



**Asia-Pacific
Economic Cooperation**

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Session 3.1

Spread of E-Commerce Norms and the Subsequent Challenges: Perspectives of the Private Sector

Submitted by: UPS



**Free Trade Area of Asia-Pacific Capacity
Building Workshop on E-Commerce
Elements in Free Trade Agreements and
Regional Trade Agreements
8-9 September 2021**



Session 3: Spread of E-Commerce Norms and the Subsequent Challenges: Perspectives of the Private Sector

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24.7 million

Packages and documents a day

540,000+

Employees globally

220+

Economies and territories served

3 percent

Global GDP

2,285

Daily flight segments globally



E-Commerce Trends

More are buying online...

... and from outside their own borders

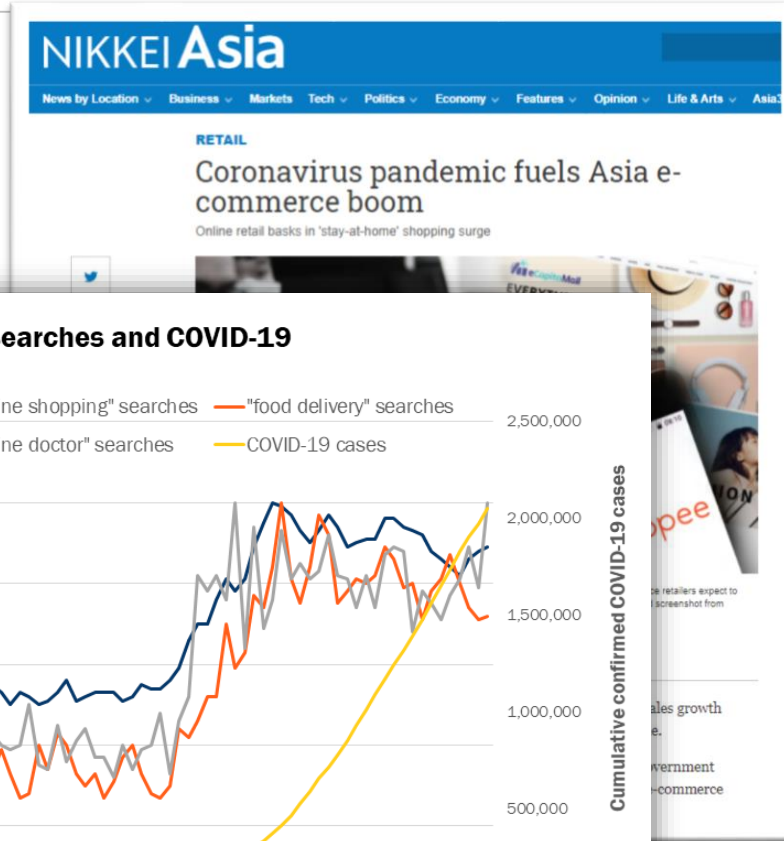
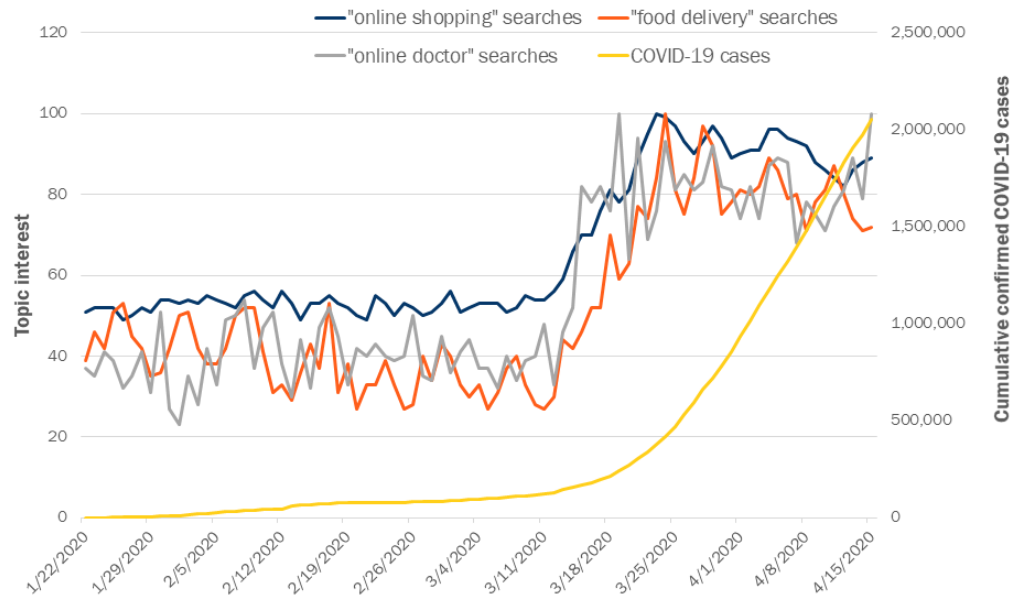


Figure 1. Worldwide Google searches and COVID-19



Source: Google Trends topic interest over time (normalized to index with scale 0-100); Johns Hopkins Coronavirus Resource Center

BROOKINGS

Global E-Commerce

Average annual growth rate, 2021-25



Cross-Border



Domestic

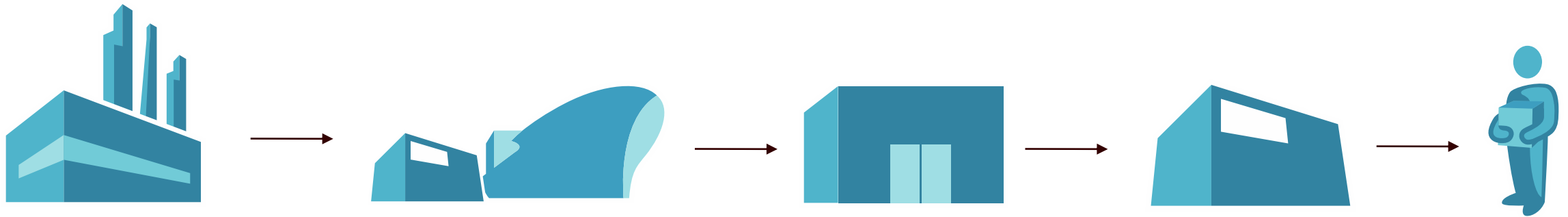


Source: Kaleido Intelligence, B2C Cross-border eCommerce: Market Outlook 2021

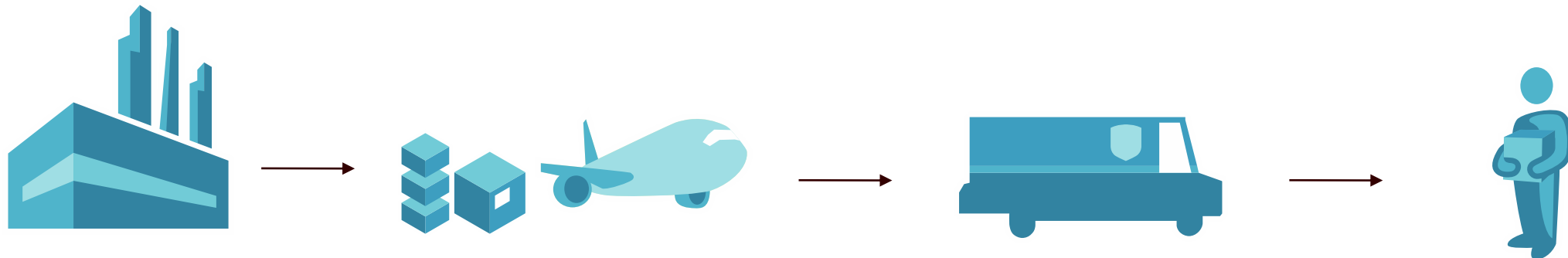
Goods distribution channels: Then & Now

Today's supply chains are becoming even more customer-centric

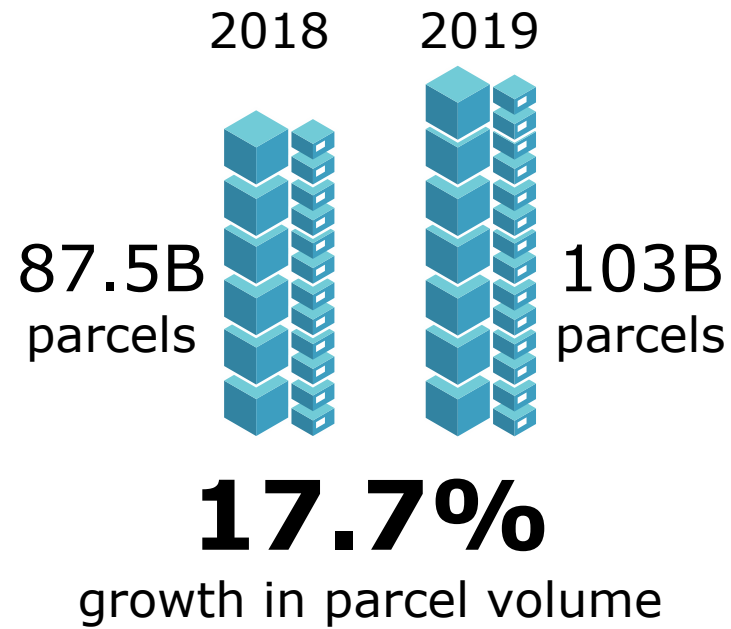
Then: Large inventories, slow-moving pallets (high-value B2B)



Now: Small parcels, meeting individual customer needs/preferences (lower value B2B and B2C transactions)



Low value small parcel volumes are growing



3,248
parcels per second



27
parcels per person





Policy Implications

New Challenges in Border Management

"Democratization" of trade brings new challenges

At the Border



Behind the Border



Patchwork of Measures:

- VAT/GST collection mechanisms
- Lowering/removal of de minimis thresholds
- Additional data / documentation requirements (e.g. IDs)
- More restrictive treatment of imports (e.g. frequent importer rules)
- Increased inspections
- Collection of more trade data (e.g. HS codes) introducing more complexity

Billions of dollars in technology to combat the most mind-boggling conundrum of all: flats vs. pumps.



UPS for e-commerce. Online shoppers know they have plenty of options. Try it on. Don't like it. Send it back. Repeat. And with 67% of online shoppers* more likely to buy from a business that has a good returns policy, more and more retailers are relying on UPS to manage it all. We offer everything from simple online tools that streamline your returns to off-site warehouses that manage exchanges for online retailers around the country. And with easier returns, your customers will keep coming back. From figuring it out to getting it done, we're here to help. ups.com/solvers

ups united problem solvers™

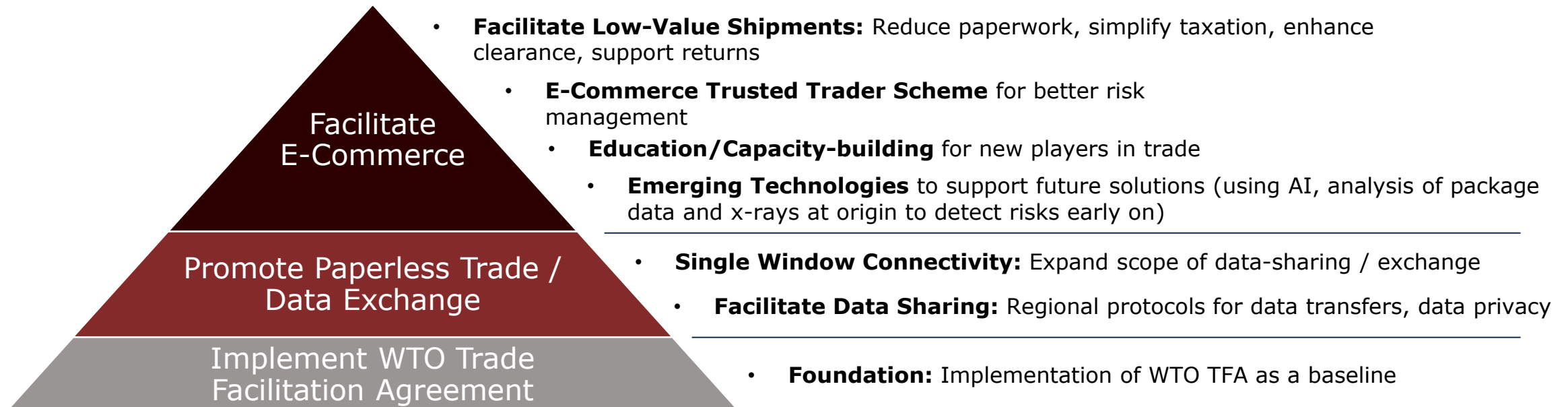


Recommendations

Recommended Holistic Approach

Further trade facilitation + Upstream risk management + Capacity-building for traders

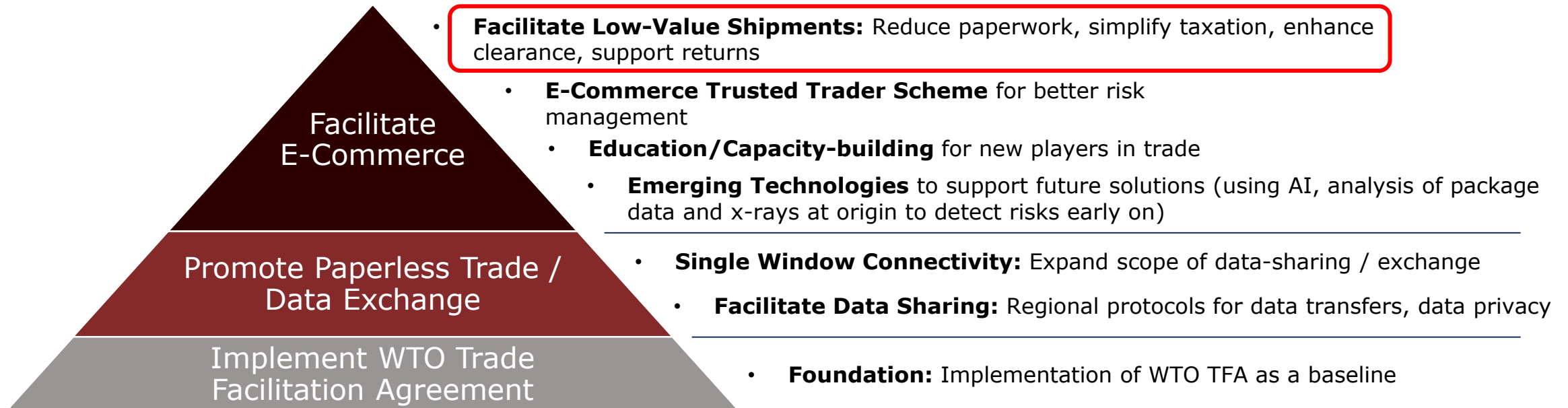
- Implementation of WTO TFA as the baseline
- Encourage further facilitation of low value shipments
- Promote trust-building and compliance-promoting mechanisms that are easy to comply with for SMEs
- Leverage emerging tech (e.g. data analytics, AI) to move risk management upstream; limit at-the-border interventions to keep border clearance efficient



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Facilitating Low Value Shipments by Simplifying Processes

E-commerce growth should not be hindered by cumbersome border processes.

Guiding Principles:

- Solution should leverage existing programs/technology so it's tried and true.
- Solution should be low-cost, simple, and easy to implement.
- Solution should not discriminate between foreign and domestic retailers (vendors).
- Solution should enable border formalities to focus on health, security, and safety.
- Solution should allow for revenue collection to take place off the border to reduce bottlenecks.

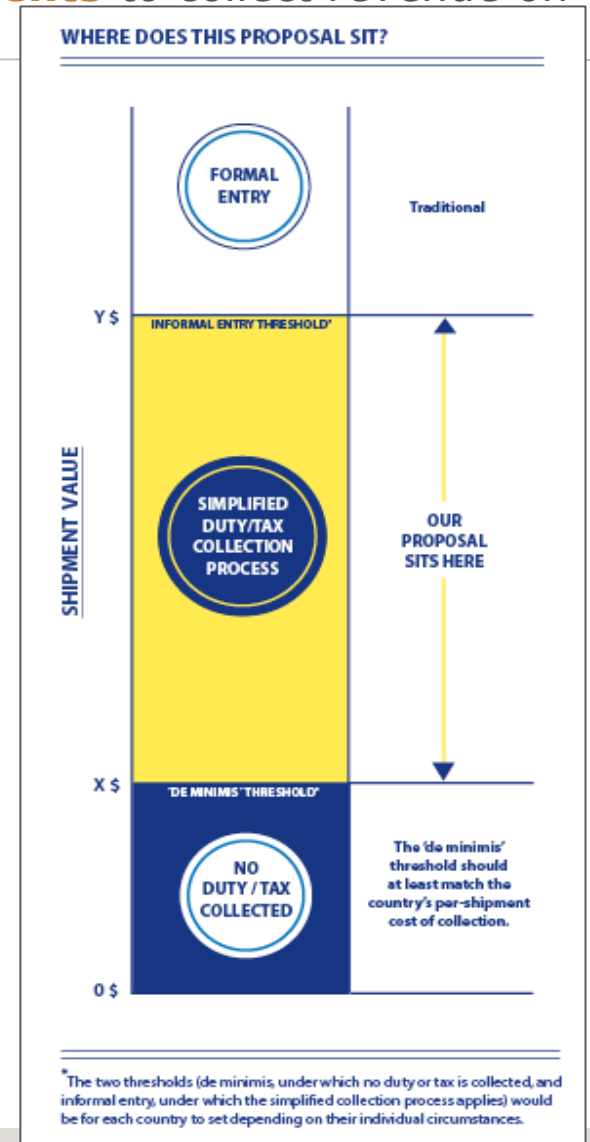
Adoption by a Critical Mass of Economies Would:

- Increase **MSME exports** among the participating markets.
- Capture **new government revenue** lost to undervaluation, leakage, and abandoned shipments.
- Support **economic development**, broadly.

Proposal on Duty & Tax Collection on Low-Value Shipments

How to make it easy for **MSMEs** to export through e-commerce and for **governments** to collect revenue on imported small parcels.

- Implement a **simplified classification and duty rate system within a commercially meaningful informal entry threshold**. (For instance, a limited number of “buckets”, or grouping of classification headings, that allow a vendor to classify goods easily and apply relevant duty at origin. See Canada GHS model.)
- Additionally, for economies that have a GST/VAT focus, once the above duty simplification is established, **a current tax schedule can be appended to the duty bucket template**. (See Australia Vendor Tax model.)
- Leveraging a readily available technological solution, an **“Application Programming Interface” (API)**, should be used to encapsulate the standardize duty and tax information – making destination rates available and applied at point of sale, driving sales through transparency and landed costs.



Benefits to Stakeholders

For Governments

- Captures lost duty & VAT revenue from leakage or undervaluation
- Does not require any border intervention so can stay focused on safety and security while managing the flow of low-value imports
- Reciprocity among APEC economies means an import simplification solution now turns into an export accelerator
- Adaptable across economies' varying existing indirect tax and duty policy regimes

For Enablers

(Logistics Services, Marketplaces, Programmers, Payment Platforms)

- Helps resolve the issue of how to capture tax and customs duty – a critical part of the e-commerce ecosystem
- Allows for interoperability across different conveyance methods
- Landed costs calculated at checkout cart, which enables predictability, drives international sales, and minimizes returns/refused shipments
- Eliminates last-mile COD collection upon delivery and security issue of drivers carrying cash

For MSMEs and New Exporters

- Solution is most impactful to MSMEs due to simplification
- Will enable global MSME traders to trade internationally
- The API creates technology neutrality, so no particular vendor or software solution is needed

For Multilateral Institutions

- WTO: JSI E-Commerce negotiations opportunity
- UNCTAD: Opportunity to further extend benefits for those economies utilizing Automated System for Customs Data (ASYCUDA)
- OECD: Solution is in line with OECD recommendations on global indirect taxation
- APEC: APEC oversight implementation across member economies enables import/export growth at a macro level

Proposed Trade Policy Principles

Each [party][member] [shall]:

1. Provide, to the extent possible, for a de minimis shipment value or dutiable amount for which customs duties and taxes will not be collected, aside from certain prescribed goods.
2. Adopt simplified procedure for collecting duties/and or tax.

Such revenue collection models [shall][should] meet the following principles:

- a. They shall not be discriminatory in terms of thresholds between domestic and non- domestic retailers.
- b. They shall be simple, low-cost, and easy to implement for governments, merchants of all sizes and carriers, all with a view to minimizing the costs incurred by traders.
- c. To the extent possible, such processes shall match the domestic collection and remittance process, that is, collection shall take place away from the border on a periodic basis.
- d. Any border formalities shall focus only on health, safety and security.

As per the Trade Facilitation Agreement, some categories of goods can be excluded from the 'de minimis' threshold. Art 7.8.3 of the Trade Facilitation Agreement provides that Members retain the right to examine, detain, seize, confiscate, and refuse entry of goods.



THANK YOU