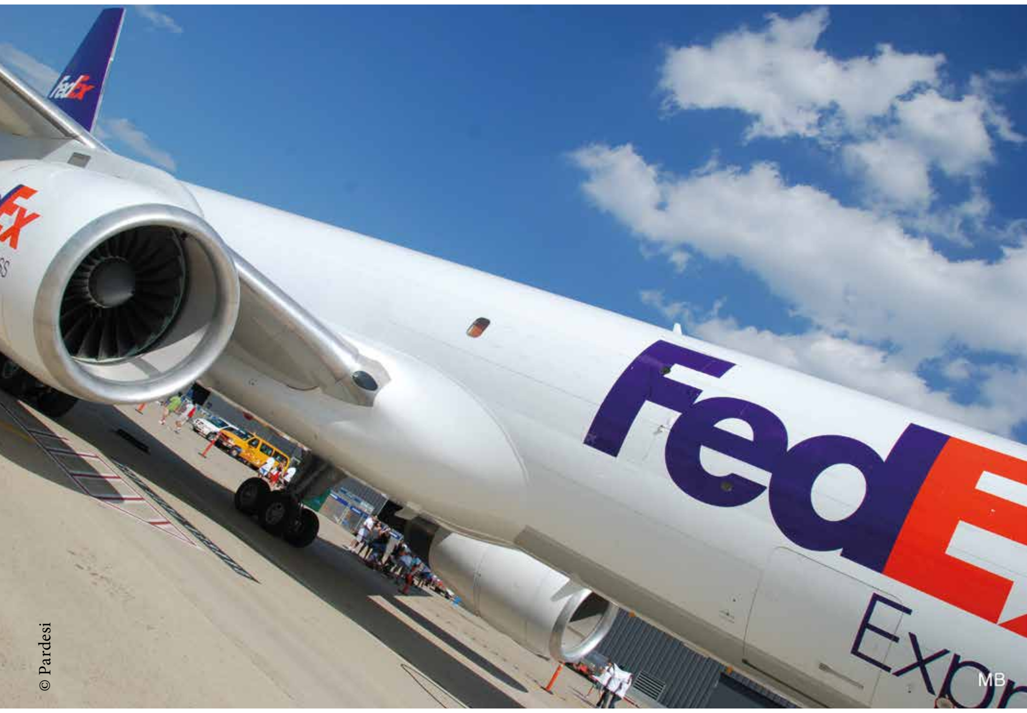

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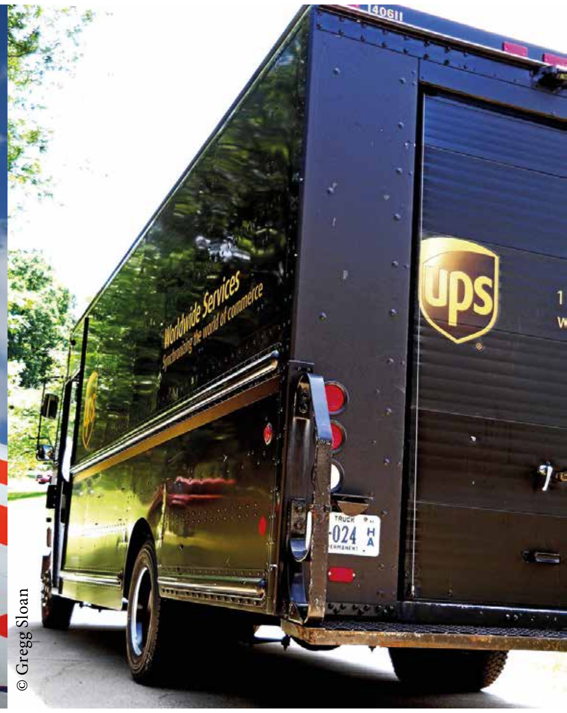

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Let cross-border e-commerce be

By the Global Express Association

Opportunities

E-commerce – broadly defined as the use of the Internet as a platform for sales, sourcing, and the exchange of market information – will play an increasingly important role in supporting global economic growth. According to the McKinsey Global Institute, e-commerce's share of total goods trade grew from 3% in 2005 to 12.1% in 2012 [Global flows in a digital age: How trade, finance, people, and data connect the world economy, McKinsey Global Institute, April 2014].

The global e-commerce market is expected to reach 1.5 trillion US dollars (USD), up by 20.2% from 2013. The average growth rate between 2012 and 2017 is estimated at 17.4%, and global sales in 2017 are expected to exceed 2.3 trillion USD [eMarketer, Jan 2014, www.emarketer.com]. The economic changes brought by e-commerce have already had a large impact on the changing role of regions in the global economy, for example, with e-commerce markets in the Asia-Pacific region surpassing those in North America in 2014, for the first time.

Governments around the world have recognized e-commerce as an engine of future economic growth, and they need to adopt policies that will stimulate the growth of e-commerce in their economies while ensuring compliance with relevant laws and regulations. The policy implications of e-commerce are no doubt complex, but policy-makers have a unique opportunity to embrace a different way of doing business, and develop regulatory and revenue collection policies to grow e-commerce in a sustainable manner for their respective economies.

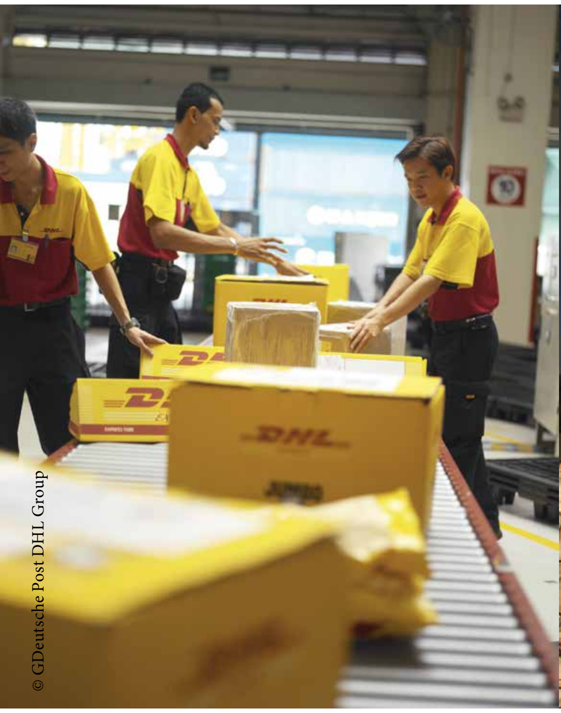
Challenges

The physical flow of goods across borders resulting from e-commerce trade is facing increasing challenges in terms of the cost and time of border formalities. The main problems at the border are regulatory – laws, policies, processes and procedures that slow down the movement of goods. The World Economic Forum's 'Enabling Trade Report 2013' estimates that lowering supply chain barriers could increase e-commerce cross-border trade by as much as 60%-80%.

The tools are readily available. International agreements, such as the World Trade Organization's (WTO) Trade Facilitation Agreement (TFA), and the WCO's Revised Kyoto Convention on the simplification and harmonization of Customs procedures (RKC), have tremendous potential to help achieve these results. But governments need to adopt them – and implement them.

Complicated border clearance procedures are a problem for all international trade, but they can be an even greater obstacle for small and medium-sized enterprises (SMEs). The high cost of determining import requirements and completing excessive paperwork hampers e-commerce. The reputations of retailers – and in the case of SMEs, often their very survival – are placed at risk by Customs holds, late deliveries or inefficient return procedures —all of which are common in many regions. Retailers in particular are concerned about the quality of fulfilling an order – the most important part of their interaction with their customers.

For e-commerce to be successful, the cost associated with fulfilling the order must be 'worth it' in the eyes of the customer. The Organisation for Economic Co-operation and Development (OECD)



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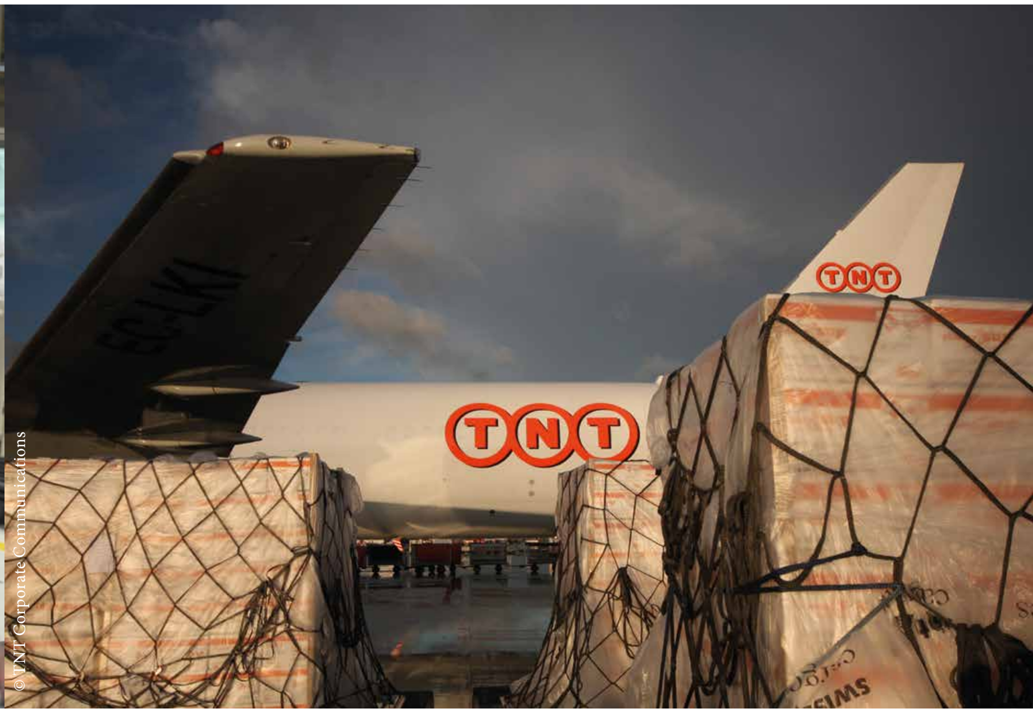

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an engine for growth

has estimated that Customs barriers can add up to a 24% premium onto the price of goods sold [Evdokia Moïse and Florian Le Bris (2013), Trade Costs: What have we learned? A Synthesis Report, OECD Trade Policy Paper No. 150]. Striving to simplify, standardize and harmonize Customs procedures across the world would greatly simplify trade, and have a direct positive impact on costs.

Governments and multinational companies are the main actors involved in traditional cross-border exchanges, but today, digital technologies enable even the smallest company or individual entrepreneur to be a 'micromultinational' that sells and sources products, services, and ideas across borders. Traditional business models are being complemented by micro-scale activities ranging from microwork to micropayments and microshipments [Global flows in a digital age: How trade, finance, people, and data connect the world economy, McKinsey Global Institute, April 2014].

Governments have a legitimate interest in controlling their borders to prevent fraud, revenue leakage, intellectual property rights (IPR) violations, and other illicit trade. E-commerce presents new challenges and concerns for Customs and revenue agencies. Among the consequences of the growth in e-commerce are an increasing number of small shipments, and the emergence of new participants in the global economy.

However, new barriers against e-commerce, such as reducing or even eliminating de minimis procedures, increasing inspection rates, and requiring additional documentation (for example, identification or passport data), which many countries are considering or even erecting, will have adverse effects. They will only impede the growth of legitimate e-commerce business, while having very little impact on illicit shipments.

Instead, governments should use intelligence-led and risk-based selectivity and targeting. And they should seek to cooperate with legitimate traders to improve the identification and targeting of high-risk shipments. In addition, governments should consider using a duty/tax collection model, such as the 'vendor collection model' currently being discussed by the OECD. They should move away from the cumbersome model of collecting duties and taxes for each individual transaction used at present, towards an account-based collection model – after all, such models are already in use for domestic transactions.

An account-based collection model will not only secure and protect revenue streams, it will also help to maintain control of growing numbers of small shipments while facilitating legitimate trade. Now is the time for collaboration between shippers, carriers, and border agencies to assess the risks and opportunities presented by e-commerce, and to design smart and effective policies that both secure and facilitate the growth of this incredibly important economic activity.

What 'express delivery' can bring to the table

The four express delivery companies represented by the Global Express Association (GEA), namely DHL Express, FedEx Express, TNT and UPS, are committed to cooperating with Customs and revenue authorities to address e-commerce challenges as trustworthy partners. They are assisting governments as follows:

- Advance electronic shipment information – express delivery companies

Allowing consumers to make their own choices about where to shop not only improves citizens' lives, it will also lower costs and drive efficiency throughout the economy.

transmit electronic information in advance of the arrival of shipments, so that Customs can perform risk assessment and target shipments for further examination;

- Risk assessment – express delivery companies conduct risk assessment and validation of the data provided by the shipper based on plausibility checks, including unacceptable goods descriptions such as those published by Customs;

- Track and Trace systems – they allow packages identified by Customs as suspicious to be removed from traffic flows and provided to Customs officers for further examination;

- Facilities – express delivery companies provide Customs officers at express delivery hubs with adequate facilities and equipment for them to identify and examine suspect shipments efficiently;

- Information on shippers and consignees – express delivery companies provide Customs administrations with available relevant information that may legally be disclosed on the shippers and consignees of shipments identified as containing offending goods;

- Closing the accounts of customers publicly identified by Customs as repeat offenders

However, there are practical limits to what express delivery companies can do. For one, they are not originators of information about shipments, and there are clearly limits on the quantity of information that can be obtained from customers. Nor are express delivery companies law enforcement agencies, as they are subject to national data protection and commercial information confidentiality rules. Customs is the competent authority to enforce laws, conduct risk assessments, collect duties and taxes, and seize illegal items.

Recommendations for border agencies/governments

The express delivery industry believes that regulators should work together with responsible suppliers to lower the impediments to business-to-consumer (B2C) e-commerce. Fair competition among public and private delivery service providers will reduce transportation costs, increase quality of service, and promote the growth of e-commerce.

Allowing consumers to make their own choices about where to shop not only improves citizens' lives, it will also lower costs and drive efficiency throughout the economy. And in that spirit the express delivery industry would like to make the following recommendations on how best to address e-commerce, so that it can develop its full potential:

1. Implement the WCO Immediate Release Guidelines, including commercially meaningful de minimis thresholds for all Customs duties and taxes;
2. Use risk management to address revenue, safety and security concerns, and seek cooperation with express carriers to improve targeting;
3. Provide equal and fair border treatment to public and private delivery service providers;
4. Enable periodic filing and payment and by electronic means, preferably through a Single Window;
5. Simplify exporter/importer registration and power of attorney requirements;
6. Implement a simplified process for returned shipments;
7. Apply pre-arrival processing, and separate release from clearance;
8. Adopt simplified rules of origin procedures, including self-certification of the country of origin;
9. Adopt time-definite release commitments;
10. Provide for 24/7 border clearance, where possible and when required by business.

E-commerce can be a tremendous engine for economic growth. Let's unleash its full potential – together!

More information

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