



Global Integration for Small and Medium Size Enterprises

Carlos Moreira

Head of United Nations Conference for Trade and Development UNCTAD

Trade Point Development Centre UNTPDC

cmoreira@eto.geis.com

<http://www.unicc.org/untpdc/welcome.html>

This article describes the UNCTAD vision on how to "exclude the exclusion" on International Trade and integrate SMS's around the world to the Information Highway for Trade Efficiency.

In this age of rapid globalization of markets, information is a strategic tool for traders worldwide. For any successful trade transaction, traders need to have in their possession a certain amount of key trade data including: Market information, transportation options and prices, insurance facilities, credit availability, Customs' requirements, import/export regulations etc. However, many potential traders (especially small and medium-sized enterprises) are still unable to reach trade-related information or to make their products known to would-be customers because they do not have the equipment and software necessary, or because such access is too expensive. Moreover, efficient use of information demands that the data be provided in a user-friendly and accessible format.

The United Nations Conference for Trade and Development UNCTAD is establishing Trade Facilitation and EDI Centres called Trade Points. Trade Points are designed to support and foster efforts made in many sectors (government, enterprise) to stimulate the trade competitiveness and trade efficiency of national economies. At Trade Points, public and private sector cooperate to improve efficiency in six main areas, namely: Customs, banking and insurance, transport, business information, business practices, and telecommunications. The work of individual Trade Points, however, will only generate its full benefits through the global interconnection of Trade Points, which allow information to be exchanged on a rapid, cost-effective and worldwide basis.

The Trade Point Programme

The UNCTAD Trade Efficiency Initiative was launched in February 1992. Its main objective is to foster greater participation in international trade, in particular in small and medium sized enterprises, giving special attention to least developed countries and other countries less advanced in the area of trade efficiency. This, as stated by ministers in the Columbus Declaration on Trade Efficiency, is a prerequisite for development. The reduction of transaction costs in international trade is another important aim of the programme.

This objective will be achieved in two ways. Firstly, by making international trading practices simpler and easier to use - ensuring that they follow international standards and guidelines. Secondly, by providing traders with specialist advice, information and service support.

The Role of Trade Points and the GTPN

A Trade Point is the result of the combination of three elements, namely:

1. A centre for facilitating trade, where services and/or advice are given by participants in foreign trade transactions (e.g. Customs, foreign trade institutes, Chambers of Commerce, freight forwarders, transport companies, banks, insurance companies, etc.). These participants are grouped together under one roof or linked virtually (via telecommunications).
2. A source of pre-transaction trade-related information which provides actual and potential traders with data about business and market opportunities, potential clients and suppliers, trade regulations and requirements, etc.
3. A gateway to global networking. All trade points will be interconnected in a worldwide electronic network, and equipped with efficient telecommunication tools to link up with other global networks.

The initial phase of UNCTAD's Trade Point Programme (1992-94) focused on the establishment of Trade Points and the building-up of their information base and "point-to-point" connections between Trade Points. The second phase of the programme, officially launching the GTPN at the United Nations International Symposium on Trade Efficiency (UNISTE) in October 1994, is focusing on a five-layer model for implementation

Layer 1 - Creation of Trade Points

In the initial layer, a physical location needs to be identified where representatives from participating sectors (Customs, banks, transport companies,..) can work together. Typically, this layer focuses on trade facilitation and need not be technology-intensive.

Overall goal: Establish TPs and provide them with basic operational tools.

Layer 2 - Creation of the TP information base

In this second layer, Trade Points start building up the wealth of information which will make them attractive partners for other TPs, and credible service providers for their clients. TPs start communicating through e-mail, and to create and exchange ETOs (Electronic Trading Opportunities).

Overall goal: Develop Information systems that assemble and disseminate trade related information and are based on open, International Standards.

Layer 3 - GTPNet backbone interconnection

This core layer constitutes the actual starting point of the global interconnection stage among TPs. This layer requires both alliances with international carriers and the development of specific GTPNet solutions to interconnect TPs. Special emphasis is put on the promotion of the use of Electronic Data Interchange (EDI), particularly among smaller firms. At the end of this third phase, all TPs should be interconnected at least through e-mail, and generally through multimedia-capable connections (e.g. WWW). By then the flow of ETOs will start to grow exponentially.

Overall goal: Connect Trade Points and trade information systems; establish interaction among prototype trade information systems.

Layer 4 - Last mile connection

Local connections should be set up from Trade Points (typically in large or medium-sized cities) to smaller communities and cities/villages. Reaching a majority of SMEs is the essential rationale behind the last mile connection. This can be provided through the setting up of local servers (e.g. Internet servers), which can be reached for the price of a local phone call.

Overall goal: Develop and establish computer network connections among the GTPN, developing countries with minimal infrastructure and international commercial networks/national networks.

Layer 5 - Ultimate link

Reaching micro-enterprises, and enterprises of the informal sector requires special additional efforts of promotion, training and information. This effort will need to be carried out with local associations and non-governmental organizations of different kinds. It will allow in particular the functioning of Trade Points as 'telecenters', where advanced communications capabilities can be made available to hospitals, schools and rural communities.

Overall goal: Extend GTPN service to microenterprises and local communities that can use it to establish and develop their own international trade transactions.

09 The GTPN is increasingly becoming a reality, with over 100 countries currently being involved and over 100 Trade Points established or in the process of being set up. For many of these TPs, layer one of the model is already completed.

The interconnection of Trade Points (layer three) will allow Trade Points and their users (especially small- and medium-sized enterprises) to access competitive trade-related information services, to receive and disseminate information about products, markets, regulations of interest to traders worldwide, and to enhance the efficiency with which they trade with each other.

To reach potential markets, traders need first to identify them: market intelligence, in this regard, is a strategic asset. In addition, traders cannot make adequate business decisions without minimal information on the legal aspects of the transaction considered.

Over the last two years, UNCTAD's Trade Point Programme has allowed the international community of Trade Points to build up a sizeable amount of highly valuable trade-related information, and to develop specific applications and software to collect, format, store, transmit and process such information.

In such a radically new environment, considerable potential exists in many countries to become more competitive on international markets, both as importers and as exporters, provided they have the **minimum connection**. More especially, the Small-and Medium-sized Enterprises (SMEs) of these countries can, through appropriate human resources and infrastructure development, play an active and leading role in making their respective countries more trade and investment efficient.

The main objective of using the Internet as a trading platform is to open international trade to new participants, traditionally excluded or discouraged to participate on international trade. This is done by simplifying the technical requirements to access the Internet and by providing solutions to the server, software, communication requirements which the traditional obstacles to access the Internet.