

GROUP 2:

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POST COVID E-CONOMIES



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Mastering our Virtual Trade
Winds through E-commerce
and Digital Enablement

THE PROBLEM

COVID-19 amplified the importance of digital connectivity for both social and economic purposes and created permanent changes in how businesses operate and consumers behave.¹

We recognise that Canada is home to some of the world's largest technology hubs with 'Toronto, Vancouver, Montreal and Ottawa all rank[ed] in CBRE's top 20 tech talent markets in North America'.² While on a smaller scale, 'New Zealand's own base of technological expertise is [also] expanding' being the third largest revenue sector after tourism and dairy, with an annual growth rate of 9% for the past five years.³

Furthermore, digital enablement is now recognised as an economic essential as governments pursue more sustainable and efficient solutions to expedite trade and economic recovery strategies in the wake of COVID-19.

However, a number of constraints continue to impact the ability of Indigenous Peoples in both countries to benefit from the digital growth their national economies are experiencing. In particular:

- **Political sensitivities** impede government agreement to provide Indigenous specific measures in trade or other international agreements;
- **Under-utilisation** of the UNDRIP limits the ability of Indigenous Peoples to actively exercise their economic self-determination; and
- **Lack of digital infrastructure** remains a barrier for many Indigenous communities, particularly those located remotely or in rural localities.

As like-minded countries with striking similarities in parliamentary systems and Indigenous populations, Canada and New Zealand are ideally positioned to jointly support Indigenous businesses and communities in both countries to benefit from the tech capability and capacity that is already generating significant returns to each economy.



"Repositioning Indigenous Peoples to become the **owners** and **drivers of digitally based enterprises** and supporting them with the technologies, capabilities and capacity-building they need to channel the **virtual trade winds** to benefit their communities will help minimise the effects of an imminent global recession, while supporting the **future of their economies.**"

EVIDENCE

Indigenous SMEs (businesses of fewer than 500 employees) form a fundamental component of Indigenous economies.⁴ But in many cases they are ignored, overlooked or not taken seriously as legitimate enterprises. Partly, this is the result of policymakers prioritising investments and policy support toward larger tribal or corporate exporters. It is also the result of persistent colonial narratives that convey Indigenous entrepreneurialism, as inferior to the factories and industries established through capitalist expansionism.⁵

The effect, whether intended or not, erases the centrality of Indigenous SMEs (of all sizes) to indigenous economies and perpetuates systemic barriers such as:

- **Limited or no access** to capital from private lending institutions;
- **Ineffective domestic policies** that fail to address the practical and specific business needs of Indigenous SMEs;
- **Overly prescriptive funding** criteria that prevents Indigenous businesses from accessing the support they need at the time it is needed; and
- **Over-scrutinization of targeted funding** for Indigenous Peoples deterring many Indigenous business owners from seeking government enabled support to avoid any reputational fallout caused by publicly politicised disputes.



We consider that under-investment in Indigenous trade and economies caused by social, political and geopolitical sensitivities in a post-COVID context could set Indigenous trade and economic recovery and regeneration back by decades contributing to further injustices and making any reconciliation significantly more challenging.

We propose that e-commerce and digital enablement has the potential to provide a lifeline that Indigenous businesses and indeed tribal economies need to prosper into the future. For example, the widespread use and availability of Software as a Service (SaaS) products and alternative logistics models such as dropshipping have made it easier for Indigenous businesses to go direct to market independent of traditional forms of support that might have been required in establishing physical offices, logistics and storage warehouses, and premium retail spaces.

Although the range of digital products and increased access to internet and digital technologies makes it easier than ever to set up an online business, from our initial engagements with Indigenous SMEs who are currently or who aspire to engage in e-commerce, we have learned that some major challenges still affect their ability to thrive at different stages of their business journeys.



SURVEY FINDINGS

INDIGENOUS BUSINESS E-COMMERCE SURVEY

We surveyed 21 unique Indigenous SMEs who are currently or aspiring to enter into e-commerce from both Canada and New Zealand to get a better sense of the challenges and opportunities they are confronting.

The participating businesses operated across seven broad sectors with the majority of participants from the professional services and consultancy sector. More than half of the participants operated SMEs with 3 or fewer employees, while just under half of the participants employed between 6 and 22 employees.

The opportunities and challenges participants identified are summarised below:

OPPORTUNITIES

- Values-based business approaches enhance avenues for I2I and B2B collaborations
- Support reduced carbon footprint
- Product and service diversification
- Development of higher value or premium products
- Design of education/e-learning platforms
- Ease of internationalisation
- Penetration of new or previously exclusive markets
- Improved visibility of brand, products and services
- Remote working/glocalisation

CHALLENGES

- Access to e-commerce expertise
- Support for market research and product validation
- Organisational capacity
- Access to high quality business advisory support for Indigenous SMEs including marketing and sales advice
- Lacking human dimension through increased virtual interactions
- Insufficient digital infrastructure (particularly in remote or rural areas)
- Access to capital or financial support from both public and private sources
- Freight and logistics (costs and time)

SOLUTIONS

HOW MIGHT WE SOLVE THESE ISSUES?

The post-COVID economic recovery highlights the ability of e-commerce and digital enablement to provide sustainable income for Indigenous Peoples, particularly in areas where they are strong producers of essential products such as food, beverage, health items, clothing, energy and professional consultancy services (e.g. business continuity, financial planning etc) and other services (e.g. sanitisation, cleaning services) but also beyond these sectors.

In consideration of the challenges and opportunities identified by the participants in our survey, we set out three areas where New Zealand and Canada could actively and substantively support Indigenous People to benefit from the global shift to the virtual marketplace. These are discussed in more detail below.

1. DESIGN AN INDIGENOUS E-CONOMIES NETWORK

We identified a need for government enabled support to design a peer to peer, distributed ownership, global Indigenous E-economies network.

Indigenous businesses told us that mainstream platforms do not currently nurture Indigenous ways of doing business in a way that builds on the collective capability and capacity of Indigenous e-economies globally.

For Indigenous businesses, profit is not the primary driver of their enterprises and mainstream models do not reflect the wider value sets that inform Indigenous trade and business. A crucial element of Indigenous trade is the reciprocity that underpins our relationships and knowledge sharing. Whereas mainstream models focus on a buy-sell approach, Indigenous businesses are more likely to follow a non-linear version of connect, share, buy, sell and learn.



We would not envision this platform to be developed in competition with existing platforms such as the 5000 Tribes Virtual Mall for individual and collective Indigenous sellers. Rather, we see it being developed as a way of building connectivity between Indigenous economies and existing digital platforms through a range of technologies, capability and capacity supporting tools such as:

- **Building** near real time data baselines and geospatial mapping to better track opportunities, challenges and gaps in the markets that Indigenous Peoples want to do business;
- **Activating** digital authentication tools such as blockchain technologies and digital credentialing;
- **Providing** a hub for market research and avenues for undertaking market or product validation activities – areas that Indigenous SMEs told us they found particularly challenging; and,
- **Exploring** the possibilities of universal or tribal Indigenous digital currencies, which could also help address international payments issues

2. DESIGN A BILATERAL INDIGENOUS TRADE AND INNOVATION FUND

We propose that the governments also look to establish a bilateral Indigenous Trade and Innovation Fund to support Indigenous Peoples in both countries to reimagine the paradigms that Indigenous enterprises operate within. This fund could support a range of Indigenous-led opportunities such as:

- **Establishing** bilateral indigenous supply chain networks;
- **Supporting** Indigenous technology and knowledge exchange programmes;
- **Funding** research and development into areas such as protecting cultural intellectual property in digital environments;
- **Supporting** Indigenous Tourism industries; or
- **Designing** new tech across a range of sectors such as health, education, and finance.

We would expect that the core digital infrastructure for rural or remote communities is funded through each governments existing commitments to strengthen and expand the digital access it provides to all its citizens. Moreover, that for rural, remote or communities who are not yet digitally connected, that this access would be fast tracked.

NOTE:

We moved away from the language of development, because too often this implies that Indigenous Peoples are a burden on an economy or do not actively contribute to it. We must not forget that the economies of both Canada and New Zealand are built and survive on Indigenous territories.

3. CREATION OF A BILATERAL INDIGENOUS INTERNATIONAL TRADE AND INNOVATION AGREEMENT

We also identified an opportunity to work toward restoring an equal partnership between the governments of Canada and New Zealand and the respective Indigenous Peoples of each country through the development of a bilateral Indigenous International Trade and Innovation Agreement.

Both governments have expressed their commitment to reconciliation. Yet, reconciliation can only be genuine when there is an equal partnership that is reflective of Rangatira to Rangatira, Chief to Chief, People to People, as opposed to the way that Indigenous Peoples are treated as subjects of the Crown. As such, it is imperative that Indigenous Peoples are supported to take a lead in the creation of this Agreement.

We consider that the focus on trade alone, does not address the need for innovation as it tends to focus on rules and mainstream trade considerations, as opposed to the future of possibilities. Innovation is more than including digital or technology provisions in an agreement or making it cheaper or easier to access. It's also about creating an enabling environment for the emergence of ideas that have not yet manifested.

FUNDING



HOW MIGHT WE FUND THESE INITIATIVES?

Canada has already spent \$80 billion on its individual emergency economic response to COVID-19 and intends to spend a further \$82.3 billion on wage subsidies over the next year.⁷

Overall, Canada plans to spend \$570+ billion on business, \$107 billion on people and \$85 billion on tax and customs deferrals.⁸ New Zealand also plans to spend \$50 billion as part of its COVID-19 Trade and Economic recovery plan and has set aside \$20 billion for future projects.⁹

An initial investment amount to cover the phase 1 costs for activating the proposed recommendations and associated activities is conservatively estimated at \$1 million.

We would expect each government to commit at least \$500,000 each to support Indigenous Peoples' economic recovery and as a means to smooth the path for reconciliation. It would do this by supporting Indigenous Peoples to build sustainable digital economies so they have a stronger asset and revenue generation base to dedicate time and resources toward addressing the issues and aspirations of their communities.

The nominal figure suggested accounts for less than 0.001% of both New Zealand and Canada's total COVID-19 recovery spends.

While it would be premature to define a final figure at this stage for the total cost of the proposed solutions, we note that there are a number of avenues that Officials could scope to determine how New Zealand and Canada could allocate financial resources toward implementation of the proposed initiatives in this paper.

In the short term, we would suggest that Officials:

- **Examine** any relevant departmental underspends from the previous Financial Year and/or identify where funding could be reprioritised due to the changed nature of any planned international engagements and reallocate those funds toward Indigenous Trade and Innovation as a Post-COVID economic recovery strategy. This would neutralise any initial set up costs rather than requiring new funding.
- **Explore** whether relevant departments could re-purpose any funding that no longer addresses a core need as part of a post-COVID economic recovery strategy to support Indigenous economies.

As a next step, we suggest that Officials actively collaborate with Indigenous Peoples to:

- **Develop a** Budget Bid for each of their governments FY21/22 Budget that supports I2I Trade and Innovation.
- **Apply** to the APEC fund through the General Project Account (GPA) (or an alternative relevant fund) to finance this programme of work, given the GPA priorities for 2020 include Digital Society and Inclusive Economic Participation through Digital Economy and Technology.

We are mindful that GPA priorities are decided annually at ISOM, and consider that both governments should work together to take advantage of the opportunity presented by New Zealand's hosting of APEC21.

We note that these funding options could support ongoing research and development of the proposals in this paper, and provide seed funding to explore the feasibility of further Indigenous trade and innovation initiatives that address the broader e-commerce eco-system.

FURTHER CONSIDERATIONS

Due to the limitations of time in developing this paper, we consider that the following areas should also be examined as part of the work programme:

- Examining the compounding effects of COVID-19 on Indigenous women in business.
- Exploring the restoration and regeneration of Indigenous supply, value, distribution and information chains.
- Activating opportunities for Indigenous Peoples with disabilities in the digital economy .
- Protecting Cultural Intellectual Property of Indigenous Peoples in a digital environment.



RECOMMENDATIONS

Agree to fund INDIGI-X to establish regular and ongoing engagement and workshopping opportunities between INDIGI-X alumni, Indigenous Professionals, Businesses and Sector/Technical experts and Officials from Canada and New Zealand

Agree to work toward the establishment of a bilateral Indigenous Trade and Innovation Agreement with the possibility of opening it up to signatories from other likeminded countries in future

Commit funding and resources to scope a plan of action to implement e-commerce, trade and innovation provisions in an Indigenous Trade & Innovation Agreement, design a bilateral Indigenous Innovation Fund, and develop a website that enables ongoing Indigenous collaboration between Canada and NZ

Partner with INDIGI-X to establish an Indigenous-led Canada and New Zealand working group comprising up to 6 Indigenous representatives (3 from each country) and 4 officials (2 from each country) to lead the work proposed in recommendations 2 and 3



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