Cross-Border E-Commerce Challenges: A View from Multilateral Efforts

Submitted by: WCO
Cross-border E-commerce challenges: A view from multilateral efforts

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APEC Customs Business Dialogue:
Cross-border Electronic Commerce and Customs Regulatory Challenges
August 17, 2019, Chile
Cross-Border E-Commerce - WCO’s Perspective

Online initiation

What?

Destined to a consumer (B2C and C2C)

Physical goods

Cross-border transaction/shipment

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Growth in e-Commerce: Internet of Things

Currently, approximately 1.6 billion consumers are buying online which is estimated to grow to 2.2 billion consumers by 2022.

- 71% by 2019
- 4.2B Internet users worldwide (2017)
- 2.5B
- 4.6B
- 62.9 percent of the population—expected to pass the five billion mark by 2019

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Global E-Commerce Sellers by category

Figure 1: Global E-Commerce Sellers by Category (2017)

- Direct sellers: 33%
- Other platforms: 10%
- Three biggest digital platforms: 57%

Source: OECD analysis based on the Cross-border E-Commerce Shopper Survey 2017 by International Post Corporation (IPC)
Opportunities for Customs and stakeholders

• Digital data from source

• Electronic advance data

• Electronic trail of each transaction

• Risk management

• Role of intermediaries

• Identity management
84% of cross-border goods bought online were classified under UPU terminology as packets as they weighed up to 2kg
Thirty-nine percent of all cross-border purchases made by consumers in 31 markets cost less than €25.

The proportion of purchases with a value less than €10 was highest in the Netherlands (32%), the UK (30%), Hungary (30%) and Australia (28%). At the other end of the scale were Luxembourg (1%), Korea (4%), Austria (5%), India and China (both 6%).

Higher valued goods in excess of €100 were most popular in Luxembourg and India, with 31% of consumers buying products in this price range cross-border, followed by Switzerland (28%) and Mexico (24%).
Cross-Border E-Commerce Challenges

Cross-border online shopping still has its challenges

- Speed of delivery longer than indicated: 17%
- Wrong or damaged goods/services delivered: 9%
- Problems with fraud: 3%
- Complaints and redress were difficult or no satisfactory response after complaint: 4%
- Technical Failure: 11%
- Difficulties finding information concerning guarantees, or other legal rights: 5%
- Foreign retailer did not sell in my country: 3%

Problems with cross-border shopping, Europe. Source: Eurostat, 2018
Top 10 barriers for cross-border shopping: Consumers

- Delivery shipping costs
- Concern that I may not receive the item
- Having to pay customs duties/fees and/or taxes
- May not receive sufficient help if I encounter problems
- Delivery time not fast enough
- Concern that the item I receive would not be as described
- Difficult process for returning products
- Concerns about counterfeit goods
- Concern about identity theft/fraud
- It is not clear how much duties/customs fees/taxes I will have to pay

*Results are among all consumers surveyed, not weighted for population size
Challenges

○ **Trade facilitation and security**
  » Increasing volumes – Speed and efficiency
  » Few Large/bulk shipments → large number of low-value small shipments
  » B2C & C2C – Security risks: Limited knowledge on importers and supply chain
  » Data Quality: Accuracy and adequacy

○ **Fair and efficient collection of duties and taxes**
  » Splitting, under-invoicing and mis-declaration
  » De minimis
    • Revenue, loss (Customs duty, VAT/GST)
    • Impact on domestic retailers
  » Classification and origin

○ **Society Protection - Criminal exploitation of e-commerce**
  » Illicit trade and smuggling
  » Drug trafficking
  » Counterfeited and pirated goods
  » Illicit financial flows & Money laundering

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Criminal exploitation of e-commerce

Primary reasons:
- Ease of sale and purchase
- Perception of anonymity
- Confidence of supply
- Belief that enforcement agencies will not follow up or intercept small/low value shipments.
WCO Working Group On E-Commerce

Remit and Scope

- Multi-stakeholders
- Cross-cutting issues
  - Facilitation
  - Control
  - Revenue
- Collaborative solutions

Customs Administrations
PSCG
International Organisations
E-Commerce Actors
WCO Observers
Academia
WCO’s work: Recent Developments

- WCO WGEC 2016-2018
- Luxor Resolution and Customs Communiqué
- First Global Cross-Border E-Commerce Conference Beijing Declaration

Case Studies

Development of policy and technical guidance for enhanced facilitation and effective controls

WCO Study Report on E-Commerce

Updated Immediate Release Guidelines
FoS: Key Elements and structure

1. Introduction
2. Objectives, principles and legal framework
3. Implementation strategy, monitoring, benefits and capacity building
4. Managing cross-border E-Commerce:
5. 8 Principles (Luxor Resolution)
6. 15 Standards
7. Technical Specifications and Guidelines
8. Annexes
   - Definitions
   - Stakeholders: Roles and responsibilities
   - E-Commerce Business Models
   - Revenue Collection Models
   - Data Elements
   - WCO Tools and Instruments
   - Other related tools and instruments
   - Implementation Strategy on Cross-border E-Commerce and Action Plan
   - Study Cases and best practices
Framework of Standards- Objectives

- The Framework provides the standards for the effective management of cross-border E-Commerce from both facilitation and control perspectives. Overall, the Framework:

  ✓ Establishes global standards to promote certainty, predictability, transparency, safety and security, and efficiency in the E-Commerce supply chain.

  ✓ Promotes a harmonized approach to risk assessment, clearance/release, revenue collection, and border cooperation in relation to cross-border E-Commerce.

  ✓ Establishes a standardized framework for advance electronic data exchange between E-Commerce stakeholders and Customs and other relevant government agencies with the aim to facilitate legitimate shipments, providing a more level-playing field for various stakeholders.

  ✓ Seeks to strengthen co-operation between Customs administrations, other relevant Government agencies and other stakeholders involved in cross-border E-Commerce.
## FoS: Summary of Standards

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<th>Description</th>
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<td>Legal Framework for Advance Electronic Data</td>
<td>Expanding the Concept of AEO to Cross-Border E-Commerce</td>
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<td>Use of International Standards for Advance Electronic Data</td>
<td>Public-Private Partnerships</td>
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<td>Risk Management for Facilitation and Control</td>
<td>International Cooperation</td>
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<td>Use of Non-Intrusive Inspection Technologies and Data Analytics</td>
<td>Communication, Public Awareness and Outreach</td>
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<td>Simplified Clearance Procedures</td>
<td>Prevention of fraud and Illicit Trade</td>
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<td>Inter-Agency Cooperation and Information Sharing</td>
<td>Mechanism of Measurement</td>
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<td>Explore technological developments and innovation</td>
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Risk based approach based on advance electronic information

- New approach to Risk Management
  » New actors
  » New data sources
  » New Partnerships
- Advance Data Exchange E-Commerce stakeholders and Customs (e.g., e-vendors/platforms, Post, Express)
- Development of policy and technical frameworks for enhanced facilitation and effective controls
  » Collaborative Risk management
  » Simplified account based clearance
  » Enhanced facilitation for trusted operators
  » Efficient return and refund procedures
  » Alternate models of revenue collection

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Direct Data Exchange between e-platforms and Customs

- Order data
- Payment data
- Shipping data

- Centralised platform
- Use of APIs

- Data with e-platforms and intermediaries
  - Supplier’s name and address
  - Buyer’s name and address
  - Place of delivery
  - Description of goods
  - Value of goods
  - Weight of goods
  - Number of pieces
  - Origin
  - Delivery mode and tracking data (including consignment identifier/tracking number and carrier/postal operator)
Direct Data Exchange between e-platforms and Customs

- **Enhanced facilitation**
  - fast tacking of legitimate shipments
- **Efficient and effective risk management**
- **Improved compliance and efficiency**
Revenue Collection (low-value shipments)

- Adapting existing systems and procedures for an effective and efficient revenue collection
- Alternate Models of Revenue Collection
  - Vendor Collection Model (e.g., Australia, the EU and New Zealand)
  - Intermediary Collection Model
  - Buyer Collection Model
- Identifying new ways to collect necessary information for revenue collection
  - Description of goods
  - Value
  - Country of Origin
  - Shipper and buyer’s details
E-Commerce Package 2019

- Definitions
- Technical Specifications
- Flow charts: Postal, Courier, Return
- E-Commerce Business Models
- Implementation Strategy
- Capacity Building
- Pilots
- Case Studies
WCO-UPU Cooperation

- Recent work:
  - Joint WCO-UPU EDI messaging standards
  - Simplified version of CN23 for EMS parcels to facilitate Customs clearance of EMS parcels
  - Joint Customs Post Guide
  - Joint Guidelines for Developing MoU between Customs & Postal operators at national level
  - Revised CN 22 and CN 23
  - Joint letter
  - Joint survey

- Efficient merchandise return and refund procedures – account based clearance and deferred payment of duties and taxes

- Joint Guidelines on advance electronic exchange of information

- Joint Guidelines on the capture of advance electronic data and compliance with CN22/CN 23 forms
WCO Immediate Release Guidelines

- Elaborate Principles of **Separation of Release from Clearance** for immediate release of goods, based on categorization of consignments
  - Category 1: Correspondence and documents (Documents)
  - Category 2: Low value consignments for which no duties and taxes are collected (de minimis threshold)
  - Category 3: Low value dutiable consignments (simplified Goods declaration)
  - Category 4: High value consignments (full Goods declaration)

- Provide a set of data elements based on **WCO Data Model** for exchanging **Advance Electronic Information** to facilitate pre-arrival risk assessment

- Assist Customs administrations’ implementation by providing the exact procedure to be applied and various **National Experiences**
Future work

- Standardized data elements and exchange mechanisms
- Revenue Collection Approaches
- E-Commerce Stakeholders: Roles and Responsibilities
- Maintenance and update of the Framework
- Tailor-made technical assistance
- Supporting discussions at other forums, e.g. WTO, OECD, UNCTAD.
For further details:

E-Commerce Package

Thank you

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