

As independent consultant in e-commerce for private corporations in Latin America, I have participated in the front end of the efforts to bring this reality in the Region. I would like to share with you my appreciation of what is happening, what is not happening, and what can be done to happen as to the development of e-commerce for Latin America, that can be applied to other developing countries of the world.

A first Point is that there is no such thing as a homogeneous region in Latin America as to what e-commerce and INTERNET is concerned. A wide diversity of countries with different sensibility to the issue of e-commerce and INTERNET, and different speed of reaction to that issue is the real situation. Countries like Brazil, who were far behind some three years ago, have become front runners very fast, whereas countries like Chile, who started very fast some three years ago have not kept to pace. Uruguay has the best ratio of INTERNET connected population in the region, but one of the lowest when it comes to e-commerce, because it has not solved payment with credit cards. Venezuela is far above in terms of percentage of cybernauts that buy Online, but low in population that has access to INTERNET.

A second thing is that in Latin America the sales through catalogues was never successful, because Latinos are distrustful, and have historic reasons for being so. Therefore, purchases Online from renamed companies have credit, whereas local newborn companies have not. There is a cultural barrier that has to be addressed by local companies in order to promote local content.

A third issue is payment facilities with credit cards by local companies. There are countries where there is no legal framework for paying Online purchases with credit cards. Others have legal a framework, but the distrust issue means that credit cards for buying Online should incorporate personal PINs, and local credit cards administrators are working on this matter. Also, the possibility of repudiating the purchase by the local customers is an issue that discourages local vendors in entering the E-Business market. Another matter not solved in many countries is how to handle sales Online to *outside* customers. Many local corporations, eager to grasp opportunities in the big Online markets, have had to make

costly arrangements with ISPs abroad that will handle all financial matters of the transaction. A great deal could be done in this matter by making a global and common framework for purchases Online with credit cards, or encouraging Governments to address the issue ASAP, being this an opportunity for local corporations to incorporate to this worldwide new market. I know of many initiatives that are simply waiting for this matter to be solved and to begin selling to developed markets.

A fourth point is that e-commerce is not an issue in the agenda of Latin American Governments. The starting of WTO conversations on e-commerce would certainly help this fact to revert and put e-commerce at the front concerns of Latin American political Agenda. This, however, does not mean that nothing is being done on the matter, but there is no a "Country Policy" for developing e-commerce and the INTERNET. In fact, purchase portals for the Government Agencies in countries like Chile and Mexico, to be delivered before two years time, would surpass by far the most optimistic figures for B2B e-commerce in the region. The Chilean case alone means purchases Online of over 7 Billion US\$ by year 2003. Likely, Governmental programs to bring INTERNET to all students of the public schools will definitively help to overrun the cultural barriers and make a wealthy base of INTERNET-capable consumers in 5 years time.

A fifth issue is to bring legal frameworks for e-commerce in the countries of the Region. As previously said the starting of a round of Negotiations for global e-commerce should be a trigger to do this. At present, only Argentina has deployed a legal framework for e-commerce. As an example of the limitations this lack of legal and fiscal framework brings, there are countries where you cannot make an INTERNET based Company for selling Online because no local permits will be given unless there is a real shop opened to the public.

A sixth issue is to encourage the deregularization of telecommunications, allowing free competence within the countries. Chile has proved to be a successful experience in implementing a free telecom market, and recently incorporated a lower tariff for data communications, to bring INTERNET costs down.

A seventh issue is that there is local content waiting to develop as start up in the Region, but there is no Technological Venture Capital knowledge to carry on that essential part of the business. As a consultant and a professor in a Business School I am a direct witness of this reality. It must be remembered that the INTERNET revolution in the USA is being carried away mainly by newcomers, not by well established Corporations. Venture Capital in Latin America is more devoted to traditional sectors of the economy.

Copyright or trademark issues are not a concern at the time being, nor do they influence the development of E-commerce in the Region. Liberalization of trade is not a problem for growth, in most countries, but payment with credit cards is a limitation to free trade in many of them, as previously stated.

Consumer rights are beginning to be a concern, but not for local purchases. People tend to ask: If I buy from an American virtual shop and I am misled, where to may I go? Consumer protection laws for all worldwide online shopping should be a priority in the WTO round of negotiations for e-commerce, or else trust, as a single and important component of this new way to do business, may fail and make the whole system fail.

One last thing is to remark a threat to future growth of E-commerce in the Region, especially when figures for B2C begin to be significant, and that is the fiscal issue. Local Governments will not look Electronic Commerce with sympathy when they find that increasing flows of purchases abroad are being made informally, or that they are taxed at origin. Latin Americans have a very low tax culture, and local taxation is high. Therefore, local cybernauts buying abroad do simply not declare Online purchases as such, if they can. This would mean for these Governments that they would lose an increasingly higher source of funds. Being it so difficult and expensive to control this flow and exert taxation on buyers, it will certainly be a temptation to put limitations on Online purchases, and that could represent going back 20 years in the freedom of trade.

Our proposal - because asking the impossible may help achieving our best - is that all Online transactions of goods and services deliverable directly or by courier should have one sole sales' tax, and that the monies collected by this tax be equally shared by the selling and buying country. The collection of these monies should be the responsibility of the selling party. The tax should be a low figure (for example, 5%), These transactions would generate information to a Compensation Chamber in a bilateral scheme, instead of one sole central chamber of compensation. This, in order to avoid the apprehension of small countries as to the administration of such a central chamber of compensation. The rich information delivered by such a platform should be available free to any country using the system.

I believe this daring proposal would certainly help the overall world trade, making it more transparent, fiscally neutral, whereas guaranteeing a source of incomes to all countries participating in this initiative of development of E-commerce throughout the world. The I.T. private sector can certainly demonstrate that this project is possible to develop from a technical and administrative point of view, leaving the matter to the political will of all countries that negotiate in the new round of WTO to decide.

Thank you.