

The Impact of E-Commerce on International Trade and Employment



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INTRODUCTION

Electronic commerce offers wonderful opportunities to both developing and developed countries. In the short run, the gains are likely to be concentrated in developed countries but, in the long run, developing countries have more to benefit. In the short run, developing countries lack the infrastructure necessary to take full advantage of Internet. But in the long run, they can pass and skip some of the stages in the development of information technology through which developed countries have had to pass (Panagariya, 2000).

The advancement of technology has helped international business. Millions of people use the internet to do everything from research to purchasing products. The Internet has profoundly affected almost all businesses. The various uses of the internet by business companies include the ability to advertise, generate, or otherwise perform regular business functions. Therefore, many companies are embracing the internet for many of their activities. One of the most important effects of e-commerce is to intensify competition and producing benefits to consumers in lower prices and more choices (Malkawi, 2007).

Additionally, electronic commerce is expected to directly and indirectly create and destroy jobs. New jobs will be generated in the information and communication technologies sector, while the indirect jobs will occur via increased demand and productivity. At the same time, some reallocation and destruction of jobs are expected as a consequence of changes in the way of doing business. The net effect on employment will be as a result of a complex set of interactions and will not means be uniform across countries, geographic areas, industries or skill groups (ECLAC, 2002).

This article proceeds in the following manner. Following section provides an overview of electronic commerce and includes some indicators that shed light on the growth e-commerce and and its economy-wide effects. Next highlights the relevant issues dealing with the impact of e-commerce on international trade and employment. Final section presents solutions, recommendations and concluding remarks.

BACKGROUND

E-commerce can be defined as the use of the internet to conduct business transactions nationally or internationally (WTO, 1998). E-commerce has two important roles; first as a more effective and efficient conduit and aggregator of information, and second, as a potential mechanism for the replacement of many economic activities (ECLAC, 2002).

The Internet has also expanded opportunities for B2B and B2C e-commerce transactions across borders. Especially, for business to consumer transactions, the internet brings a potential revolution to global commerce: the individualization of trade. It gives customers the ability to manage a transaction directly

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with a foreign seller without traveling to the seller's country. The Internet provides sellers to put their storefronts, in the form of web pages, in front of customers all over the world (Ham and Atkinson, 2001).

The Internet and e-commerce are transforming the way firms operate by redefining operations such as product design and development, production, inventory, distribution, after-sales service support etc. In this process, they alter the roles and relationships of various parties, fostering new networks, services and business models. The results are efficiency improvements, better asset utilization, faster time to market, reduction in total order times, and extended customer service (ECLAC, 2002).

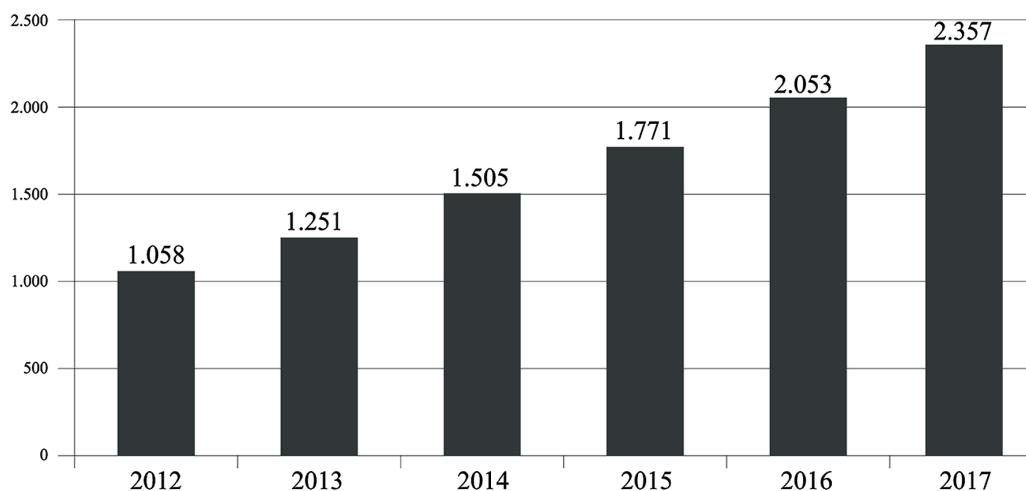
Numbers indicate the importance of the e-commerce growth. In 1999, global e-commerce was worth over \$150 billion (Economist, 2000). By 2016, Internet economy will reach 4.2 trillion dollar in the G-20 economies (BCG, 2014). According to eMarketer's forecasts, worldwide B2C ecommerce sales will reach \$2.053 trillion in 2016 (Figure 1). Growth will come primarily from the rapidly expanding online and mobile user bases in developing markets, increases in m-commerce sales, advancing shipping and payment options, and the push into new international markets by major brands.

According to estimates, in 2016, customers in Asia-Pacific will spend more on ecommerce purchases than those in North America, making it the largest regional ecommerce market in the world. In 2016, B2C ecommerce sales are expected to reach \$855.7 billion in the region, compared with \$597.9 billion in North America. Additionally, for Western Europe, B2C ecommerce sales will be reached to \$ 414.2 billion in 2016. B2C ecommerce sales in Central&Eastern Europe, Latin America and Middle East & Africa will be realized less than other regions (Table 1).

The number of Internet users also reached about three billion worldwide (Internet World Stats, 2014). The influence of e-commerce has increased and it is used more as a trading system in which buyers and sellers could establish a real market price. For example, with more than 155.2 million active users globally, eBay is one of the world's largest online market place, where practically anyone can buy and sell practically anything (EBayinc.com, 2011; BusinessWire, 2014).

By far the largest company worldwide in terms of e-commerce revenues generated in 2013 was Amazon.com Inc. Amazon's sales of product and service is USD 74 billion. In the second place with USD 11 billion sales is Chinese B2C E-commerce merchant JD.com Inc. American retailer Wal-Mart

Figure 1. B2C ecommerce sales worldwide, 2012-2017, trillions dollar (Emarketer, 2014)



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