special Adviser, ASEC/Geneva Association)
This has resulted in an unprecedented complementarity between trade and investment. The development of a sector in any given country will therefore strongly depend on high enough investment levels to support the service economy.

**Complementarity between investment and trade**

«A global business strategy whatever the sector today is, and because of the logic of the service economy, tends to combine investment with trade (through acquisitions or other means) developing local human capital and resources: this is a fundamental issue to understand, and which directly concerns the ideas that we can have on global economic policies. The world becomes without frontiers, but in a situation, which goes much deeper than a simple increase because the investment side of it creates a much more articulate and compelling situation. It also stimulates autonomy.

In the service economy the issue is the optimisation of scale. The very logic of the service economy implies that a better economic appreciation of pluralism, articulation and complementarity of systems can be envisaged. The road is probably open in this direction to a more constructive future.»

(Dr. Orio Giarini, Special Adviser, ASEC/Geneva Association)

How the economy responds to new technologies will also determine how the introduction of e-services will eventually improve the performance and quality of markets and individual companies on the micro level. **Mr. Fiechter** in his description of the setup of a partner office in a transition country provided such an example. Integrating the latest technologies into business processes, Mr. Fiechter stressed was a huge advantage. Another major factor, however, is the training of human resources and the use of readily available and IT trained young persons (often students), especially in transition economies. Using these invaluable resources in the right and coherent way can foster and accelerate the development and use of e-services even more. This is a particular opportunity for SMEs for whom the synergies created by close cooperation with for instance, the academic sector might entail big advances. For Mr. Fiechter, «e-services are not only a pre-condition to be in business but also a response to a specific demand of the market.»
The implementation, spread and more specifically trade of e-services on the global level will to a large extent depend on their quality. And quality can eventually only be assured by internationally applicable standards elaborated by international organisations such as ISO, represented by Mr. Smith. These standards, he explained, dealt with many aspects including security or corporate management which all encourage trust, ethical behaviour and customer orientation, cornerstones of market response and quality.

Low quality and productivity levels are some of the features which characterize many companies in transition countries. Using e-services can provide solutions to many of the problems that SMEs in particular face.

However, as Mr. Patacconi, the representative of UNIDO, outlined, these SMEs are also the ones that have neither the money nor the knowledge to take full advantage of e-business opportunities. Online consultancy and information services can help these companies to make their goods marketable, i.e. to help them reach the quality level required to be internationally competitive. At a later stage online or mobile e-services can be used to actually market these goods, export them and eventually encourage the integration of SMEs into international supply chains.

Above all, Mr. De Maesschalck commented, it should not be forgotten that e-services are delivered to real people in a real economy. Therefore the interaction between the two, i.e. the «virtual»
G. IMAGE, TRUST AND TRANSPARENCY

Professor Paul H. Dembinski, Secretary General, Observatoire de la Finance, Geneva
Professor Janet Winters, The Business School, Canterbury Christ Church, University College
Ambassador Philippe Levy, Chairman of the Swiss group, "Transparency International"

Does the Internet and its vast opportunities in e-business and e-services encourage responsible, ethical and transparent business practices? The Internet is definitely a medium that will in the long run facilitate business transactions and communication. However, as with any new technology, this will take time and will require more than ever before - trust. Establishing trust between customer and business has never been easy and abuse has always been an issue; however, the Internet as a medium introduces fundamentally different features, which are both positive and negative, but in any case unprecedented. On the one hand the Internet creates an environment of transparency where e.g. government procurement online makes government actions more transparent. On the other hand, the Internet is also the perfect tool for organized crime, software piracy, corruption, money laundering and all kinds of human rights abuses.

All these issues, therefore, require urgent action by Governments and the private sector alike. Business culture has to be changed; it has to be adapted to the new realities created by the new technologies. The public and the private sector have to enact and enforce a well-balanced and equitable legal and regulatory framework which takes into account new ways of committing and proliferating crime, fraud or corruption. New standards for e.g. digital signature have to be elaborated, adopted and harmonized on the international level, and above all a «compliance culture», as Ambassador Levy phrased it, and a «culture of integrity» has to be installed to ensure a climate of transparency, ethical behaviour and responsibility. The signals that come from such behaviour are outright positive and conducive to
business development. They are one of the foremost incentives for any investor, especially from abroad. A «clean» image is still the best trademark for any enterprise and for any country. As «consumers reward companies for doing good», Prof. Winters stated; investors or international lending agencies reward countries committed to responsible, transparent and ethical behaviour.

**Outlook - transparency, responsibility and ethics**

We are all victims of unethical economic behaviour, as taxpayers, consumers, entrepreneurs and maybe one day also as «whistleblowers». In developing countries and in countries in transition the victims are also democracy, human rights and the institutions. But the principal victims are - as usual - the poor people.

To achieve ethical behaviour at all levels of society and in all countries is an ambitious goal which will not be achieved overnight. In a globalised world which is more and more transparent, the old argument of local habits and practices is no more valid. Transparency without responsibility and ethics is not a viable formula. Governments, International Organisations as well as NGOs (the so-called «Civil Society») have an important and useful role to play.

**Resulting competitive advantages**

- Consumers reward companies for doing good
- «What companies do, make or sell is inseparable from what they are» (Noreena Hertz 2001)
- Achieving strong position of trust via transparent behaviours

(Professor Winters and Ambassador Lévy)
The role of regulation (national and international)

Ambassador Sergio Marchi, Canada, Former Chairman of the WTO Committee on Services

There is definitely wide scope for national, regional and international action in creating a stable environment, which inspires trust and confidence. However, Ambassador Marchi stressed, e-commerce was re-shaping the business world and, therefore, striking the right balance between a non-interventionary attitude and a regulatory framework was extremely important. E-business needs enough playground to develop and experiment but has also to become a credible way of doing business to be sustainable in the long run. Governments, whether through regulation or other forms of involvement, have a key role to play in this area. International organizations are other major players in this field and are increasingly challenged by these technological novelties. Finally, cooperation and coordination with the private sector, the driving force in this innovation process, is urgently required to create the fair and dynamic environment which will help bridge the digital divide.

International action takes place at many levels and in many areas. Those addressed by the speakers include e-regulation, protection of intellectual property rights, trust and security.

The role of Governments

E-commerce is changing and reshaping business and the way it is conducted. And this session was organized specifically because the public sector, both at the domestic and international levels, has an important role to play at this juncture. I believe this role is three-fold. Governments and international organizations should:

- endorse e-commerce as a tool for increased competitiveness;
- create the right environment for the growth of e-commerce; and,
- recognize the dynamism of the private sector.

Regulation

Whatever the perspective, both domestic and international regulation should be aimed at facilitating e-commerce and access to the Internet, not impeding their development. We are, you are, in the world of e-commerce
constantly faced with this difficult task of striking the right balance between the regulation and laissez-faire/non-intervention/self-regulation. Regulation, or at the very least government involvement, is particularly relevant to face one obvious and pressing challenge for the development and sustainability of e-commerce. That is, the need to build Internet users’ trust and confidence in this powerful and relatively new means of conducting business. In this regard, issues such as privacy, data security and confidentiality, authentication, and the protection of intellectual property rights require our utmost attention.

International Organizations
Given the very nature of international organizations and governments, they are often challenged by the need to react to new ideas and concepts. E-commerce is one such challenge for us. On the one hand, the technology evolves at a sometimes dizzying pace - a dizzying pace even for the technical experts. On the other hand, the international organizations that need to deal with the fast-moving issues are, given their structure and functioning (usually consensual decision-making), often slow to react. That is why, I believe, international organizations need to coordinate the work and increase the interface among themselves. This afternoon’s session is one such positive example of international organizations coming together for a useful and fruitful exchange.

International organizations and Governments, faced with the challenges of e-commerce, also need to redefine private-public partnerships. For example, G-8 Leaders recognized this in Okinawa last year when they launched the DOT.force initiative aimed at fostering a broad international approach to e-commerce and help bridge the digital divide. The DOT.force brought together representatives from both the private and public sectors. International organizations and their members can benefit greatly from listening to what the experts working and operating in the field have to say. I recall, in particular, one such successful dialogue last fall in the WTO. At this occasion, business people and e-commerce experts from developed and developing countries came together to exchange with WTO Members. This exchange allowed the WTO Members and the organization as a whole, to better understand the issues it was trying to address.

(Ambassador Sergio MARCHI, Canada, Former Chairman of the WTO Committee on Services)
1. E-REGULATION:

The General Agreement on Trade in Services (GATS):

Mr. Hamid Mamdouh, Director, Trade in Services, World Trade Organization

How the GATS (General Agreement on Trade in Services) deals with e-services was discussed by Mr. Mamdouh from WTO. He explained that GATS considered only the transaction side of the trade in services. As it was therefore technologically neutral, it also applied to e-services. Mr. Mamdouh also noted the delicate balance - also mentioned by Ambassador Marchi - between deregulation and regulation in the rapidly developing IT sector of the economy. GATS per se, however, is not about deregulation and does not force governments to deregulate. GATS rather outlines what governments should try to avoid, i.e. actions which would prevent trade.

The General Agreement on Trade in Services (GATS) - Introduction

The General Agreement on Trade in Services (GATS) is among the World Trade Organization’s most important agreements. The accord, which came into force in January 1995, is the first and only set of multilateral rules covering international trade in services. It has been negotiated by the Governments themselves, and it sets the framework within which firms and individuals can operate. The GATS has two parts: the framework agreement containing the general rules and disciplines; and the national «schedules» which list individual countries’ specific commitments on access to their domestic markets by foreign suppliers. Each WTO Member lists in its national schedule those services for which it wishes to guarantee access to foreign suppliers. All commitments apply on a non-discriminatory basis to all other Members. There is complete freedom to choose which services to commit. In addition to the services committed, the schedules limit the degree to which foreign services providers can operate in the market. For example, a country making a commitment to allow foreign banks to operate in its territory may limit the number of banking licenses to be granted (a market access limitation). It might also fix a limit on the number of branches a foreign bank may open (a national treatment limitation).

Coverage and «modes of supply»

The GATS covers all internationally-traded services with two exceptions: services provided to the public in the exercise of governmental authority,
and, in the air transport sector, traffic rights and all services directly related to the exercise of traffic rights. The GATS also defines four ways in which a service can be traded, known as «modes of supply»: (i) services supplied from one country to another (e.g. international telephone calls), officially known as «cross-border supply»; (ii) consumers from one country making use of a service in another country (e.g. tourism), officially known as «consumption abroad»; (iii) a company from one country setting up subsidiaries or branches to provide services in another country (e.g. a bank from one country setting up operations in another country), officially known as «commercial presence»; and (iv) individuals travelling from their own country to supply services in another (e.g. an actress or construction worker), officially known as «movement of natural persons».

(excerpted from GATS - FACT AND FICTION, © World Trade Organization, 2001)
http://www.wto.org

Mr. Sorieul from UNCITRAL also stressed that removing important obstacles to trade is the aim of international regulation. Only harmonized legal practices and rules dealing with e-business issues will eventually guarantee an unhampered flow of goods and especially services. International organizations can through the elaboration of model laws as currently done by UNCITRAL in the field of electronic signature, give a key impetus to national governments and legislation. (http://www.uncitral.org)

Other examples of regulatory frameworks exist on national and regional levels. One of the most comprehensive is that of the European Union, which has been quick to adapt to the new reality as Mr. Euzen from the Information Society department of the European Commission noted. It addresses some of the currently most relevant issues such as transparency in the attribution of domain names (together with ICANN), security, electronic signature topics, private data protection or consumer rights. Furthermore, efforts are made to harmonize national legislation in EU Member States to facilitate transactions and at the same time protect the interest of the consumer. (http://europe.eu.int/ISPO/ecommerce)

What is the role of governments on the national level, especially in transition economies? Mr. Li from UNCTAD argued that the Government in an e-services environment will have to become more
of a facilitator and less of a regulator, that is, set basic rules but encourage and enable its citizens to use the new media to its fullest extent. This implies that adequate infrastructure, education and training is provided, access to information is facilitated and Governments themselves adopt the new media and implement e-government initiatives to set examples. (http://www.unctad.org)

2. PROTECTION OF INTELLECTUAL PROPERTY RIGHTS

Mr. Dan Cooper, Lawyer, Covington & Burling

There have been long-standing efforts to protect intellectual property rights, Mr. Cooper explained, however in recent years the scenario has changed rapidly and dramatically. E-commerce including e-services have introduced a new dimension to intellectual property rights and there is a necessity to rethink the concept and its implications, and this, Mr. Cooper, stressed could only happen on the global level.

An organization that plays a key role in this areas is WIPO represented by Ms. Jones, who, like Mr. Cooper, emphasized the tremendous importance of the protection of intellectual property rights in a knowledge-based economy. People have to be sure they can exploit their intellectual property rights worldwide. The protection of intellectual property rights is also important to encourage innovation, to support investment and sustain e-commerce growth. The Internet is still a specifically unregulated medium - and there are many legal and policy challenges that need to be addressed mainly due to the Internet’s novelty status, its unequal distribution among the population and outdated inadequate laws that do not fit the new situation of digitisation anymore. WIPO, Ms Jones said, protected and promoted IP rights through broadening access to IP information, advancing innovative IP legislation and playing a major role in the Internet domain name system.
3. CREATING AND INCREASING TRUST AND SECURITY

Mr. Guillaume Klossa, Director, e-business Europe, Bureau Veritas

E-business and e-services, although evolving at a fast pace, are still searching for a certain level of stability and above all of trust, one of the keys to client acquisition, performance and sustainability. Mr. Klossa explained with the example of e-marketplaces, which he described as vertical integration efforts in e-business, that the problem of trust was linked to e.g. flexible and inclusive rules, neutrality, taking into account the interest of all participants or providing users with long-term added value through an increased quality of service. He also suggested that independent trust operators could analyse and supervise trust creation and maintenance by providing constantly updated codes of conduct, based on analysis of risks and opportunities, and by auditing compliance with these codes.

Trust for an industry sector can also be created by applying a well-structured system of domain names. A practical example is the aviation industry where the fragmented use of domain names by its members made it necessary to increase trust by requesting a uniform domain name for all its members, Ms. Delgado from SITA explained. This quality increase allows a natural establishment of trust between suppliers, customers and partners worldwide.

Rapporteur’s conclusions

«The E-future starts now and trading takes place between people. E-trading has to take place in harmony with nature, with responsibility and respect.»

(Mr. Engelbert Rüoss, President R.I.O. IMPULS)
I. E-SERVICES: CHALLENGES AND KEY STRATEGIES FOR SUCCESS

Mr. Christian Reuther, Chairman, Technologie Beteiligungsgesellschaft Baden-Württemberg, Germany

The benefits of e-commerce, e-services, e-business and the Internet in general are undeniable and were repeatedly stressed by all speakers. Successful e-services strategies, Mr. Reuther noted, in both developed and transition economies should nevertheless include several key aspects such as making e-services available for immediate use, applying technologies that reduce unplanned interruptions, ensuring that alternate servers are available, creating disaster tolerance environments and designing efficient and secure transmission modes. Furthermore, on a more general basis, any e-service strategy whether government- or private-led should be based on an in-depth analysis of the legal and regulatory environment and the trading conditions. Delivering a service, however, also means on the micro level that content and support has to be provided to ensure the success and sustainability of e-services.

Mr. Andrei Korotkov, Adviser to the Prime Minister of the Russian Federation and member, UN Highlevel ICT Task Force

The Internet has wide-ranging, all embracing and comprehensive implications that will rapidly change everybody’s life and the economic, political and business structures. For Mr. Korotkov new visions are required to meet the challenges of such an all-embracing change and to respond to the unprecedented opportunities that will transform the Internet into what he described as the «hypernet». In such a new environment, where stratification of society in terms of access to and consumption of information through telecommunications are determinant factors, «inclusion technologies» have a vital and predominant role. Access for all should be the ultimate goal. This huge challenge is primarily faced by national Governments. Mr. Korotkov explicitly mentioned the federal «electronic Russia» programme, but also stressed that international organizations had a very important role to play.

What conclusion can be drawn for transition economies? How can they realize the potential gains linked to Internet and IT development when investment in other sectors is still urgently required? Is the backlog of these countries really that great and what does it take to
actually bridge the digital divide? What does «E-readiness», mean for transition economies? These are just some questions which summarize major challenges faced by transition economies at present.

Mr. Alexander Chubatenko, Head of Ukrainian Parliamentary Committee on e-commerce, Ukraine

Mr. Chubatenko who analysed this current situation with the concrete example of Ukraine noted that globalization took place at a different pace in the East than in the West.

E-readiness: the view of transition economies

«In three other areas, we can state with confidence that we are working in the right direction. The problems start at the «interface», if you will, of abstract ideas and problems common to this region. I have in mind the following:

• The demand of private sector development as the guarantor of growth on new markets for goods and services comes into conflict with national taxation systems.
• «Investing for the Future» via substantially expanded education spending by the state requires money that the state does not have under the present conditions of economic crisis.
• The «Human Factor» clashes with uneven economic development of the regions.
• Harmonization of national legal systems may contradict traditional notions of sovereignty and security.

Globalization is taking place at substantially different paces in the West and in the East. Innovation and investment without accompanying systematic marketing cannot guarantee a stable level of success in business.»

(Mr. Alexander Chubatenko, Head of Ukrainian Parliamentary Committee on e-commerce)

Choices and also constraints in terms of finance, the legal framework, economic development and political views are different and bear more weight than in developed economies. However, there are rather encouraging developments to be noted too. The intellectual potential exists (although it has yet to be exploited), favourable investment and legal conditions are being established and national action plans
prioritizing IT development have been formulated. The adoption and enforcement of laws against abuse and piracy, protecting intellectual property and creating trust have been identified as priority actions and above all, Governments have realized the enormous potential and impetus that a well-developed private sector gives to the economy, especially the fast advancing IT sector. For Mr. Chubatenko, believing that the broad use of the Internet will allow to bridge technological and economic divides was a myth. In his view, Internet development in transition economies requires Internet growth and development proportionally to a county’s economy so that at later stage the Internet becomes a real engine for economic growth.

The Internet is not the solution to all problems in transition economies. As Mr. Chubatenko formulated, «Why should this particular sector of the economy, as opposed to some other sector, become the focus of so much attention?» However, it simply cannot be denied that it holds enormous benefits for transition economies who therefore simply cannot afford to miss these opportunities.

J. CONCLUSIONS

Mr. Julian Arkell, Director, Insurance Outlook, Applied Service Economics Centre (ASEC)
Mr. Mike Doran, Senior Administrator, European Organization for Nuclear Research (CERN)
Mr. Patrick Gannon, Chairman of Board, Organization for the Advancement of Structured Information Standards (OASIS)
Mr. Engelbert Rüoss, President R.I.O. Impuls, Forum Enterprise Sustainability

The participants wished to:

- Draw attention to the importance of the value chain and the principles underlying modern business which are now widely applied in this domain, particularly supply chain integration, because a high potential exists for optimization in the supply chain in manufacturing, logistics and international trade, which will continue to evolve.

- Urge cooperation between UN/CEFACT and other international organizations and standards bodies in the development and implementation of open and harmonized standards, particularly, but not exclusively, for international trade.
Promote e-services to:
- Reduce government “red tape” in all economies, which would best be achieved by the “single window” concept which allows traders to input data once, through a central point, from which all government requirements can be accessed by relevant departments or authorities; and
- Develop new e-services to achieve more effective business processes, not just to reduce costs.

Encourage international and global NGOs to assist the lesser developed and transition economies by providing distance learning programmes and the dissemination of best practices in appropriate business domains.

Ask Governments to bear in mind that the academic and research communities have much to offer in technical knowledge and expertise in the development of IT infrastructure and services. R&D and test beds for the next generation of the Internet will be carried out using such institutions, some in the transition and lesser-developed countries.

Increase government efforts to implement measures, such as electronic signatures and authentication for the security and trust in web-based services.

Two specific ideas are:
- Commercial and production EDI messages should be expanded to include a segment for accounting EDI content, an added benefit of which would be the ability to produce accounting reports continuously;
- Incorporate into web browsers the standard for digital signature certificates so as to ensure archivable juridical security; and that the UN could certify the Third Party Trust and Recognition Authorities.

Ask Governments to increase the international effort to address the environmental consequences of recycling waste products of global web-based sales.

Call on Governments, schools, Internet service providers and trade associations to give the largest possible access to the Internet for the young, by allowing them to benefit freely from unused computer capacities. This will promote self-education by surfing the net. Later they can transfer the skills so acquired to small business and
associations, to enable these in turn to access the world of e-services and trade at low entry cost, both for providers and consumers.

- Harmonize measures internationally to protect consumer rights in the e-environment. Until such rules are accepted, regulators should apply equal standards on consumer protection to Internet-based transactions as those conducted off-line.

- Home and host country regulatory solutions should be the same for on-line and off-line transactions, as well as for the regulation of information subject to data protection laws, and the prohibition of fraudulent activities and their prosecution.

- Ensure that regulations applying to the last mile of physical delivery for products purchased on-line should not discriminate between State-owned post offices and private postal and express carrier operators and integrators.

- Examine whether specific commitments under the General Agreement on Trade in Services (GATS) applicable to non-electronic transactions could apply equally to electronic ones, and vice-versa, as is under discussion in the WTO.

Summarized by Mr. Julian Arkell
CHAPTER II

SUCCESSFUL SERVICES EXPORTING

Parallel workshop presented by the International Trade Centre (ITC)
Ms. Doreen Conrad, Head, Trade in Services
UNCTAD/WTO International Trade Centre

The Trade in Services Unit of the UNCTAD/WTO International Trade Centre (ITC) presented a half-day workshop in parallel with the Forum. Representatives of the ITC and the Government of Canada’s Services Industries Branch made presentations, followed by two case studies presented by Multimedia Computer and Commerce One. The topics presented included:

THE DIFFERENCE IN EXPORTING SERVICES VS. PRODUCTS

It is more challenging to market and export services due to their intangible nature. Purchasing services is usually perceived as risky by clients as they are buying the service sight unseen and the service will not be produced until it is delivered. The client must also have confidence that the service provider will perform. Establishing interpersonal relationships is critical to success. A trusting relationship must usually be built with potential clients before a contract is signed and this could take longer, particularly in markets (such as South America and Southern Europe) where relationship marketing is essential.

ESTABLISHING CREDIBILITY

Establishing profile and credibility in new markets is very important for services exporters as they do not “feel familiar” like local service providers. Testimonials, success stories and referrals from satisfied clients can help build credibility. It is also suggested to find ways of gaining visibility in the media. Sending articles to business editors in foreign markets on unique approaches or solutions to common issues within the sector may result in a feature or a mention in the context
of a larger article. Another idea for gaining profile and credibility is to seek opportunities to put on presentations, either standalone to a group of potential clients or as part of a conference. This offers the presenter the opportunity to be perceived as a credible expert.

**INNOVATING FOR SUCCESS**

Since services can be easily copied and not patented, service providers need to continually innovate to stay ahead of the competition. National and regional studies of services innovations reveal that all successful services firms innovate, in all types of economies. Firms innovate by changing the service itself; changing the service delivery process; or changing their organizational structure or how service provision is supported.

**EFFECTIVE NETWORKING**

No one can survive in business without a strong network of information and referral sources. It is also critical to have networks in target export markets. Exporters should take the view that networking is important and should be planned and taken seriously, with targets set prior to attending an event. With effective networking, market information and intelligence can be collected; there is the opportunity to meet potential partners and clients, and create goodwill.

**STRATEGIC PARTNERING**

Partnering is the recommended market entry strategy for successful services exporting. Partners know the culture and have existing contacts, so doing business is faster.

**E-TRADE FOR SERVICE FIRMS**

Technology is rapidly accelerating the export success of service firms in developing and transitional economies. The Internet can now be used to better communicate, reduce travel, collect information, promote capabilities and deliver services from contracting-out through offshore back office operations to online medical or legal transcription.
“The 21st century belongs to the service sector!”

There are tremendous new opportunities for services firms, regardless of size. Very small businesses are successfully exporting services in all types of economies and firms should not overlook the opportunity to “go global”.

For further information, visit www.intracen.org/serviceexport
CHAPTER III

SERVICES: TRENDS, CONSEQUENCES AND EFFECTS OF A NEW WTO ROUND

Mr. Julian Arkell, Director, Insurance Outlook, ASEC/Geneva Association

Presented at the 2001 Roundtable on “Services in Transition Economies”, 13 June 2001, Committee for Trade, Industry and Enterprise Development
I have been asked to touch on what have been the key trends in the service economy: then to consider how the current GATS 2000 trade negotiations might affect the transition economies.

Today economic conditions for the whole world, let alone for the transition economies, are very different from those of even 20 years ago. That was before worldwide foreign direct investment had become such a major feature, before international trade in services had grown faster, before the globalisation trend had gathered such pace, before the Internet existed\(^1\) - even before the end of exchange controls that restricted capital outflows in some Organisation for Economic Co-operation and Development (OECD) countries. In the EC, only in 1990 did the Capital Movements Directive remove restrictions as part of the Single Market liberalisation drive.

The convergence of computing information processing, telecom, broadcasting and the media resulting from the digitisation of Information Technology, is bringing governments and societies closer together - and ‘democratising’ many key aspects of life. Furthermore, as economies advance, services production as a proportion of output is increasing and the knowledge and information content of services activity and its significance grows.

Countries need improved services infrastructure to integrate with the global economy and benefit from the gains from trade. For most countries much of the necessary investment has to come from abroad, so many of them have opted for unilateral liberalisation. In addition many services are best supplied locally within the market, often face

\(^1\) The TCP/IP protocol became mandatory for United States government computers in 1983, but commercial services based on it followed up to five years later. The ‘WWW’ began only in 1990.
to face. Thus not only have services exports been growing faster than merchandise exports for over a decade, but also foreign direct investment (FDI) flows into services for some time has outpaced that into manufacturing, so that the total stock of FDI in services globally by the end of 1999 exceeded that in manufacturing.

SERVICES GROWTH

In gross domestic product

Services as a proportion of gross domestic product (GDP) is rising in most countries, with the largest shares in the countries with the highest incomes, the best services infrastructures and human capital. Whereas services used to be on average lower paid and less productive, resulting in their share of employment being higher than their contribution to GDP, this gap is lessening. In Hong Kong it has been reversed, so that services account for 85 per cent of GDP from only 79 per cent of employment.

This is due not only to the pattern of increased externalisation of routine services by manufacturers to specialist services suppliers, but also, more importantly to the development of new high-value-added business services. For manufacturing and services alike, concentration on core skills and outsourcing are the opposite sides of the same coin, and have brought closer inter-dependence.

I only have time for one or two main examples to demonstrate the advance of the services economy. The United States and the United Kingdom give some pointers to important trends.

In the United States there has been a complete transformation of the economy since the end of World War II. In 1947 manufacturing accounted for 27 per cent of GDP, and the figure now is about 16 per cent. Market services that had then been 40 per cent are now 60 per cent. Within that total Financial and other services, principally professional, business, scientific and information services, have risen from 18 per cent to 40 per cent i.e. more than doubled in the past 50 years or so.\(^2\) Computer related services doubled between 1994 and 2000. When Government services are

added in, almost 80 per cent of GDP and employment are in services. Furthermore, those service sectors which have been growing fastest pay above-average wage rates.

A report last year from the United States Small Business Administration (“America’s Small Businesses and International Trade”) shows that some 24 million small businesses in the United States represent 99.7 per cent of all employers, generate 50 per cent of the GDP and 55 per cent of technological innovations - and created virtually all of the nearly 20 million net new jobs since 1992.

Ninety-seven per cent of United States companies that export are small businesses - over 202,000 of them: they account for 31 per cent of total merchandise trade export sales, and play a big role in service trade. The value of their exports increased by 300 per cent between 1992 and 1997. The very small businesses - those with fewer than 20 employees - represented 65 per cent of all United States exporting companies in 1997.

The proportion of services outputs in the United Kingdom economy of both the private and government sectors grew markedly in the second half of the 20th Century with offsetting reductions experienced in manufacturing and agriculture. Real estate, renting and business activities grew fourfold as a proportion of GDP between 1948 and 1995. Other big gains were in Computing, Telecoms, Other business services, Real estate and Air transport, in that order. This pattern was largely reflected in employment changes, with the numbers in Other business services now at the same level as in Retail distribution.3

Many manufacturers are now providing services. At IBM two thirds of profits come from information, software and management services. Manufacturers are committing FDI to produce services, such as maintenance, repairs, recycling, finance, leasing and rental. High-tech manufacturing requires ever more advanced high-value-added business inputs such that typically the material content and physical production accounts for only 15 to 25 per cent of output. In turn the services sector is dependant on high-tech information technology goods for much of its own process and product innovation. In the ‘New Economy’, services and manufacturing are more than

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ever complementary and mutually supportive. Governments are increasingly outsourcing many critical services and privatising other services in the belief they will then be better managed and financed.

The key to future growth for the advanced economies appears to lie in the higher value added services activities, especially those most driven by innovation in information technology: the knowledge intensive services.

However, this internal picture of rapid growth is not reflected in the world trade figures, which show services accounting for about 20 per cent of the total. Why?

Firstly it reflects intrinsic differences in the nature of production and supply between goods and services - that for services has to take place simultaneously and much of it face to face, or in particular locations, whether as business inputs or to individual consumers. This rules out cross-border supply for a range of services, such as the 20 per cent in physical distribution (i.e. wholesale and retail facilities), and for others such as hotels, restaurants, museums, libraries, construction and so on. Also typically 20 per cent of GDP comprises government, non-market services.

When this is taken into account, perhaps services that are readily tradeable cross-border account for about 20 per cent of GDP, not the whole 70 per cent. Thus the one fifth share of world trade, compared with the output of manufacturing, agriculture and mineral extraction, does not look so greatly disparate as at first sight.

Secondly, statistics on cross-border trade tell us nothing about FDI flows and stocks, nor about the activities of foreign affiliates established in markets abroad.

**In cross-border trade**

Technological developments have provided powerful new tools for entrepreneurs instantaneously at any time to communicate globally and control production facilities and supply chains regionally and even worldwide. R&D and innovation to improve production processes and launch new products are increasingly used as the key competitive elements and this is speeding up globalisation.
World trade and world leaders

World trade in merchandise has for many decades been expanding faster than global GDP as shown in a WTO Annual Report.4 For the past decade trade in services has been growing even faster than merchandise trade.5

Just the Quad countries accounted for over three quarters of world trade in services in 1999 (77 per cent of exports and 75 per cent of imports). Services accounted for 27 per cent of United States, United Kingdom and Indian exports. For nine of the European Union (EU) countries it was above the world average of 19.6 per cent.6

The United Kingdom ranks second to the United States in world services exports, and in the last decade has been increasing its relative proportion of G7 exports. The United Kingdom ranks first in world insurance exports, and second to the United States in Financial, Communications and Other business services. These four sectors account for about a quarter of United Kingdom GDP.

The United Kingdom leads in services trade intensity among the G7, though some advanced countries with populations under 16 million show a far higher propensity to export services. The other large countries in the lead include France, Germany, Canada, Italy, and Spain. They not only have high education standards and liberal OECD trade and investment policies, but also comprise either EU Member States, where the Single Market for these geographically close countries has stimulated services exports, or Canada and the United States which have a long common border and a free trade agreement which in many respects matches the EU for its extent of liberalisation.

Small countries with little or no geomorphologic resources have to rely on the ingenuity of their people to make high-value-added goods in light industry, to trade in merchandise manufactured elsewhere, and to sell services. To do this they need high standards of education and a sound services infrastructure.

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5 ibid. Tables A3 page 164 and A5, page 172.
6 ibid. Table 1.8, page 22. Greece was the highest with over 65 per cent.
Countries at the top of this league include Ireland, Singapore, Austria, Belgium, Netherlands, Denmark, Sweden, Israel, Finland, New Zealand, Australia and Portugal.

Other commercial services

The WTO table “Leading exporters and importers of Other commercial services, 1999” shows that certain countries have been increasing their world market share of these exports\(^7\), even though they are already market leaders. They include: United States, United Kingdom, Netherlands, Canada, Hong Kong, Singapore, Spain and Ireland. It may be no coincidence that these are the most open and market-oriented economies.

Only the top 15 exporters are shown in the WTO table for ‘Other commercial services’: their share has fallen slightly between 1990 and 1999, from 78.2 per cent of the world total down to 77.0 per cent. However, the share of the United States (among the 15) had risen from 19.6 per cent to 25.5 per cent in the period and that of the United Kingdom has risen from 10.4 per cent to 13.0 per cent.

The United States ranks first in exports for five out of the eight Other commercial services sector categories, and four for imports,\(^8\) with Germany ranking first for imports in a further three categories. The United Kingdom leads the world for exports in the Insurance sector, and comes second in the Communications, Financial services and Other business services sectors, as already noted.

The United States has seen its services trade as a proportion of GDP rise significantly over the past two decades or so, but with such a huge economy it is perhaps no surprise that its services exports are proportionately only 40 per cent of the level of that for the United Kingdom.

\(^7\) Table IV.91 on page 160. There are two other main categories: Transportation Services (Table IV.85) and Travel Services (Table IV.88) for which data is presented on the immediately preceding pages of the WTO report. The United States leads the world in both, for exports and imports.

\(^8\) The United States runs trade deficits in the transport, telecommunications and insurance sectors. These largely reflect accounting conventions and trade estimation methodologies. In brief: transport costs for merchandise imports are allocated to the exporting countries; carriers of outward bound international telephone calls compensate the inward bound carrier; and insurance exports are recorded on a net basis i.e. premiums received less claims paid.
United States services trade

Looking closer at United States data: what are their top ten service exports? By far the largest category is Travel at 29 per cent of the 1998 total. This reflects the fact that Tourism in a broad sense is the largest industry worldwide and has been growing fast as transport has improved and air fares have come down in real terms. This category also includes business travel.⁹

Unsurprisingly, Transport is the next largest with 19 per cent. This relates to the carriage of merchandise freight which constitutes 80 per cent of world trade, and to cruise liner and air passenger fares. The United States does less well in this category since the biggest shipping fleets of the world are not United States owned, and many tourists to the United States do not use United States airlines.

Travel is a GATS Mode 2 supply i.e. the customers go to the United States to spend their money. Similarly a further 5 per cent or so is earned from students paying fees to be educated in the United States and patients going there for medical treatment. Thus, Mode 2 at 34 per cent and Transport at 19 per cent together accounted for 53 per cent of the overall total export earnings of the United States in 1998.

⁹ In the United kingdom, this accounts for a quarter of the total earnings, and a fifth of expenditures (imports).

Table 1: Other Commercial Services exports: first in world ranking

<table>
<thead>
<tr>
<th>Exports</th>
<th>Imports</th>
</tr>
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<tr>
<td>Communications</td>
<td>United States</td>
</tr>
<tr>
<td>Construction</td>
<td>Japan</td>
</tr>
<tr>
<td>Insurance</td>
<td>United Kingdom</td>
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<tr>
<td>Financial</td>
<td>United States</td>
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<tr>
<td>Computer &amp; Information</td>
<td>Ireland</td>
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<tr>
<td>Royalties &amp; licence fees</td>
<td>United States</td>
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<tr>
<td>Other business services</td>
<td>United States</td>
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<tr>
<td>Personal, Cultural &amp; R</td>
<td>United States</td>
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Source: ‘A review of statistics on trade flows in services’, Note by the Secretariat, WTO, 30 October 2000
Financial services, Business Services and Information services, at which surely the United States excels, account for only 14 per cent, then comes entertainment (another United States speciality) at 3 per cent, and telecoms at 2 per cent. In all, the top ten sectors accounted for 74 per cent of the United States cross-border services exports in 1998.

Services trade forecast for the United States

A recent forecast for United States services trade, shows only low growth during 2001 due to the global economic slowdown, but a resumption of a faster rate in 2002, and accelerating in 2003.10

United Kingdom services trade

The pattern for the United Kingdom’s exports is not much different from that of the United States. During the period 1990-99 the ‘Other commercial services’ category has grown annually faster than Transport and Travel and is now twice as much as Transport and half as much again as Travel (in broad terms), and the share has thus been growing too.

Where distinct business service sub-sectors are separately accounted for, the five foremost exporters in 1999 were Engineering, R&D, Merchanting, Advertising and Management consulting (in that order) and these five accounted for some 54 per cent of the Other business services total. The catch-all category ‘Other miscellaneous business services’ accounted for a further 23 per cent of the total.11

In foreign direct investment

The United Nations Conference on Trade and Development (UNCTAD) estimates that for the world as a whole at the end of 1999, 48.5 per cent of all inward FDI stock was in services, compared with 42.5 per cent in manufacturing – however, for the developed countries the figure was almost 56 per cent.

UNCTAD also calculated that at the end of 1998 the Quad countries had received 62 per cent of the inward FDI stock, and owned 83 per cent of the outward FDI stock world-wide.12

Much FDI is closely associated with the export of manufactured goods and commodities, but more recently FDI goes increasingly to the major service sectors, now also including investment in software, information databases, patents, copyrights and entertainment performances and rights.

A recent United States official study on FDI stated that “There is substantial evidence that firms and industries which are heavily R&D intensive are more likely to engage in foreign direct investment…

Since the returns to R&D are higher if they are exploited by means of foreign direct investment, this means both that R&D-intensive firms have greater incentives to do foreign direct investment, and that FDI-intensive firms have greater incentives to do R&D.”(2-8) 13

United States FDI

The United States has consistently been the world’s largest source and recipient of direct investment. “In 1998, the vast majority of United States outbound direct investment stock, 78.9 per cent, was located in high income economies.” (3-5)

At the end of 1998, 59 per cent of the United States FDI stock abroad was in service sectors. “The service sector’s share of total United States outbound investment increased significantly from 1990, when investment in the service sector accounted for 47.3 per cent of total outbound stock.” “The service sector accounted for $2.4 trillion, or 65.0 per cent, of total outbound assets” during 1997, whereas during 1990 it had been only 48 per cent.

The financial services industry accounts for the largest single share of United States outbound direct investment stock, though half of this goes to holding companies which are designed, primarily for tax purposes, to channel funds into a wide variety of industries.

13 The quotations in this Section are from the indicated paragraphs of ‘Examination of United States Inbound and Outbound Direct Investment” (No 3383), United States International Trade Commission, Washington DC, January 2001.
“The United Kingdom is the foremost host of United States direct investment stock, having accounted for $178.7 billion, or 18.2 per cent, of the United States total in 1998.” (Canada had 10.6 per cent, the Netherlands 8.1 per cent and the EU 44.2 per cent). Countries in which United States outbound stock increased at a faster rate than total United States investment stock, and which hosted more than $10 billion in United States direct investment stock in 1998 include Mexico, Hong Kong, Singapore and Argentina.” (3-2, 3-3)

“Cumulative foreign direct investment … in the United States totalled $811.8 billion in 1998. EU Member States as a group accounted for 59.3 per cent of this total, or $481.7 billion. The United Kingdom is the leading single country investor in the United States, accounting for 18.6 per cent … or $151.3 billion. (4-1)

“Service sector affiliates accounted for 73.4 per cent of total assets in 1997, compared with 21.4 per cent for the manufacturing sector. … The bulk of the assets in the service sector are controlled by companies in the finance, insurance and real estate industries.”

“Within the service sector, the wholesale trade and insurance industries accounted for the greatest shares of inbound investment stock, equal to 23.0 per cent, … and 19.2 per cent … respectively.”

(4-17)

**United Kingdom FDI**

At the end of 1999 half of the United Kingdom’s stock of FDI abroad was in service sectors and 85 per cent of this was in other OECD countries. By the end of 1999, some 44 per cent of the United Kingdom-owned FDI stock abroad was in the United States, which together with the stock in four EU Member States, accounted for 72 per cent of the United Kingdom world total. The share of the United Kingdom in the inward FDI of other countries is the highest in the United States, followed probably by that in Australia, South Africa, Japan, Hong Kong and India, though at lower levels. Over 60 per cent is concentrated in the two broad sectors ‘Transport and communications’ and ‘Financial services’.

The inward FDI received by the United Kingdom is also concentrated in the same two sectors, and the proportion going into all services, at 61 per cent, is higher than in the developed country average of 56 per cent.

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In the activities of foreign affiliates

“The operations of foreign affiliates, as measured by affiliate sales, are now more extensive than the level of global, cross-border trade. .. In 1997, global sales by the affiliates of all multinational companies measured $9.7 trillion, reflecting average annual growth of 9.4 per cent since 1990. By contrast, global cross-border exports by all nations measured $5.3 trillion, reflecting average annual growth of 6.6 per cent since 1990.” (1-1).

Whereas FDI data are collected within the framework of BOP statistics, data on foreign affiliates are collected within the business statistics framework. The cross-border FDI compilations usually include data for ownership proportions of 10 per cent and more, whereas FATS compilations only include enterprises that are majority owned, i.e. over 50 per cent.

The United States provides by far the most information on the activities of their foreign affiliates in markets abroad, as well as on affiliates under non-United States ownership established in the United States.

United States owned foreign affiliates in the United Kingdom “registered the highest sales, accounting for $337.9 billion, or 14.3 per cent, of total foreign affiliate sales” [of $2,356.4 billion]. “Other countries in which United States-owned foreign affiliates recorded high sales included Canada, Germany, Japan, France and the Netherlands.” (3-15)

“Affiliates with parents based in seven industrialised countries accounted for 82.0 per cent of total 1997 sales by United States affiliates [i.e. foreign affiliates in the United States market]. Japan’s United States affiliates alone account for more than one fourth of all sales by foreign-owned firms, or $446.4 billion in 1997. British-owned affiliates recorded sales of $258.8 billion .. accounting for 15.1 per cent.” (4-13)

Eurostat has just published a report “Foreign owned enterprises in the EU - results for eight Member States - Data 1997”. This provides much illuminating detail despite the fact that it does not cover the whole EU, nor all the smallest enterprises. Foreign owned enterprises formed under 1 per cent of those in Holland, Finland, Sweden and the United Kingdom in aggregate, but accounted for almost 20 per cent of the turnover and 16 per cent of the value added. Amongst
these, services accounted for over 70 per cent of the enterprises, 52 per cent of turnover and 42 per cent of value added.

Another Eurostat publication shows that the proportion of employment in services is related to size. In 1996 in the EU, over 99 per cent of employment in the market sector in the lowest size class (owners and the self-employed) was in services, nearly 97 per cent in the size class 1-9, 94 per cent in the 10-249 range, and 87 per cent in 250 employees and over.¹⁵

**INFRASTRUCTURE SERVICES AND ECONOMIC DEVELOPMENT**

The major GATS liberalisation issues revolve around the level of economic development and the conditions that subsist in key infrastructure sectors. There is a pattern to their evolution. GATS negotiators will have to bear in mind these broad stages of social and economic development.

The most basic stage concerns the level and quality of literacy (including mathematics) and education (the most basic factor determinant), health care and social welfare provision (including housing). There are opportunities here for exporters, but since the State is the sole or main provider in most countries, they may be strictly limited. Another limiting factor is the level of income to purchase additional privately supplied education and health services during the early stages of economic development: the numbers of people in the upper income brackets is what exporters focus on, who are mainly in the urban centres.

Next comes the level of provision of the physical infrastructure (such as roads, bridges, tunnels, railways, sea and air ports, dams, power-generating stations, electricity cables, telephone lines and exchanges, water and sewage treatment works, public administration offices and so on). Foreign aid is often involved in this and has provided large opportunities for the design and construction firms as well as various specialists. In most economies, typically the Government

¹⁵ “Enterprises in Europe”, Eurostat. In the chapter by the present author: ‘The place of SMEs in EU employment.”
owns the physical infrastructure vital for basic societal needs as well as production and trade. As privatisation moves up the agenda of many Governments, private-sector investment can be harnessed for the further modernisation of such basic facilities. For manufacturing exporters this stage also includes the setting up of physical distribution networks to sell and service their products.

Some countries, regardless of their stage of development, are endowed with energy resources (such as oil, gas, coal and water power) and minerals, and these sectors provide opportunities for specialist energy and mining related services - usually closely associated with physical infrastructure investment, and utilities network operations.

Another ‘layer’ of development comprises that for the more advanced services infrastructure: the sea and air transport operators with advanced distribution techniques, express delivery and logistics services, telecom network operators, banking, insurance, securities and capital markets, computing, professional and business services. These are the sectors in which the major flows of inward FDI have been mainly concentrated more recently.

Many of these high-value-added business services will not ever have been supplied by Governments and yet are vital for national economic development and competitiveness. They must be largely financed by the private sector, and in the case of developing countries, from western multinational companies, because national budgets and those of intergovernmental agencies cannot stretch that far: nor can government agencies provide the necessary entrepreneurial sector expertise and management know-how.

All these features provide great opportunities for service exporters: they can benefit from the process of globalisation which is affecting all countries whatever the nature of government policies. However, management must be aware of the increased risks and volatility that are posed by larger scale operations, high-tech solutions and more closely connected markets, especially those for currencies, securities and derivatives.

Inward investment in the services infrastructure should be perceived - and regulated - separately from the purchase of shares and other instruments for portfolio holdings and short-term lending that might have mercurial characteristics and flow out again rapidly at the onset
of adverse cyclical conditions: the so-called hot money that can have a destabilising, even devastating, impact if unconstrained.

THE GATS 2000 NEGOTIATIONS

The role of the WTO and the GATS

Although the WTO is not directly part of the global financial structure, it provides a stabilising influence for the essential macro-regulatory regimes of its Members, that form the precondition for attracting productive long-term investment in the services infrastructure. On its entry into force the GATS was heralded by the then WTO Director General as the first global multilateral agreement on investment, since it covers not just cross-border trade but also the setting up of a ‘commercial presence’, and every possible means of supplying a service within the market.

The GATS is significant because it involves nearly all countries in the world in the debate on the benefits of liberalising international trade and investment in services in accordance with the rule of international law. It provides a legal framework for the first time at the multilateral level for major aspects of investment needed to create and maintain subsidiaries abroad - of which UNCTAD estimates there are about 450,000.

By locking in regulatory conditions for the commercial presence of these foreign affiliates it provides the legal predictability and stability for the long-term planning necessary for major investment projects, the returns from which are won over a long time scale.

The GATS disciplines recognise that Governments retain their sovereign right to pursue their own regulatory objectives and create new laws; they are not forced to deregulate or to privatise. They can set the desired level of protection for health and the environment, and the public services they provide are fully and unconditionally exempt from the scope of the GATS. Many Governments indeed see the benefits of good governance that follows principles such as non-discrimination, transparency, the setting up of least-trade restrictive and pro-competitive laws and independent regulators, all of which are recognised and encouraged by the GATS.
Many developing countries have found that by making undertakings under the GATS, the credibility of their legal reforms and regulatory structure has improved and their connection to the integrated global economy has produced positive results. It enables them to attain faster economic growth on which their social aims crucially depend for resources - the active pull up of self-provision through employment, rather than the discredited passive trickle down of wealth.

Perhaps it is not surprising, therefore, that countries that have acceded to the WTO since the end of the Uruguay Round in 1993 have all made wider and deeper specific commitments than their counterpart Members.

What can we expect from the current Round of services negotiations? Before answering that, we should take a look at what has already been committed under the GATS. Some trends are discernible.

**Barriers to services exports: the market access negotiations**

**The Uruguay Round results: largely a standstill**

In the Uruguay Round, most of the effort for services went into rule making. The market access commitments were largely of the ‘standstill variety’ (i.e. the then current levels of openness), ranging from the relatively more complete by OECD countries, where the most commitments were made in terms of sectors and market openness, to minimal or even token commitments by the majority of developing countries. Although the sensitive sectors of health and education services featured in many bindings, there was a notable lack in the distribution sector. The negotiations on financial, telecoms and maritime services were not completed.

Developing countries favoured Mode 2 due to the importance of tourism for many of them (indeed 90 per cent of the WTO Members made specific commitments here), and Mode 3 in sectors where they were keen to encourage FDI. Fewer countries made many specific commitments for Mode 1 and even less for Mode 4. A rough estimate puts figures of around 40 per cent each, for Modes 1 and 3, of overall world trade in services (under the GATS definition), and 20 per cent for Mode 2, with Mode 4 under 2 per cent.16

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Continued negotiations, after the Uruguay Round

Continued negotiations after the end of the Uruguay Round on financial services and basic telecom finally resulted during 1997 in significantly improved commitments being made by a large number of countries.

A similar attempt for maritime services failed in 1995, with no new specific commitments being made, and even most-favoured-nation (MFN) does not yet apply. This is disappointing given the obstacles to doing business that still exist.¹⁷

Extended negotiations on the movement of natural persons - Mode 4 - produced some marginal improvements, restricted mostly to intra-corporate transferees, but not extending to the relatively lower-skilled and labour intensive services. In a few cases the self-employed were included in one or two business sectors.

Acceding countries

Due to pressure by the United States and EU, and the longer time scale available to scrutinise draft schedules, the countries which have acceded to the WTO since 1993 have made specific commitments in the larger number of sectors. Six transition countries joined the WTO on 1 January 1995 as it came into force, and all assumed higher levels of commitments than existing Members at comparable levels of development. The same pattern goes for the five that have joined since then. Both the number of sectors and the depth of commitments are greater.

Current negotiations - the issues

During the current Round, in broad terms Governments will press each other to increase the sectors and sub-sectors covered and remove further limitations on market access and national treatment so as to increase liberalisation.

Many countries have made proposals of what should be done in each sector. The special (negotiating) session of the Council for Trade in Services in May 2001 began assessing these ideas sector

¹⁷ Such as restrictions on port services, preferential cargo allocation, discrimination in favour of national carriers, not to mention difficulties related to trans-shipment and container demurrage charges and rules.
by sector, but the actual request and offer negotiations are still some way off.

For varying reasons mutual pressure will be applied to make more specific commitments on Mode 1, including its importance for telecom, financial services and electronic commerce. For Mode 3 the focus will be on the infrastructure services, including distribution and electronic commerce, as well as the newer energy and environmental services.

Developing countries will concentrate on Mode 4. They feel strongly that the lack of specific commitments and prevalence of economic needs tests have so far prevented their benefiting. They have to rely on opportunities for their personnel, because they mostly lack the capital and know-how to establish in other markets. Given the proposals tabled and the actual and looming skill shortages in many OECD countries, there may be some common ground developing that was absent eight years ago.

Since the end of 1993 there has been a great deal of unilateral liberalisation by developing countries, and granting of incentives to attract FDI, since it is so crucial for economic and social development. Quite how this will be taken into account during the negotiations is not obvious, since the benefits are ‘in the eye of the beholder’, as it were, and will vary greatly as between trading partners.

**Negotiating aids**

There is no time today to consider various techniques that have been put forward to assist the negotiations, such as the reclassification of certain sectors, devising clear descriptions of new and ‘core’ services and of ‘clusters’ of associated sectors commercially linked due to inputs or outputs; model schedules; formula listings; reference papers (given the success of that for telecoms); and ‘understandings’ like the notable success for financial services. All will be voluntary. It is hoped that many will assist developing countries by leveraging up their scarce negotiating resources.

**The value of liberalisation commitments**

The tables compiled from WTO Members schedules usually do not include a realistic assessment of the commercial quality or value of the specific commitments. Techniques do not yet exist to assess the
relative trade restrictiveness of each country’s services market, though some early work on barriers to investment in one or two sectors looks promising, while failing yet to sway the sceptics.

Data on the barriers currently constraining exporters is almost non-existent, and conceptually the link between the removal of regulatory obstacles and resultant export growth is not clear, because other factors may be more important. Economic studies for merchandise trade show that the principal determinants are the existence of national borders, distance, and differences in currencies, language, and historical social links. Even if these factors prove to be the same for services trade, the GATS does not touch on them. Other factors that block liberalisation are the internal structural characteristics of countries, State ownership, licensed monopolies and so on, and again these are ‘off-bounds’ for the GATS disciplines. There is no doubt that such factors can still cause major problems for exporters.

Completing the GATS Framework: unfinished business

In parallel to the market access negotiations, work continues on the gaps in the GATS framework itself. The unfinished business here necessitates breaking new ground for complex issues, which is proving very demanding. Today this can only be briefly covered.

Emergency Safeguard Measures (Article X)

Emergency Safeguard Measures (ESMs) will have to be applied on an MFN basis and not be retroactive. But should Modes 3 and 4 be included or not? Indeed, given the flexibility of the GATS, and the existence of economic needs tests, are ESMs needed at all? Perhaps it might be better to use subsidies instead? If ESMs are to be accepted, then they should be timebound and linked to certain liberalisation.

Government Procurement (Article XIII)

Rules for Government Procurement must stress transparency and non-discrimination. As important is the parallel liberalisation of Mode 3 supply, and the enforcement of sound competition policies.
Subsidies (Article XV)

The GATS contains no definition of subsidies. MFN applies to them, as does national treatment under any specific commitments. Presumably export subsidies will be banned, as for goods. But how will investment incentives be controlled, given their importance as a tool to promote development? Where acceptable, subsidies should be designed to be least trade restrictive.

Domestic Regulation (Article VI)

The Domestic Regulation Article attempts primarily to ensure that national laws related to “qualification requirements and procedures, technical standards and licensing requirements” are consistent with the aim of liberalising international trade in services. Some of the disciplines though apply generally, mainly aimed at transparency and due legal process. Others apply only when specific commitments have been made.\(^\text{18}\)

The GATS recognises the right of Governments to regulate. The necessity for any legitimate regulation is not challenged, nor is deregulation required, but the GATS does require that consequent barriers to trade should be the least trade restrictive. However, whether international law can pronounce on the legitimacy of domestic policy objectives is clearly a sensitive issue, due to fears of unwarranted intrusion into national sovereignty. Owing to these understandable concerns the focus may shift from necessity to how best to ensure that measures are least trade restrictive, and if imposed to assure quality of supply, how to make them no more burdensome than necessary. The reference to the quality of a service is the only one in the GATS, and is important in relation to trade.

Rules to assure the quality of certain services feature in domestic legislation for the protection of consumers, their assets, the environment and so on. Yet the relevant GATS disciplines will be openeded because they are not constrained to a closed group of circumstances, as are the provisions of the General Exceptions Articles. This also potentially poses a strong challenge to sovereignty.

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\(^{18}\) If a measure contravenes the MFN principle, it gives rise to a violation case, and therefore should be brought back into conformity with Article II. Measures taken under VI.4 cannot be inconsistent with national treatment, or any other GATS obligation.
A benchmarking approach has been mentioned that could be envisaged with reference to ‘best practices’, but has not yet been addressed. An objective approach indeed may not be possible. Some developing countries are nervous of benchmarking in principle, because such practices may not take their interests into account, nor the existing asymmetry in the level of regulatory conditions. It will be essential to involve the regulators. The private sector has an important role to play in helping the regulators and trade negotiators understand and assess best practices.

The ‘Disciplines for Domestic Regulation for the Accountancy Sector’ adopted by the CTS in December 1998 - but not yet in force - are written in general terms, and in the main could easily be adapted to be relevant to other professions and sectors. In large part they deal with measures to assure transparency that do not have to be scheduled under the Market Access and National Treatment Articles.

The issue of international standards has not yet been addressed, nor the harmonisation that is implied in their widespread application. The WTO does not define standards as it is not a standard-setting body. However, some of its agreements do acknowledge standards set by international bodies: “account shall be taken of international standards of relevant international organisations applied by that Member” is wording from the GATS. There appears to be no general principle under the WTO on what constitutes such ‘recognition’, and how the interface with the myriad standard-setting organisations should be managed. This may prove of increasing importance because ‘recognised’ standards become justiciable under the WTO’s powerful dispute settlement mechanism. For goods such standards rely on criteria that can be measured scientifically, and thus objectively. In the case of immaterial services the criteria used may not be easily measurable, if at all, nor even conceptualised.

Ethical standards may be especially difficult to deal with. Perhaps this will pose a severe strain on the process of finding a balance, without falling back ultimately on subjective judgements.

In May 1997 the Council for Trade in Services adopted the ‘Guidelines on Mutual Recognition Agreements or arrangements in the Accountancy Sector’. These guidelines give practical guidance for Governments and other entities entering into mutual recognition negotiations on accountancy services. Mutual recognition
agreements are permitted by GATS as derogations from the non-discrimination principle. The guidelines are intended for use on a voluntary basis and are non-binding. Issues relating to mutual recognition agreements more generally have not yet been addressed under Article VII.

There are in addition some measures, for example, town planning zoning laws, and competition policy laws, that appear not to be included within the coverage of Article VI, and might not be disciplined by Market Access Article (XVI) either.

**Economic Needs Tests**

The GATS does not define economic needs tests, nor provide criteria for their application. At present they mainly are discriminatory and lack transparency, which renders market access unpredictable. Clearly some principles must be established and a standard set for objective criteria to be applied, including for specific categories of occupation.

**MFN Exemptions**

MFN Exemptions permit more favourable treatment to be given, in the situations specified, to selected Members - though not worse treatment to any Member. They often relate to bilateral agreements between neighbours, or for the reciprocal recognition of qualifications, standards and so on. Others, however, relate to sensitive cultural and social matters, and the wording in schedules in such cases imply that they will be indefinite in duration. Perhaps during the GATS 2000 negotiations it could be agreed that the majority be removed by 31 December 2004, when the ten year grace period is up - for which no ‘credit’ should be exacted. Little thought has been devoted at this stage on how to approach the difficult cases where governments might want them to endure for longer, even for ever.

**Technical Review of the GATS**

A standing item on the normal sessions of the Council for Trade in Services is the Technical Review of the GATS, aimed at improving “the clarity and legal consistency of the text”.19

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19 Draft Ministerial Text, 3 December 1999, tabled at the WTO Ministerial Meeting in Seattle - see para. 28 (e).
It will be important to ensure that the definitions of the Modes are mutually exclusive with no overlapping. Any constructive ambiguity at the heart of the GATS would lead one day to an overload of disputes. The interaction between the Market Access and National Treatment Articles (XVI and XVII), and the definitions they contain, need clarifying, as their interpretation has caused much confusion on what specific commitments actually cover, and how national treatment applies within and across the Modes. There are a number of other problems to be sorted out, including the definition of ‘government services’ to which the GATS rules do not apply; how to make regional trade agreements compatible with the GATS; and how to operationalise the intention of assisting the integration of developing countries into international trade (Article IV Increasing participation of developing countries).

Electronic commerce and access to the Internet

Electronic commerce raises cross-cutting issues which will become progressively of greater importance as use of the Internet spreads. For GATS coverage there are different aspects to consider: direct delivery of services in digital form to consumers, the purchase of physical goods via the Internet which are then delivered in the usual way, and the activities of Internet Services Providers (ISPs). At present the GATS makes no distinction as to the different ways in which services may be supplied: it is technologically neutral. The application of the WTO rules, including the GATS, depends not on how a traded product is produced or delivered, but on its nature.

In this context electronic commerce is one way of doing business amongst others: and for some sectors, for example financial services, access to computer networks is essential. There are many types of supply that are becoming greatly dependent on telecom.

Electronic commerce poses organisational problems for the WTO because issues arise across its main pillars - goods, services and intellectual property agreements - and beyond into investment and competition policies, that have not yet been fully taken on board. Therefore, electronic commerce is awkward for GATS to handle. Most of the important and relevant developments affecting international trade in services in the IT field have occurred in the seven years and more since the end of the Uruguay Round. There is no GATS ‘sector’ for electronic commerce, as it is a process that many sectors can utilise.
Indeed GATS standard ‘exceptions’ language removes from its disciplines various issues of vital concern to electronic commerce such as security of information and payments - including encryption, payment security, digital signatures, and escrow keys - immaterial money, privacy, decency, advertising standards, fraud, and liability for faulty goods and services.

**Competition policy**

Access to the so-called ‘bottleneck’ facilities or networks can cause great problems, some of which arise due to the physical constraints of natural monopolies, either intrinsic such as the airwaves, or constructional such as railways, sea and airports - and of course telecom networks. In these cases government regulation has mainly to do with competition policy, and controlling the activities of monopolistic, oligopolistic and dominant suppliers. However, the GATS Article VIII Monopolies and Exclusive Service Suppliers does not extend to disciplines on dominance, whilst the Article IX Business Practices holds no disciplines at all.

As privatisation proceeds, continual government control gives way gradually to occasional intervention once a market based situation is a reality. The Basic Telecommunications Reference Paper made big strides in this field, promoting pro-competitive rules, which also prevent collusion, and they could be applied in some other sectors to good effect: for instance postal distribution and power transmission and distribution, computer reservation systems and password protected Internet web sites. The Reference Paper also includes pressure for charges to be based in ways that are properly cost oriented, and for dealing with ‘universal service obligations’ where governments want to assure provision in rural areas, or to those on low incomes.

**CONCLUSION**

Multilateralism may be a recipe for slowness and inefficiency, and the leading entrepreneurs in the New Economy will chafe at its convoluted processes, yet it is the only route open for sovereign nations to act jointly in consensus so as to reap the obvious benefits of collaboration on global solutions, even in a faster paced and more connected world. The WTO is no exception.
Many of the trends in the economic scene play into the comparative advantage of the transition economies, due to their education and skills. Their exporters, comprising mainly SMEs, must pro-actively grasp the opportunities and tackle the challenges. The GATS rules will support them.

Even if political linkages with the negotiations on agriculture, textiles, intellectual property and on other issues do not block progress in the GATS negotiations, fresh liberalisation from the current Round is some years off, and its extent unpredictable.

In the final analysis the transition countries face four key determining realities for their economic development: the existing state of services supply in their countries; the binding national resource constraints which condition essential capacity building; the need for investment from MNCs in the advanced services infrastructure; and the ‘great attractor’ of future EU membership. These four factors of course, are largely independent of the GATS Round outcome. The first two will take time to be transformed, and can be speeded up by attracting FDI. Taking on the *acquis* of the EU Single Market will ensure they benefit from liberalisation within it, well beyond the level that any GATS negotiations can achieve elsewhere in the global market.
PROGRAMME OF THE FORUM
TRADING INTO THE FUTURE:
E-SERVICES FOR TRADE INVESTMENT
AND ENTERPRISE

Day One
Monday, 11 June

10:00 OPENING SESSION

Welcome address
Dr. Danuta HÜBNER,
Executive Secretary, UNECE
Address to the Forum by His Excellency,
Mr. Boris TRAJKOVSKI,
President of the former Yugoslav Republic of Macedonia
Presented by Mrs. Biljana STEFANOVSKA-SEKOVSKA,
Chargé d’affaire a.i., Permanent Mission of the former Yugoslav Republic
of Macedonia

E-services: An opportunity for the public sector
Mr. Robert HENSLER,
Chancelier d’Etat, Chancellerie d’Etat, Geneva, Switzerland

Challenges and possible reactions to the new situation in the
service sector
Mr. Jaroslaw PIETRAS,
Undersecretary of State, Office of the Committee for European
Integration, Poland

10:45 SESSION I:
INNOVATION AND ENTERPRISE SERVICES

Chairperson
Mr. Alexander, V. VOLOKITIN,
Deputy Minister, Ministry of Communication and Information, Russian
Federation

Rapporteur
Mr. P. GANNON,
President, OASIS
Opening: E-Marketplace business model in the new economy
Letter by Mr. Bill GATES, Chairman and Chief Software Architect Microsoft Corporation

New business opportunities in the e-market places
Mr. Bernard VERGNES, Chairman Emeritus, Microsoft, EMEA

Mobile-commerce in services
Mr. Karl ALSMAR, Executive Vice-President, Ericsson

E-Services: Moving beyond today’s reality
Mr. Paul JEREMAES, E-services, Business Manager, Hewlett-Packard

Creating and financing high growth SME enterprises
Mr. Olivier TAVEL, Senior Partner, Venture Partners

Potential for network based growth of trade in services
Mr. Marinko VEKOVIC, Vice-President for Marketing, Europe ICN Pharmaceuticals

13:15 LUNCH BREAK
15:00  SESSION II:  
E-SERVICES IN TRADE, LOGISTICS AND DISTRIBUTION

Chairperson  
Professor Francis-Luc PERRET,  
International Institute for the Management of Logistics, University of  
Lausanne, Switzerland

Rapporteur  
Mr. Michael DORAN,  
Senior Administrator, European Organizaion for Nuclear Research (CERN)

Horizontalization of e-services  
Dr. Christian FRÜHWALD,  
Vice-President, Global Logistics, Siemens AG  
UN/CEFACT Chairperson

Are operations managed more effectively using e-services?  
Mr. V. MATHIVANAN,  
Chief Executive Officer, Singapore Network Services Pte Ltd.

Achieving operational advantages in distribution  
Ms. Klara KARIVAN,  
Chief Executive Officer, EAN Croatia

E-services versus regulatory authorities  
Mr. Tim SCHWARTING,  
Head of E-Business Development, Deutsche Post World Net

E-commerce and freight forwarders, what our industry must consider  
Mr. V. Christopher J. GILLESPIE,  
President and CEO, Gillespie-Munro Inc, President of FIATA
17:15 DISCUSSION:
PERFORMANCE AND MARKET RESPONSE
TO QUALITY IN E-SERVICES

Chairperson
Mr. Nic De MAESSCHALCK,
Director, World Federation of Insurance Intermediaries

Keynote Speakers

The complementarity between investment and trade in the new service economy
Dr. Orio GIARINI,
Special Adviser, ASEC/Geneva Association

Increasing credibility in foreign financing and improving performance
Mr. Eric FIECHTER,
Partner, Law Firm, Secretan Troyanov

Increase e-productivity and quality
Mr. Gerardo PATACCONI,
Industrial Development Officer, Quality, Technology and Investment Branch, United Nations Industrial Development Organization (UNIDO)

Market response and the role of standards
Mr. Michael SMITH,
Director Standard Department, International Organization for Standardization (ISO)

18:15 COCKTAIL HOSTED BY ASEC
Day Two
Tuesday, 12 June

10:00 SESSION III: BANKING AND INSURANCE

Chairperson
Sir Derek THOMAS,
Senior Advisor, Rothschild & Son

Rapporteur
Mr. Julian ARKELL,
Director Insurance Outlook, ASEC/Geneva Association

E-services for International Banking
Mr. Krzysztof PIETRASZKIEWICZ,
General Director, Polish Banking Association

E-services and the role of the insurance sector
Mr. Yury ZAYTSEV,
Member of the Executive Board, Head of the Information Technology SWISS RE

E-Finance: New ways to make private and business operations more efficient
Mr. Karsten HÖPPNER,
Founding Partner and Chief Executive Officer, ESPRiT Business Consulting

Financing the knowledge based economy in Central and Eastern Europe
Mr. Peter REINIGER,
Business Group Director, Banking Department, EBRD

Accurate financial back-office operations via e-services
Mr. Eric CHAMBRIN,
Commissaire aux Comptes, Membre du Comité Informatique du Conseil Supérieur des Experts Comptables, France
Allocation of resources to economic activities

Ms. Sofiya AISAGALIYEVVA,
Chairman, Anti-dumping committee,
Ministry of Economy and Trade of the Republic of Kazakhstan

12:15 DISCUSSION:
TRANSPARENCY, RESPONSIBILITY AND ETHICS IN THE E-SERVICE SECTOR

Chairperson
Professor Paul H. DEMBINSKI,
Secretary General, Observatoire de la Finance, Geneva

Keynote speakers
Professor Janet WINTERS,
The Business School, Canterbury Christ Church, University College

Ambassador Philippe LEVY,
Chairman of the Swiss group, ‘Transparency International’

13:15 LUNCH BREAK

15:00 SESSION IV:
E-SERVICES AND THE ROLE OF INTERNATIONAL REGULATION

Chairperson
Ambassador Sergio MARCHI,
Former Chairman of the WTO Committee on Services, Canada

Rapporteur
Dr. Engelbert RÜOSS,
President R.I.O. IMPULS, Forum Enterprise Sustainability

Keynote speakers

GATS¹, the current regime and future developments

Mr. Hamid MAMDOUH,
Director, Trade in Services, World Trade Organization

¹ General Agreement on Trade in Services, WTO.
Enforcement of intellectual property rights and trade in services

Mr. Dan COOPER, Lawyer Covington & Burling

Market places, regulation and trust

Mr. Guillaume KLOSSA, Director, e-business Europe, Bureau Veritas

Future Policy Issues

Mr. Andrei KOROTKOV, Head of Information Department of the Government of Russia and member, UN High-level ICT Task Force

Panellist’s from the following organizations:

- European Commission
  Mr. Jean-Pierre EUZEN, Head of Sector, Electronic Commerce Information Society, European Commission

- United Nations Conference on Trade and Development
  Mr. Zhongzhou LI, Deputy Director, Division for Services Infrastructure for Development and Trade Efficiency (U/SITE)

- United Nations Commission on International Trade Law
  Mr. Renaud SORIEUL, UN/OLA/ITLB and Secretary to UNCITRAL

- World Intellectual Property Organization
  Ms. Lucinda JONES, Legal Officer

- Société Internationale de Télécommunications Aéronautiques (SITA), Switzerland
  Ms. Rosa M. DELGADO, Internet Industry Relations Director
17:00  CLOSING SESSION:  
REALIZING THE POTENTIAL

Chairperson  
Mr. Alexander SAFARIK-PSTROSZ,  
President of the Czech Office for Standards, Chairman of FITPRO, Vice-Chairperson of the Committee for Trade, Industry and Enterprise Development

E-services: Pre-conditions and challenges  
Mr. Alexander CHUBATENKO,  
Head of Ukrainian Parliamentary Committee on e-commerce, Ukraine

E-service strategy, key elements for success  
Mr. Christian REUTHER,  
Director, in-systeme GmbH, Technologie Beteiligungsgesellschaft Baden-Württemberg, Germany

Closing remarks on the Workshop  
Ms. Doreen CONRAD,  
Head, Trade in Services, UNCTAD/WTO International Trade Centre

Recommendations from the Forum  
Dr. Carol COSGROVE-SACKS,  
Director, Trade Division, UNECE
SUCCESSFUL SERVICES EXPORTING WORKSHOP

Tuesday, 12 June

12:15 MARKETING AND EXPORTING SERVICES

Keynote speaker
Ms. Doreen CONRAD,
Head, Trade in Services, UNCTAD/WTO International Trade Centre

Opportunities and challenges

Establishing Credibility
Practical tips and strategies on how to showcase expertise and earn credibility in a foreign market.

Relationship Marketing
This topic looks at the use of relationship marketing as a way to attract and retain new clients.

Innovating for Success
Successful services firms are those that innovate as a matter of competitive survival.
How to expand market niches by continually innovating.

Effective Networking
Strategies for effective networking at international events.

Creating Successful Strategic Alliances
How to select partners, create agreements and ensure the success of an alliance.

13:15 LUNCH BREAK
14:30  E-TRADE: OPPORTUNITIES IN THE DIGITAL ECONOMY FOR SERVICE EXPORTERS

Keynote speaker
Mr. Les ARANY,
Team Leader, Services Industries Branch, Industry Canada, Government of Canada

Sources of Assistance

Case study: Successful business in e-mapping and spatial services delivery
Mr. Zdenek DRBOHLAV,
Founder and CEO of MultiMedia Computer

Case study: Borders Become Bridges
The Opportunities of e-Market Places
Mr. Robert GATZ,
Marketing Director, Central Europe, Commerce One

16:30  QUESTION PERIOD

16:45  CLOSING
Programme of the Forum

The meeting is sponsored by:

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Further support is provided by:

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<th>Acronym</th>
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<td>ASEC</td>
<td>Applied Service Economics Centre (Geneva)</td>
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<td>ATM</td>
<td>Automated Teller Machine</td>
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<td>Committee for Trade, Industry and Enterprise Development</td>
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