

# Trade Policy to Drive Ecommerce

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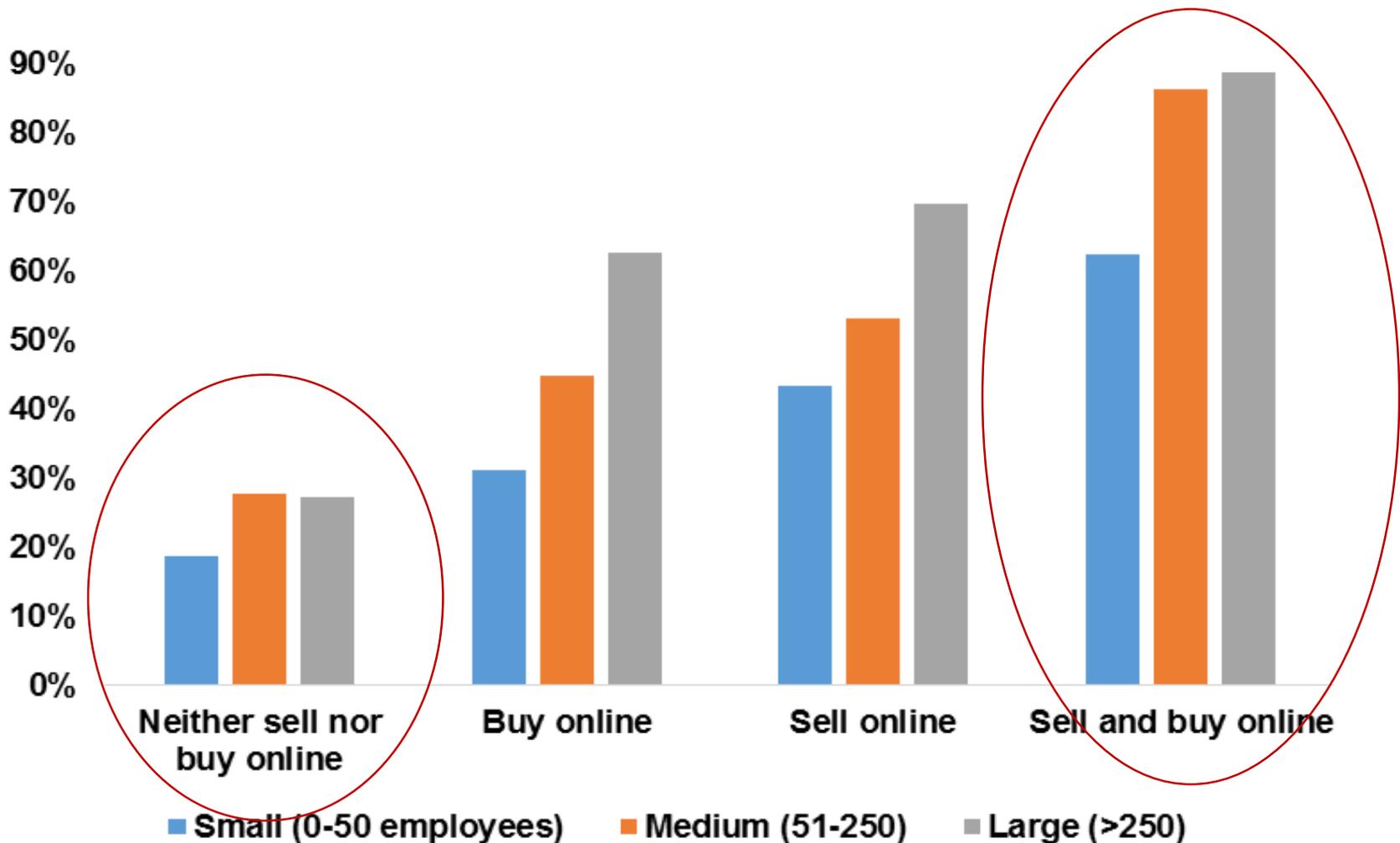
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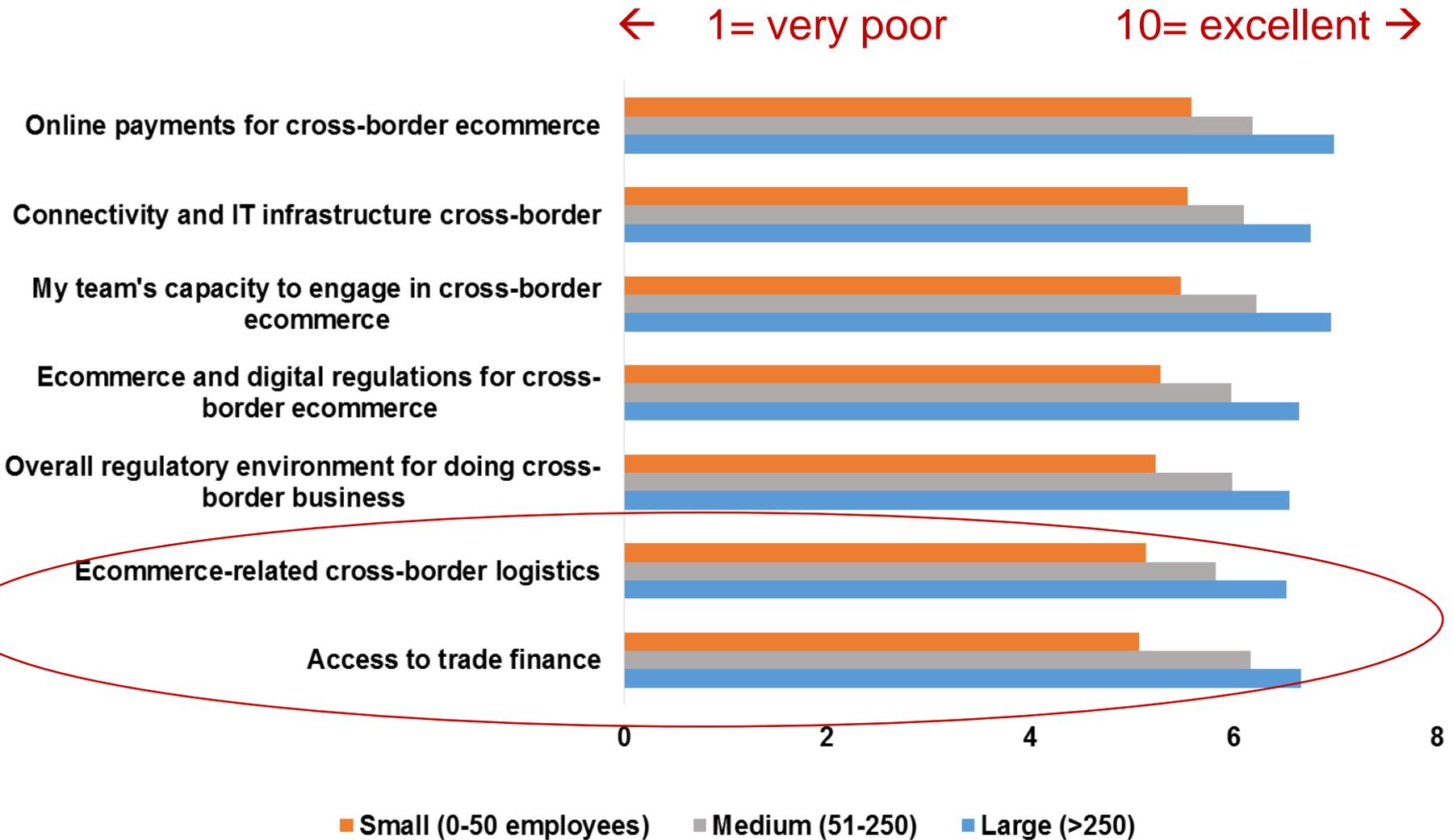
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# Online sellers much likelier to export

*% of companies that export, by online sales*

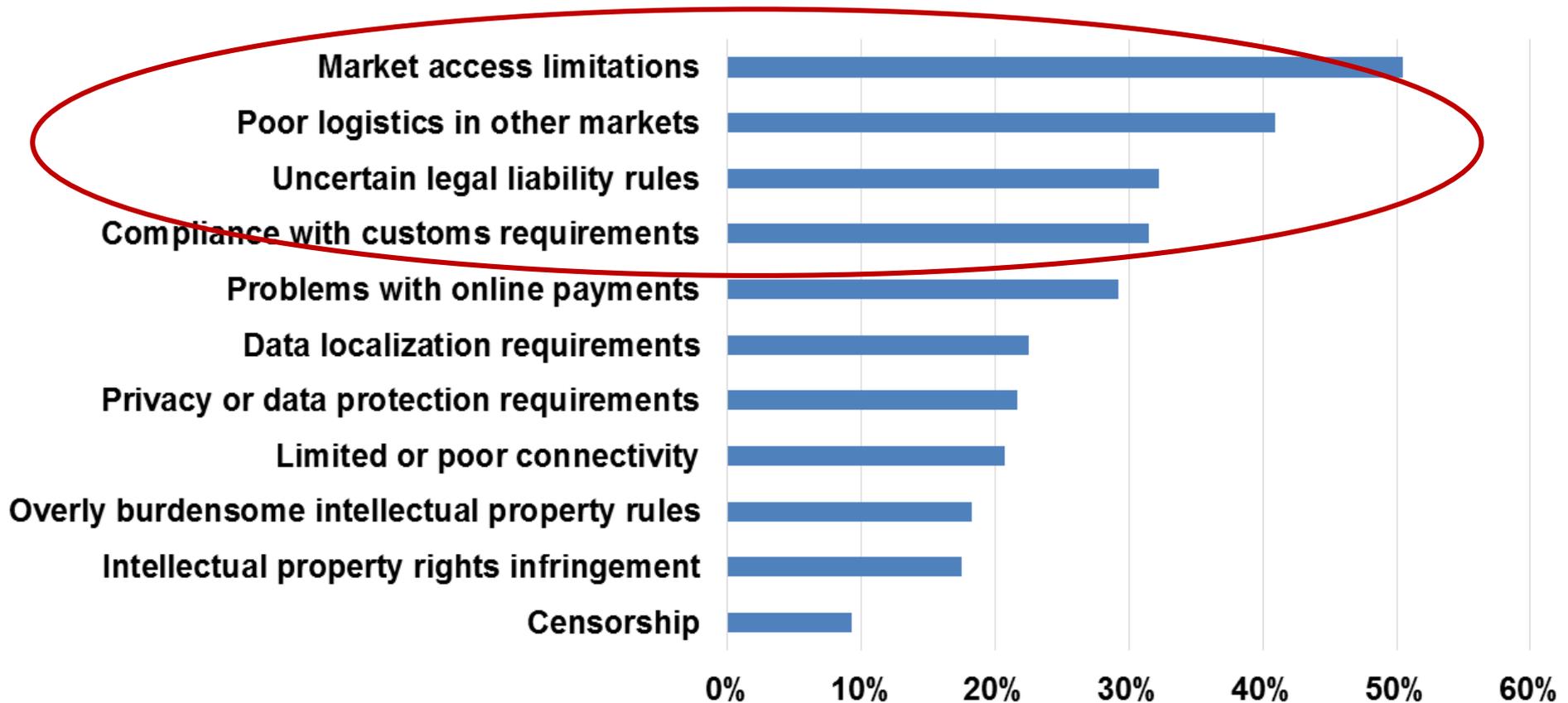


# Challenges to cross-border ecommerce



# Same in a survey of all of Latin America

*Challenges Experienced as “Very Significant” by LAC Companies to Cross-Border Online Sales, by Type (cross-border sellers)*



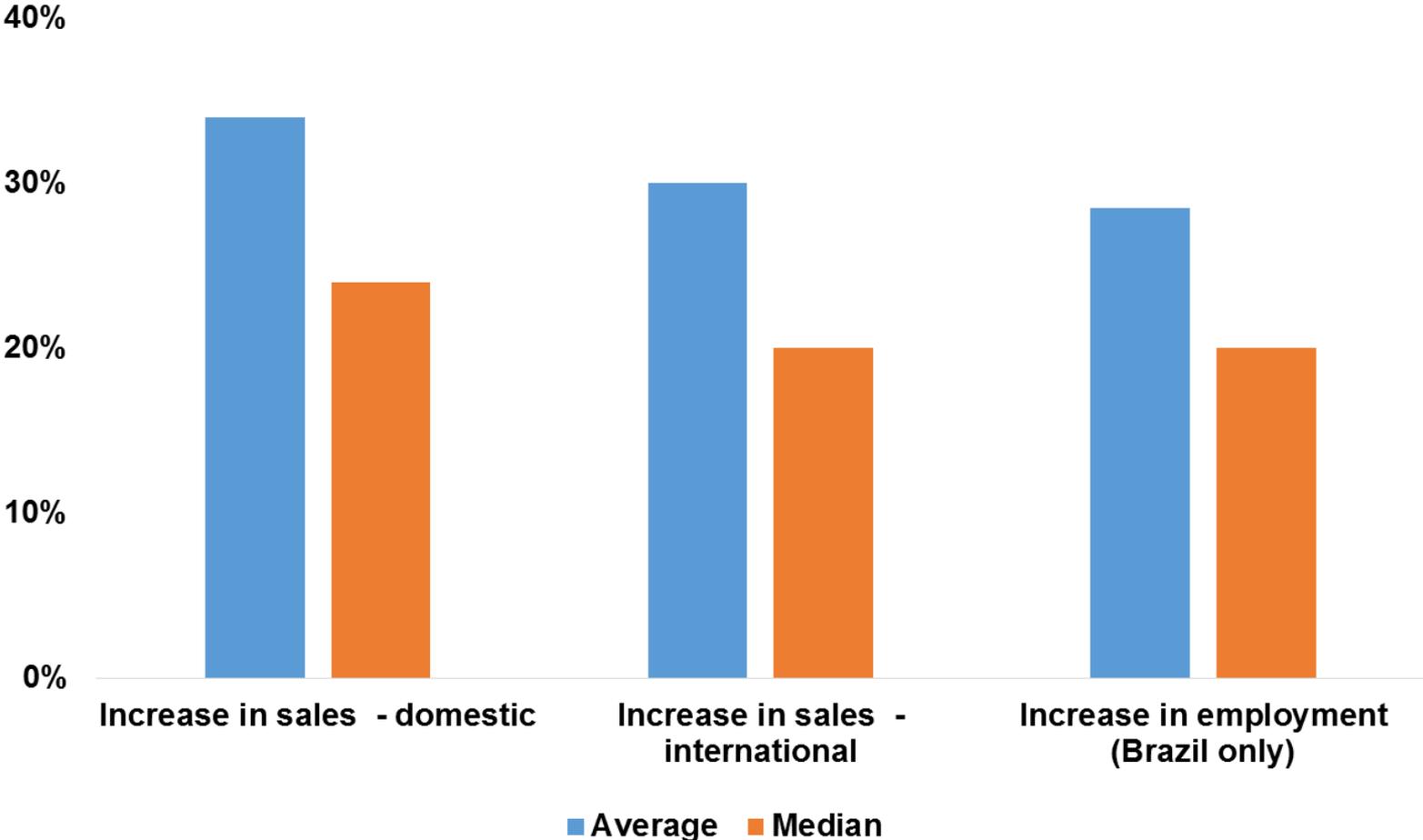
# Main challenges to cross-border ecommerce – small merchants

	Merchants
1	Finance - Availability to trade finance for merchants
2	Logistics - Customs procedures for ecommerce imports
3	Logistics - Cost of logistics for cross-border transactions
4	Logistics - Total cost of delivery from my country to foreign buyers (exports)
5	Payments - Cost of cross-border online payments
6	Logistics - Market access (tariffs, trade policy) in main export markets
7	Logistics - Infrastructure for cross-border ecommerce
8	Logistics - Postal services for cross-border ecommerce - import or export
9	Logistics - Customs procedures in main export markets
10	Digital reg. - Consumer protection laws in other markets
11	Digital reg. - Interoperability of digital and ecommerce regulations with trading partner markets
12	Digital reg. - Legal liability laws for online sellers in other markets
13	Digital reg. - Copyright laws in other markets
14	Digital reg. - IP protections in other markets
15	Overall regulatory env. - Tax rules in other markets

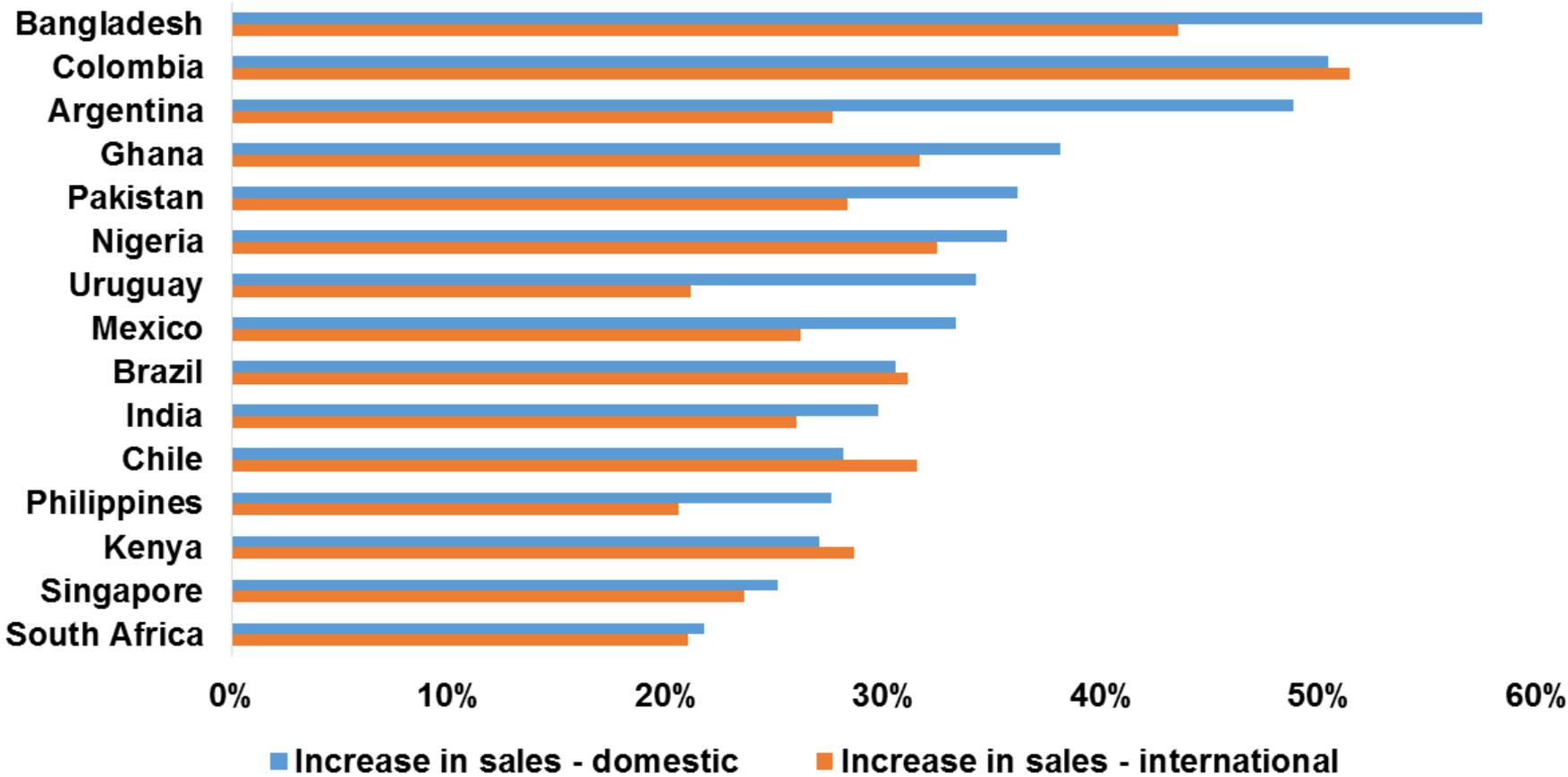
# Main challenges to cross-border ecommerce – small merchants

	Merchants	Ecosystem
1	Finance - Availability to trade finance for merchants	Logistics - Total cost of delivery from my country to foreign buyers (exports)
2	Logistics - Customs procedures for ecommerce imports	Digital reg. - IP protections in other markets
3	Logistics - Cost of logistics for cross-border transactions	Logistics - Market access (tariffs, trade policy) in my country's main export markets
4	Logistics - Total cost of delivery from my country to foreign buyers (exports)	Logistics - Customs procedures for ecommerce imports
5	Payments - Cost of cross-border online payments	Logistics - Customs procedures in main export markets
6	Logistics - Market access (tariffs, trade policy) in main export markets	Logistics - Infrastructure for cross-border transactions
7	Logistics - Infrastructure for cross-border ecommerce	Digital reg. - Copyright laws in other markets
8	Logistics - Postal services for cross-border ecommerce - import or export	Digital reg. - Censorship rules in other markets
9	Logistics - Customs procedures in main export markets	Overall regulatory environment - Tax rules in other markets
10	Digital reg. - Consumer protection laws in other markets	Digital reg. - Internet intermediary liability / safe harbor in other markets
11	Digital reg. - Interoperability of digital and ecommerce regulations with trading partner markets	Logistics - Postal services for cross-border ecommerce - import or export
12	Digital reg. - Legal liability laws for online sellers in other markets	Digital reg. - Data localization requirements in other markets
13	Digital reg. - Copyright laws in other markets	Dig re. g- OTT regulations (application of telecom and broadcast rules) in other markets
14	Digital reg. - IP protections in other markets	Digital reg. - Data privacy requirements in other markets
15	Overall regulatory env. - Tax rules in other markets	Payments - Cost of cross-border online payments

# Companies' Revenue Gains If Their Top-3 barriers to Ecommerce Were Removed



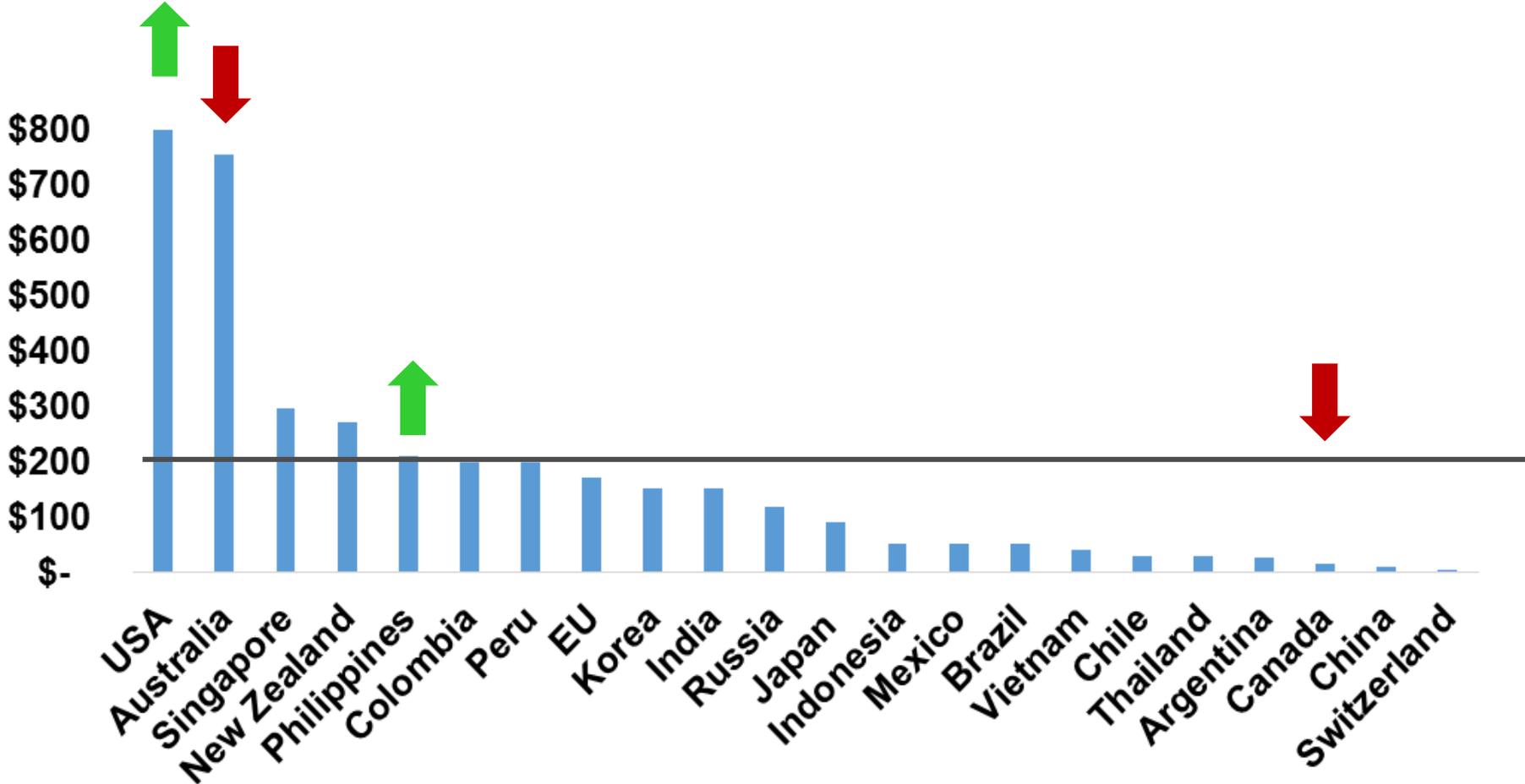
# Gains Significant across Developing Markets



# Silver Bullet solution: Raise *De Minimis*

- Fast-track SME trade
- Lower compliance costs for SMEs
- Save cost of duty and tax collection
- Lower prices for domestic companies and consumers
- Ease returns → domestic retailers' competitiveness
- No tax discrimination against foreign small retailers

# Yet: *De Minimis* Levels Largely Unchanged



# Now: Turn The Lousy Equation Around

## OLD PARADIGM

- Economists: “higher *de minimis* levels = welfare”
- Governments: “higher *de minimis* = less revenue, wrath from domestic retailers”



## NEW PARADIGM

- Increase *de minimis* = more SME exports
- **Vehicle: plurilateral agreement on *de minimis***

# Elements of *De Minimis* Plurilateral

- Coverage: customs duties, taxes (VAT, GST)
- Thresholds: everyone ratchets up to \$1,000 in max 5-7 years, with minimum 10% increase per annum
- LDCs can get SDT
- Members: critical mass; open for outsiders to join
- “Soft-launch” pilot in a smaller group on non-MFN basis, e.g. within Pacific Alliance, ASEAN (already have RoO)
- MFN treatment as end-goal as coverage expands
- Members get capacity-building:
  - Impact assessments of de minimis thresholds for customs
  - SME ecommerce capacity-building for export promotion agencies

# Incentives and smart regs to help merchants and platforms service foreign customers

- To do cross-border ecommerce and scale, developing country SMEs need: Legal liability, consumer protection, and copyright regimes
- Microbusinesss need microloans: New incentive programs for ECAs to guarantee export working capital microloans issued by online lenders