

A TABADOOL DIALOGUE - LEVERAGING EXPORTS THROUGH E-COMMERCE HOW TO UNLEASH THE POTENTIAL?

The MED MSMEs Programme is holding a stakeholder dialogue on leveraging exports through e-commerce, on 4 May 2023, as part of its Tabadool initiative. E-commerce presents tremendous opportunities for MSMEs to export from the southern Mediterranean region and help create jobs and drive economic growth. What can be done to unleash this potential? What challenges need to be addressed? How are other countries facilitating digital exports? How can policymakers and BSOs in the region create a supportive ecosystem for MSMEs and to promote digital exports? The outcome of the dialogue will help policymakers and BSOs develop practical action plans at a regional and national level to remove constraints and promote the growth of digital exports.

The Potential of e-Commerce

The rise of the digital economy and changes in customers' and business' behaviours as a result of the pandemic have opened a whole new world of opportunities for SMEs to export via e-commerce and become more active in global value chains. According to Statista, global e-commerce sales are expected to **increase by 16.9% in 2023**¹. Europe, the second-largest e-commerce market in the world with an estimated revenue of US\$730 billion in 2023, is expected to show an annual growth rate (CAGR 2023-2027) of 10%, resulting in a projected market value of US\$1,068 bn by 2027², representing a huge opportunity for Europe's partner countries.

The pace of e-commerce growth in the South Mediterranean countries historically has been slower compared to other geographic regions. According to UNCTAD, the share of **e-commerce in total retail sales in the region was only 0.8% in 2019**, compared to 20.1% in China and 14.1% in Europe. It remains that the COVID-19 pandemic accelerated the adoption of e-commerce in the region, as at global level, with more consumers turning to online shopping due to restrictions on physical stores.

If markets in the Middle East and North Africa are smaller, they are growing very rapidly. For example, in **Egypt, e-commerce sales grew by 65% in 2020**, while in Morocco, online sales increased by 50%. Saudi Arabia's e-commerce market is expected to grow from US\$ 8.5 billion in 2022 to reach US\$ 20 billion in 2027, a compound annual growth rate of over 20% p.a. over this period³.

The increasing adoption of e-commerce is also leading to the development of **new international e-commerce (IEC) platforms** and to the growth of cross border e-commerce transactions. According to data published by the WTO, in 2020 the global IEC transaction volume has reached USD 1 trillion.⁴ As mentioned, international e-commerce was particularly important during the pandemic both for B2C and B2B exports. In 2020, while global trade suffered, digital exports of consumer goods rose by 14%, compared with 2019, registering an explosion in B2B e-commerce, with more **MSMEs than ever moving to digital selling**.⁵

According to Alibaba's survey of approximately 1000 B2B suppliers worldwide, using e-commerce was the top strategy for survival for MSMEs during the pandemic, with 36% of small businesses attempting e-commerce or digitalization throughout⁶. At the

¹ <https://www.statista.com/outlook/dmo/ecommerce/worldwide>

² <https://www.statista.com/outlook/dmo/ecommerce/europe>

³ Saudi Arabia E-Commerce Market, Renub Research, Oct. 2022

⁴ Chenggang Wang, Tiansen Liu, Duo Wen, Dongrong, Galash Vladislav and Yu Zhu, *The Impact of International Electronic Commerce on Export*

Trade: Evidence from China, J. Theor. Appl. Electron. Commer. Res. 2021, 16(7), 2579-2593

⁵ <https://www.morningfuture.com/en/2021/05/26/export-e-commerce-pandemic/>

⁶ Alibaba.com, Digital B2B Outlook 2023



same time, B2C international e-commerce has shown an increase due to the pandemic. Even if the availability of reliable statistics on the share of cross-border e-commerce is limited, in 2020 around one in four online shoppers made **cross-border purchases and cross-border B2C transactions** were estimated to have accounted for around \$440 billion.⁷ Facilitating MSMEs **access to IECs is no longer an option** for policy makers striving to foster inclusive and sustainable growth, it's a *must*.

Challenges for MSMEs

MSMEs face a number of challenges in order to fully exploit the potential of international e-commerce, among them:

Legal and regulatory issues: Each country has its own laws and regulations related to e-commerce and digital exports, including taxes, customs duties, data privacy, and intellectual property rights. These legal and regulatory issues can be complex and time-consuming for MSMEs to navigate.

Logistics and shipping: Shipping products internationally can be costly and complex, with different shipping options and carriers to choose from, and customs regulations to navigate. Long delivery times and high shipping costs often put MSMEs from South Mediterranean countries at a competitive disadvantage.

Payment processing: Different countries have different payment methods and currencies, which can make it difficult to process transactions and manage cash flow. MSMEs need to demonstrate they can handle international online transactions securely. This is critical in building trust with international business customers.

Market competition: International markets are highly competitive, with established local players and global e-commerce giants vying for market share. Developing a strong brand, value proposition, and a marketing strategy that resonates with potential international customers is essential for success.

Overall, developing international e-commerce and digital exports requires a **strategic approach, careful planning, and the ability to navigate a complex and ever-changing landscape.**

Policies in the South Mediterranean Region

Several initiatives have been undertaken to facilitate the development of e-commerce across the south Mediterranean region, including supporting the development of regulatory frameworks, infrastructure, and capacity building programs. Examples include:

Morocco: the creation of the Moroccan Digital Development Agency, which is responsible for developing the country's digital economy, and the adoption of a new legal framework for the protection of online consumers.

Algeria: launching an online platform to connect small businesses with buyers, enhancing regulatory and legal frameworks, and providing support for development of ICT infrastructure.

Tunisia: simplifying online business registration, increasing access to financing for small businesses, and improving the legal framework for online transactions.

Libya: improving internet connectivity, improving digital infrastructure, and adopting legal frameworks that support online transactions.

Egypt: implementing a national strategy to develop the country's digital economy, establishing an e-commerce park, and launching a national electronic payment system.

Lebanon: introducing mobile payment systems, funding digital startups, and enhancing the regulatory framework for online transactions.

Jordan: improving online payment systems, developing ICT infrastructure, and providing funding and training for startups.

Palestine: creating a national strategy for the digital economy, improving digital infrastructure and connectivity, and establishing training programs for entrepreneurs.

Supporting Digital Exporting

BSOs have a crucial role to play in helping MSMEs understand the potential benefits of e-commerce, acquire the necessary skills and knowledge to use e-commerce platforms effectively, and develop effective digital export strategies. Examples include:

⁷ UNCTAD, Digital trade: Opportunities and actions for developing countries

Training and Coaching: BSOs can help MSMEs understand the opportunities and challenges associated with e-commerce, identify and assess potential export markets, develop marketing and sales strategies, and navigate legal and regulatory requirements. **e-Commerce Marketplaces:** Virtual marketplaces are important tools for small businesses, providing a useful sales tool enabling them to engage in cross-border e-commerce. BSOs can help MSMEs learn about well-known virtual marketplaces for cross-border e-commerce such as Amazon, Alibaba, Noon and Etsy. These marketplaces provide access to a large and diverse international customer base and can help MSMEs to overcome some of the logistical and regulatory challenges of selling in foreign markets.

Digital Export Support: By providing digital export support services, BSOs can help MSMEs to overcome the barriers and challenges associated with e-commerce, and enable them to take advantage of the opportunities presented by digital globalization. This, in turn, can help to promote economic growth, job creation, and sustainable development.

Bottom line...

Despite these efforts, e-commerce and digital exports have yet to achieve their full potential. A condition to harness the potential is to raise policy makers awareness on the new technological solutions that need to be integrated in national strategies and enabled by adequate regulations and infrastructures allowing smooth interoperability.

Contributing its share in the framework of the Tabadool sessions, the MED MSMEs Programme organizes on May 4, 2023 a stakeholder dialogue on leveraging e-commerce for exports that will highlight some **inspiring international practices** from other countries, in particular the UK, Italy, China and Australia and raise the question on **“How can e-commerce and export policies be efficiently operationalized to the benefit of MSMEs”**.

To participate to this webinar, click [HERE](#).

Useful resources

MED MSMEs Programme (2021), Discussion Paper on MSMEs Export Development in EU Southern Neighbourhood Countries.

<https://www.medmsmes.eu/sites/default/files/2022-02/SME%20Export%20Regional%20Report%20Sept2021.pdf>

UNCTAD eTrade Readiness Assessment Reports, including recent reports on eTrade readiness in Tunisia and Jordan (Feb. 2022)

<https://unctad.org/topic/ecommerce-and-digital-economy/etrade-readiness-assessments-of-LDCs>

UNCTAD, Digital trade: Opportunities and actions for developing countries

https://unctad.org/system/files/official-document/presspb2021d10_en.pdf

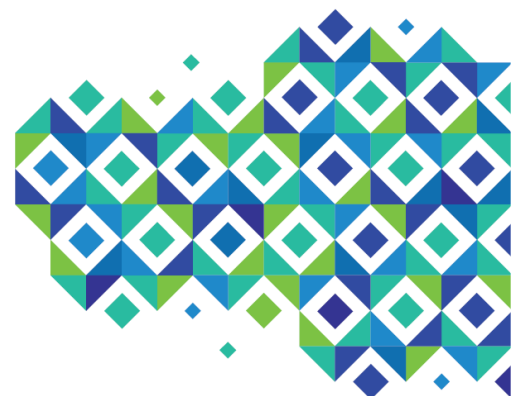
World Economic Forum and ITC “Africa E-Commerce Agenda: Roadmap for Action”

https://www3.weforum.org/docs/WEF_Africa_EComm_EN.pdf

Reports on digital trends from Data Reportal

<https://datareportal.com/reports/?tag=Northern+Africa>

<https://datareportal.com/reports/tag/MENAT>



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