

# Way Forward for Research Oriented E-Commerce Led Exports: *A Proposal Under E-Commerce Policy of Pakistan*



Manzil Pakistan is a national non-profit think tank dedicated to developing and advocating public policy that contributes to the development of Pakistan. Our aim is to shape Pakistan to a country where policies on decisions of national interest are driven by non-partisan strategic thinking and implemented through consensus in the best interest of the people of Pakistan.

## Introduction

In today's open and globalised economy, international trade is vital for survival and persistence. With increasing role of internet, buying patterns are changing and resulting in shift of market place from brick & mortar shops to online outlets. At the same time with global e-commerce, cross boundary trade is approachable than ever. However with expansion or rather removals of boundaries, businesses are more vulnerable to global changing trends and trade dynamics. International trade is further made complicated by different levels of technology advancements, various regulatory protocols and increasing influence of socio-political over economy.

## World Trends

According to UNCTAD's latest estimates, global e-commerce sales in 2018 amounted to \$25.6 trillion, up 8% over 2017. A growing share of e-commerce involves cross-border sales and therefore contributes to international trade. For example, the share of the 1.45 billion online shoppers worldwide that made cross-border purchases rose from 17% in 2016 to 23% in 2018. The value of e-commerce and contactless payments has been accentuated by the current COVID-19 crisis, provoking actions by governments.<sup>1</sup>

### Retail e-commerce sales worldwide from 2014 to 2023

(in billion U.S. dollars)

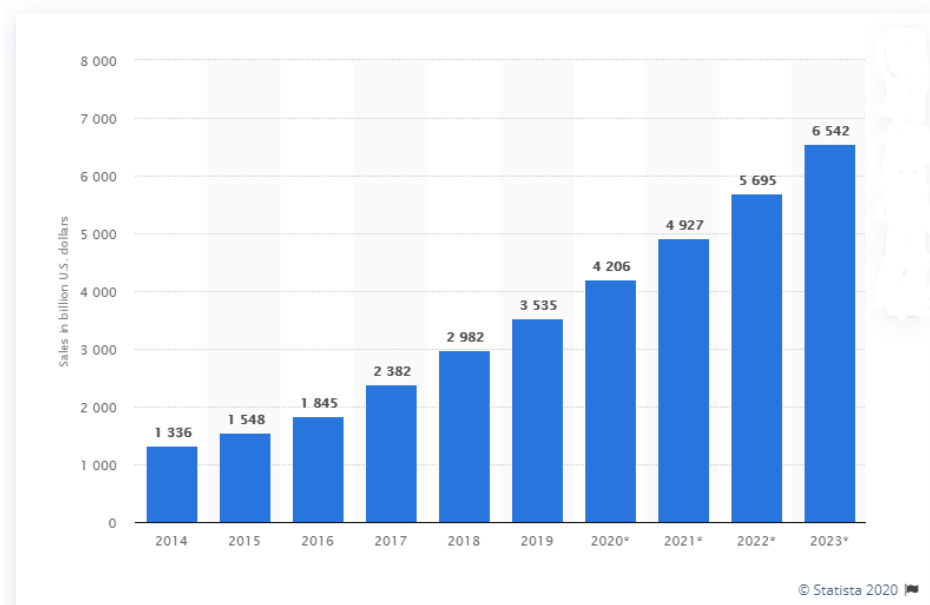


Figure 1 Global Retail Ecommerce Sales (B2C) 2014-2023  
\*Forecasted

A market and consumer data research firm estimated that in 2019 *retail e-commerce sales grew by 18.54%* and stood at USD 3.53 trillion. The data includes products or services ordered using the

<sup>1</sup> <https://unctad.org/news/intricacies-impact-and-opportunities-e-commerce-trade-and-development>

internet via any device, regardless of the method of payment or fulfilment; excludes travel and event tickets. For 2020 it projected that retail worldwide sales will grow by approximately 19%, which in reality can be more given pandemic led boost in e-commerce industry.

Across the globe, for the year 2020 the COVID-19 outbreak has led to a major change in business conditions for B2B and B2C companies alike. After a year into pandemic many predict that these changes are likely to sustain.

The nationwide efforts to contain the epidemic outbreak in China has changed the consumers’ daily habits, consumption patterns, and ways of thinking, resulting in a boost to the “home economy” and a further improvement in online services that were already world-leading. Online demand has increased for multiple categories, including entertainment and food and beverages delivered using innovative non-contact formats.<sup>2</sup>

Data from the Danish E-commerce Association (FDIH) collected from its 600 members in the three weeks following the Danish lockdown confirm the international trends. Of the companies selling groceries, food and beverages, 65 percent have seen more than a 10 percent increase in revenues compared to what was expected. On the contrary, luxury goods and home furnishing are experiencing sweeping declines.<sup>3</sup>

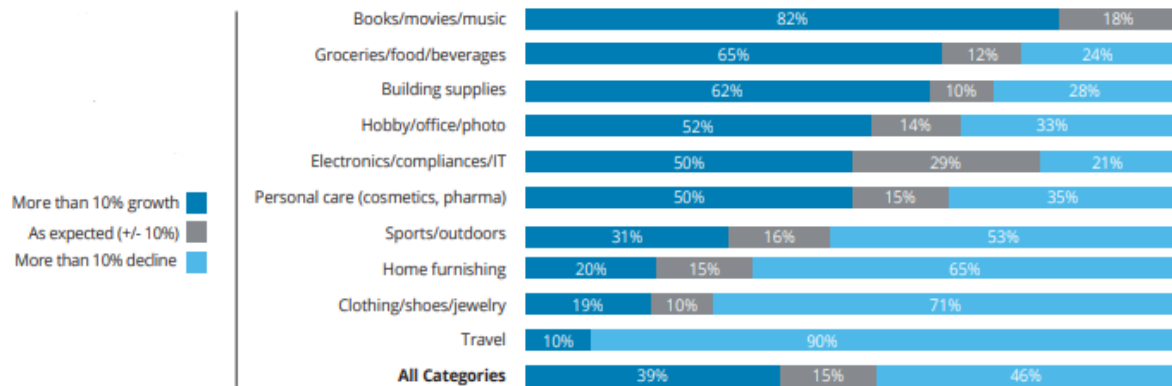


Figure 2 : Reported revenue development in March 2020 versus expectations/budget before the outbreak - by product category (percent, share of all companies)<sup>2</sup>

Another survey by UNCTAD, entitled “COVID-19 and E-commerce”, examined how the pandemic has changed the way consumers use e-commerce and digital solutions. It covered Brazil, China, Germany, Italy, the Republic of Korea, Russian Federation, South Africa, Switzerland and Turkey. Following the pandemic, more than half of the survey’s respondents now shop online more frequently and rely on the internet more for news, health-related information and digital

<sup>2</sup> Deloitte China: How consumer products & retail enterprises can win the battle against COVID-19

<sup>3</sup> FDIH: COVID-19 surveys with members during March 2020

entertainment. Consumers in emerging economies have made the greatest shift to online shopping, the survey shows.<sup>4</sup>

### **Increased Potential for SMEs**

In both developed and developing countries, SMEs make up a majority of business and employ the majority of workers in both manufacturing and services sectors. SMEs cater mostly to their domestic market and their contribution to GDP, although normally very small, can vary greatly depending on the value of the goods or services they produce. The business environment of SMEs has been changing in a drastic way with the emergence of Globalization however the globalization of economic activity has a dual impact on SMEs. For some, it provides new opportunities for expansion and growth by taking advantage of international market potentials. The recent literature argues that SMEs can benefit the new environment via e-commerce.<sup>5</sup>

For many SMEs in developing countries, support can be crucial to taking advantage of opportunities offered by e-commerce, whether it is in tapping a bigger clientele, new and often distant markets or global value-chains. Online trade in China alone has grown by 120% a year over the last ten years. In Latin America, e-commerce has grown from US\$ 1.6 billion to US\$ 43 billion in the past decade, with Brazil accounting for 59% of the Latin American market. E-commerce allows developing countries to compete in international trade, but the full potential of its benefits can be realized only when governments create business environments that harness the power of the internet.<sup>6</sup>

### **E-Commerce Policy of Pakistan**

Anticipating the need Government of Pakistan has rightly formulated a comprehensive “E-Commerce Policy of Pakistan”. The policy envisions “to create an enabling environment for holistic growth of e-commerce across all sectors of Pakistan”. For purpose of focused implementation the policy identifies 9 key working areas. One of the identified work areas is “SMEs and Youth Empowerment through e-Commerce”, the key issues related to this area as listed in the policy are follows:

- i. Need for capacity building and training
- ii. Access to good internet services
- iii. Lack of public and private awareness of changing global business and manufacturing practices
- iv. Lack of awareness about the benefits and opportunities

It's been a year (policy was approved in October 2019) since this policy was approved, many significant developments have surfaced. However, steps taken up till now majorly revolves around trade facilitating aspect covering payment and logistics issues. Now it is also the time to give attention to product development and marketing, a timely intervention is needed so that our efforts are focused in right and informed direction.

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<sup>4</sup> [https://unctad.org/system/files/official-document/dtlstictinf2020d1\\_en.pdf](https://unctad.org/system/files/official-document/dtlstictinf2020d1_en.pdf)

<sup>5</sup> Savrul, et al, The Potential of E-commerce for SMEs in a Globalizing Business Environment, Procedia - Social and Behavioral Sciences 150 ( 2014 ) 35 – 45

<sup>6</sup> Ibid

## Proposed Recommendation

As identified in the policy, “Lack of public and private awareness of changing global business and manufacturing practices” sets back our SME sector, hence should be targeted for remedial measures. In agreement with policy, Manzil Pakistan suggests to formulate *Consultative Group or Joint Committee* to deliberate on underlining factors related enhancement of e-commerce with primary focus on exports and global trade dynamics. The committee agenda should include research and development programs covering:

- Methodology (Committee working mechanisms)
- Legal e-commerce framework (national and international)
- Existing Facilities (production levels and area expertise that can be enhanced)
- Globally conducive business environment (identification of global trends, target markets for our products, identification of demanded products that can be produced here and suggest ways to integrate exports)
- Ways to promote e-commerce
  - In already existing lines of production
  - Development indigenous portal or accessibility to leading e-commerce sites.

For the committee to be productive at any level it is essential that related stakeholders and their representatives be included. Potential members can be representative from TDAP, SMEDA, National Incubation Centres, various venture capital firms, e-commerce experts/entrepreneurs and academia with global trade insight.

## Manzil Pakistan’s Role

In continuation of our suggestion to constitute a joint committee, Manzil Pakistan would also like to offer its services as a non-profit think tank. Given our expertise in area of research, Manzil Pakistan feels that it can provide tangible inputs in identification of global trade trends, integrating own exports by enhancing and aligning it with local production capacities and expertise.