

Accelerating SME Trade: *De Minimis* Plurilateral

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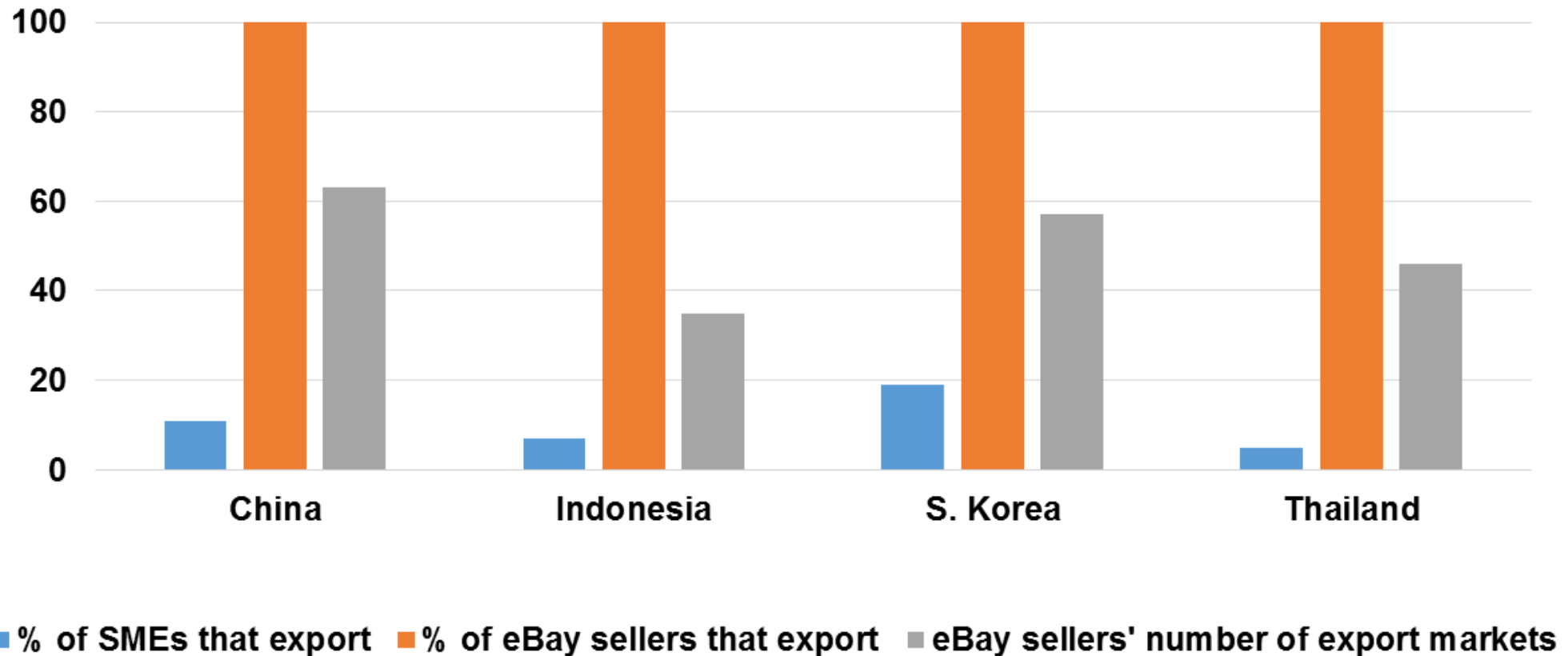
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While Export Participation Rates Are Low....

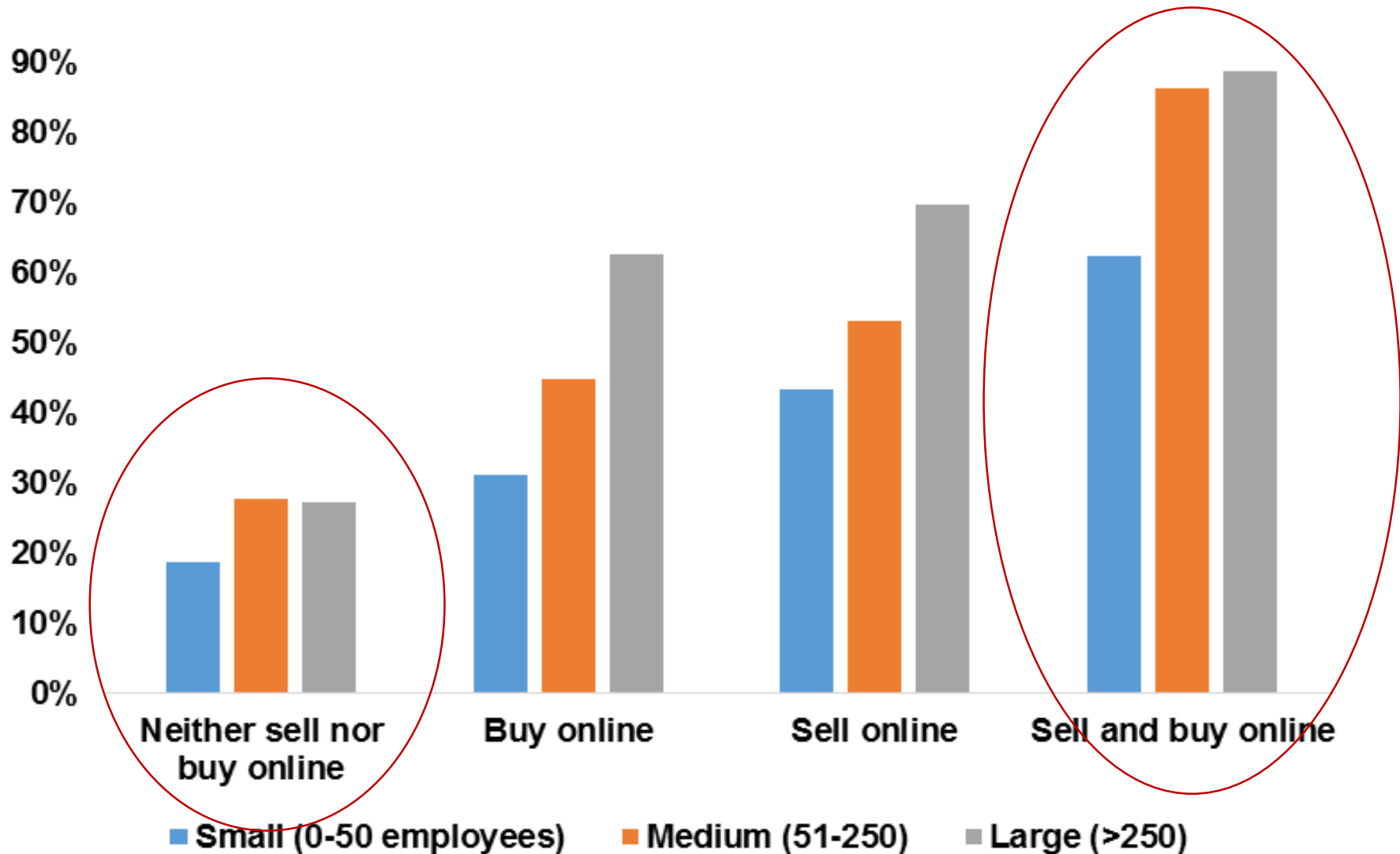


...Ecommerce Creates Micro-multinationals



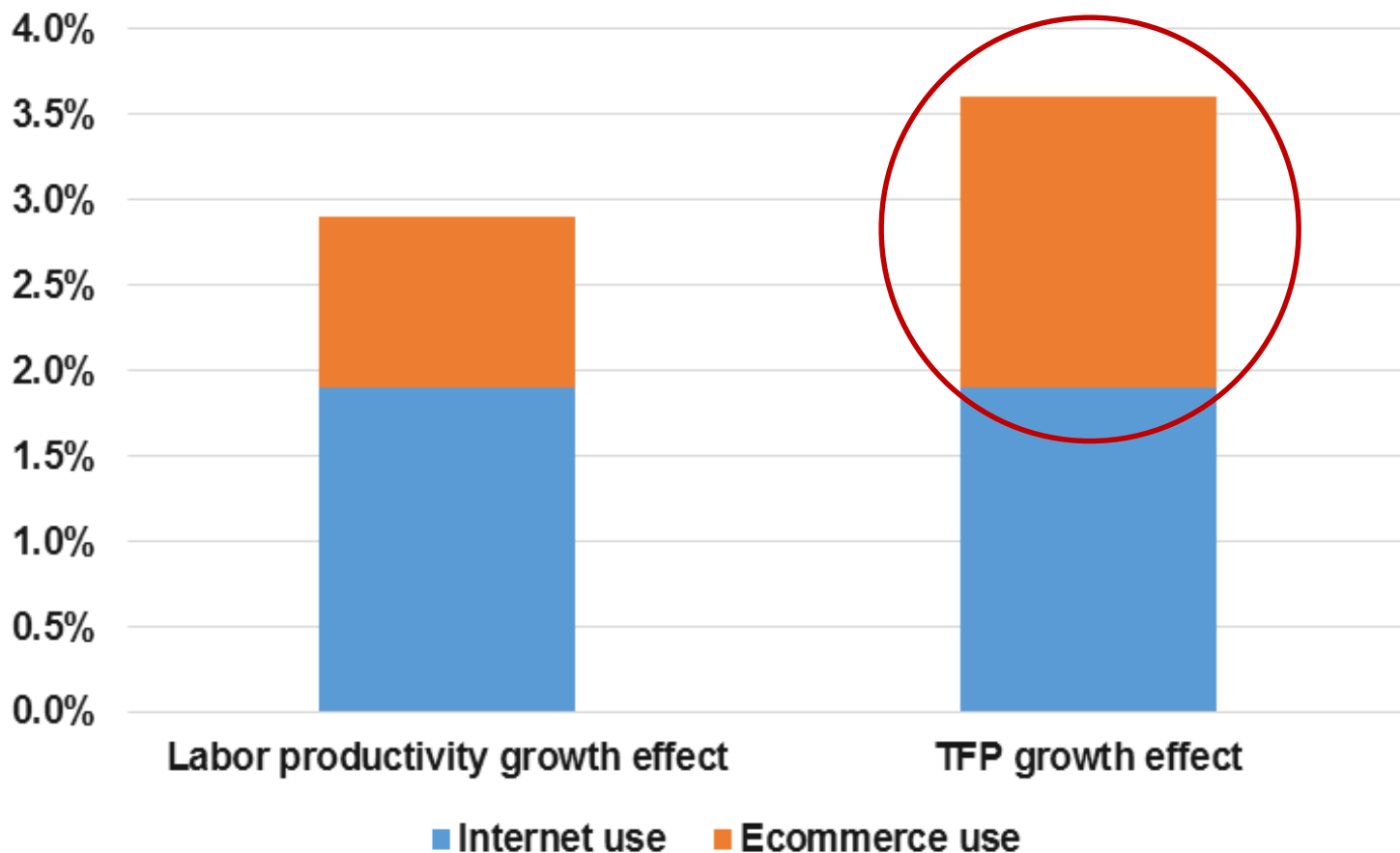
Online sellers much likelier to export

% of companies that export, by online sales

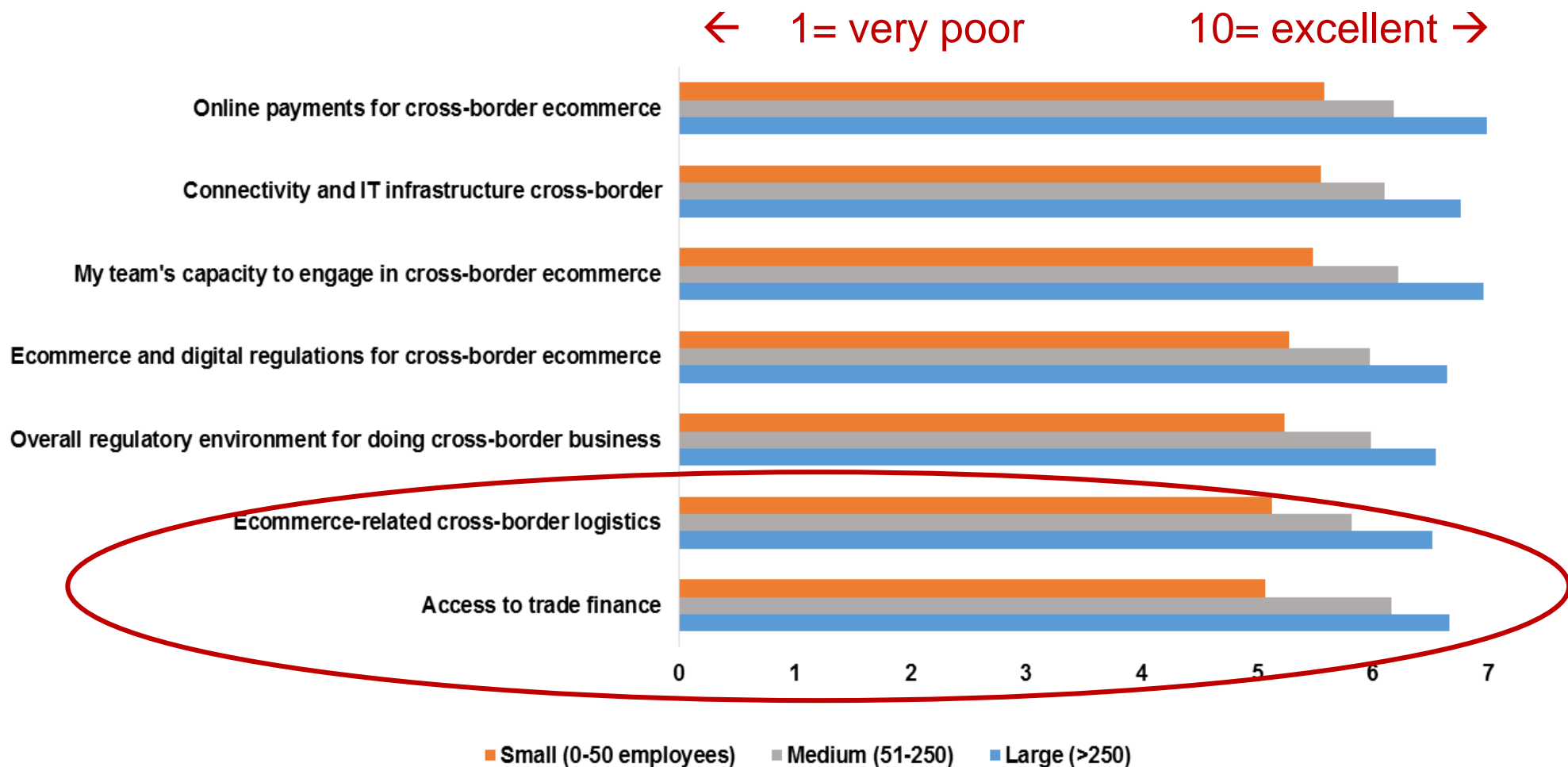


Ecommerce Bolsters Companies' Productivity

Additional Labor productivity and TFP Growth for Vietnamese Online Firms vis-à-vis Offline Peers

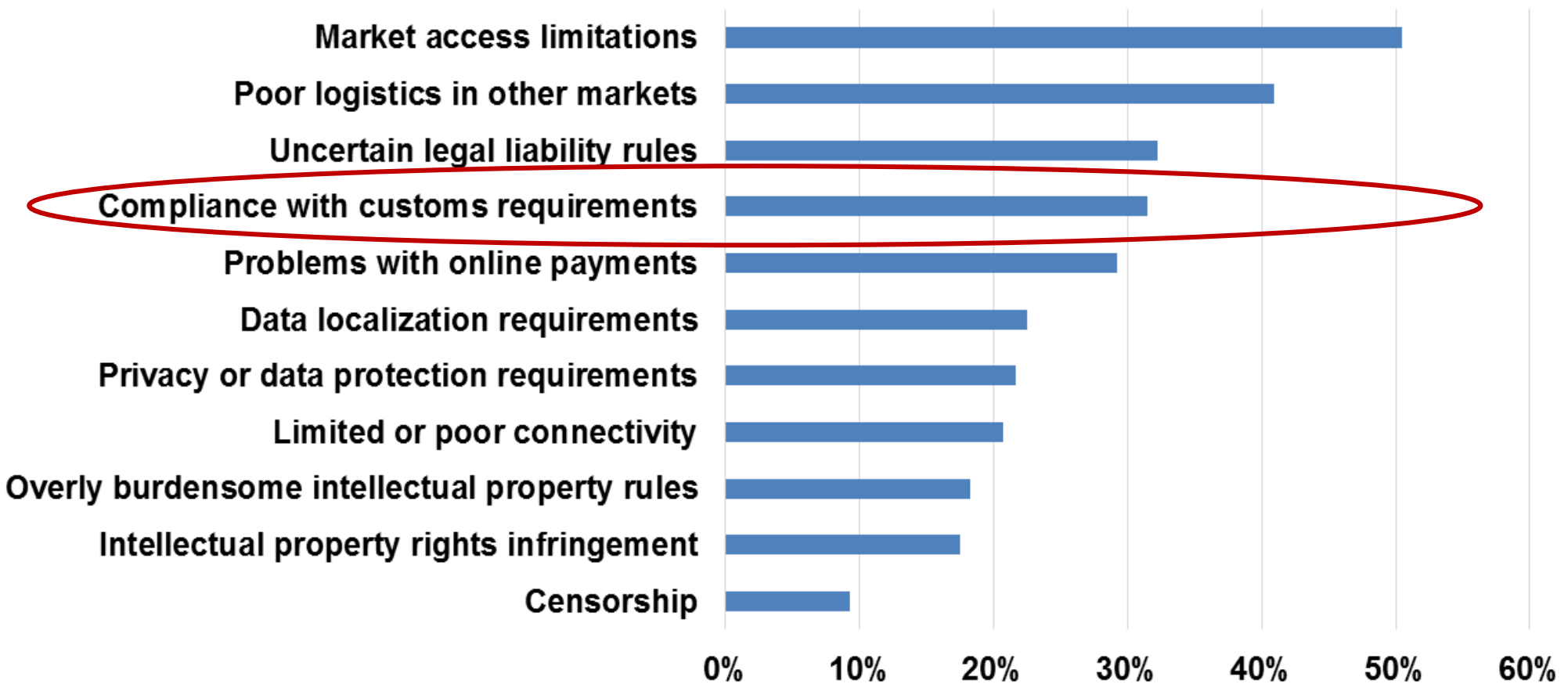


SMEs in 15 Developing Countries: Customs and logistics among worst challenges to ecommerce



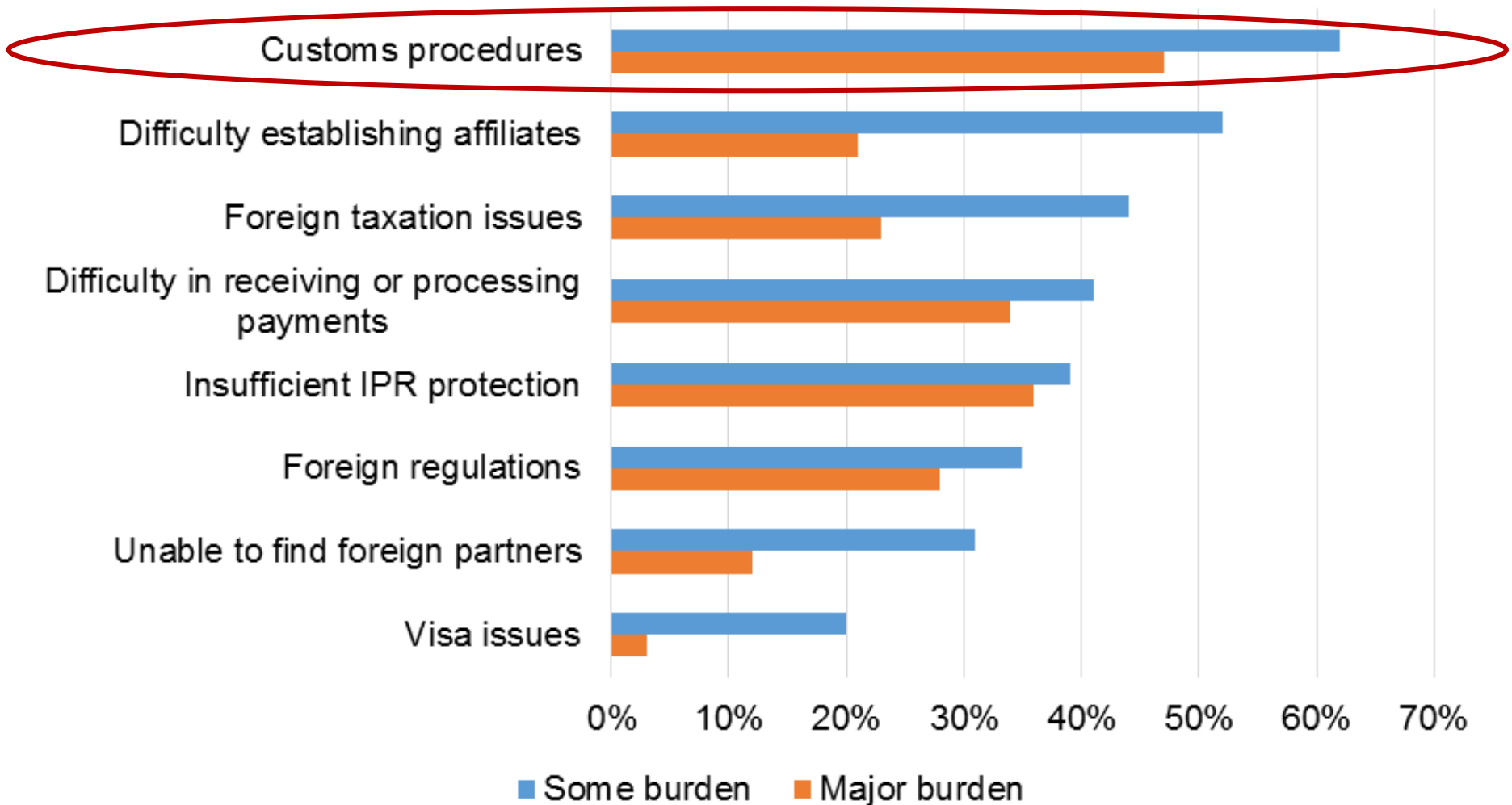
Same in Latin America

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



And the United States

% of U.S. SME Manufacturers Experiencing Non-Tariff Measures as “Burdensome”



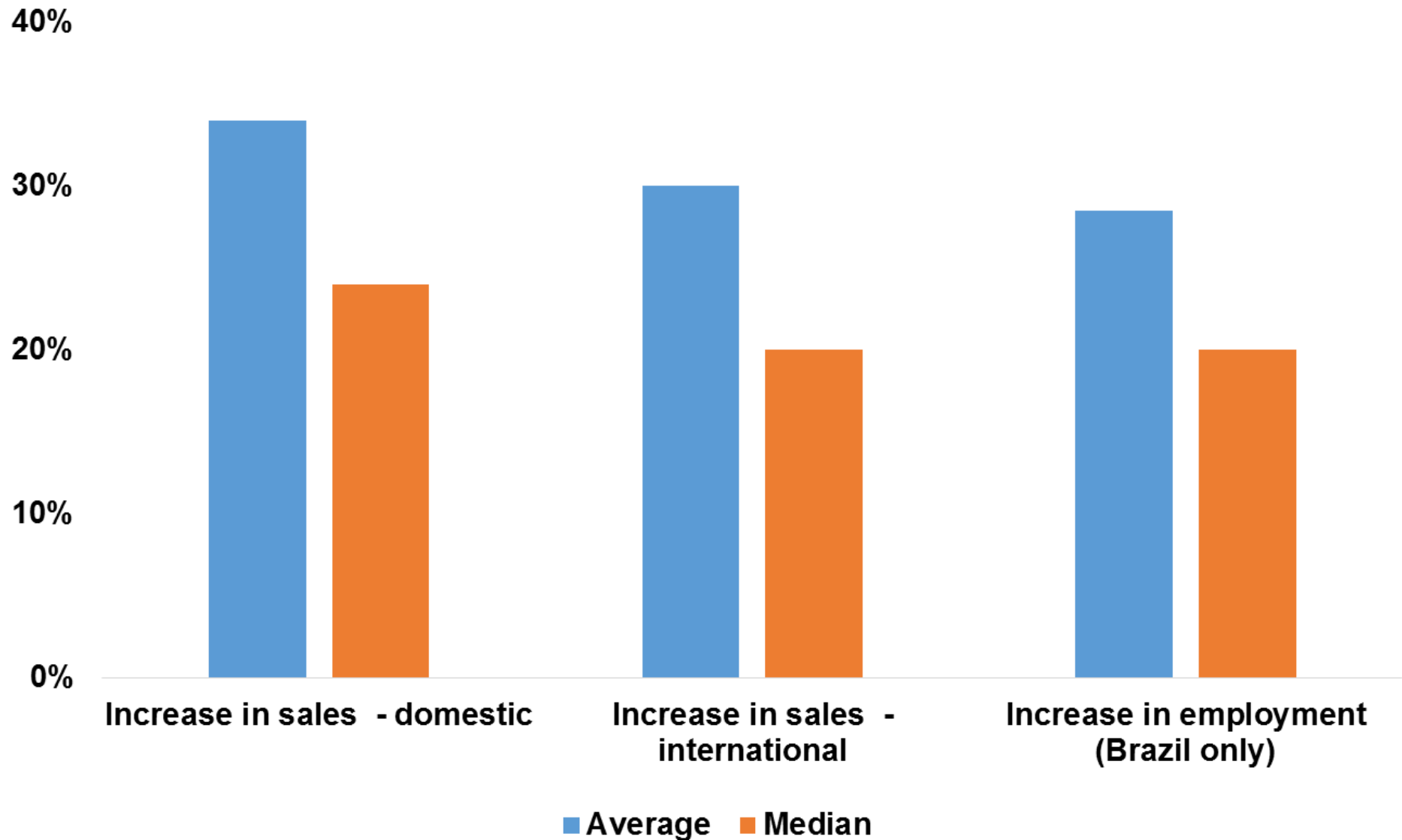
Main challenges to cross-border ecommerce – small merchants

	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

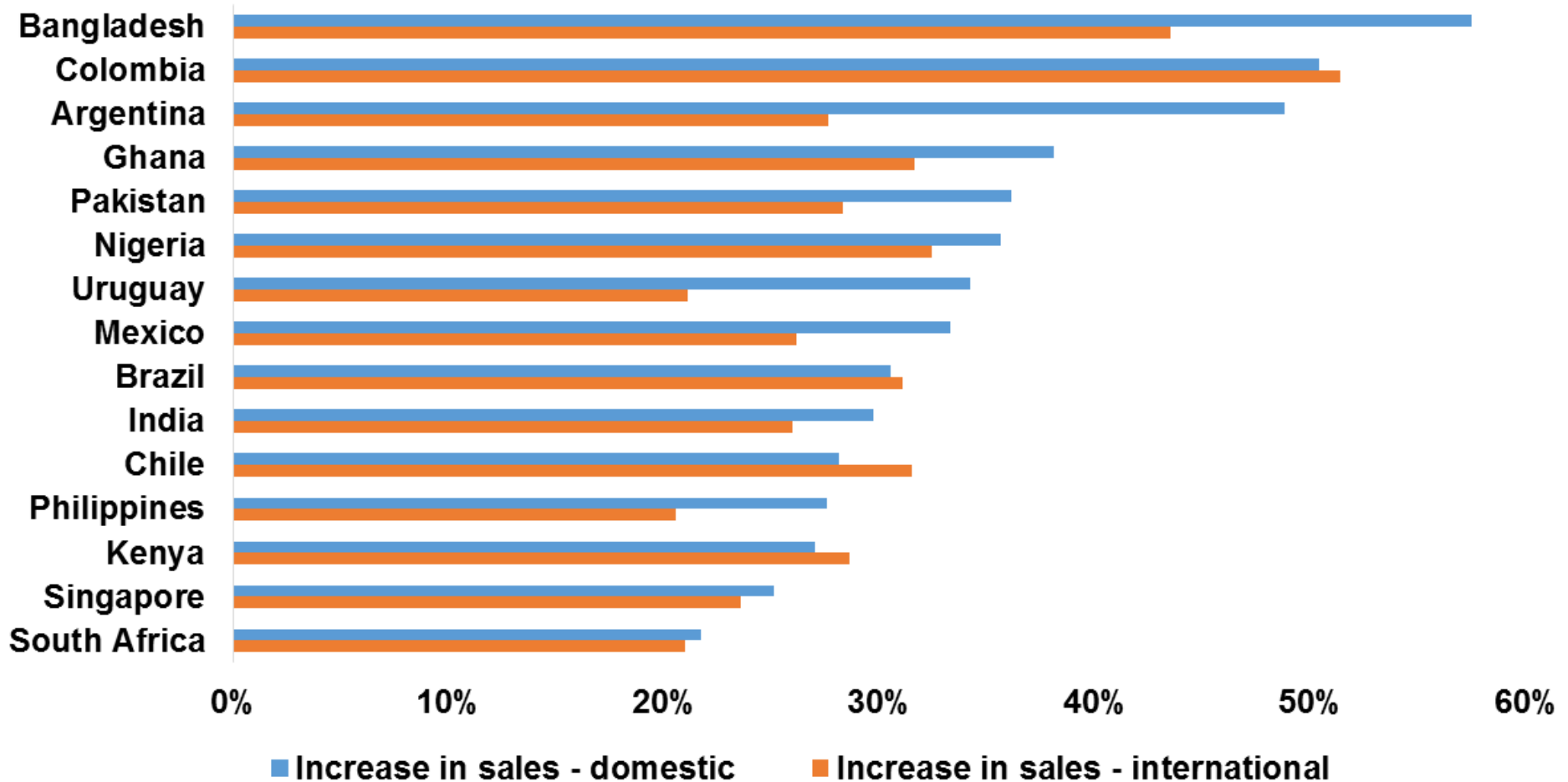
Main challenges to cross-border ecommerce – small merchants

	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

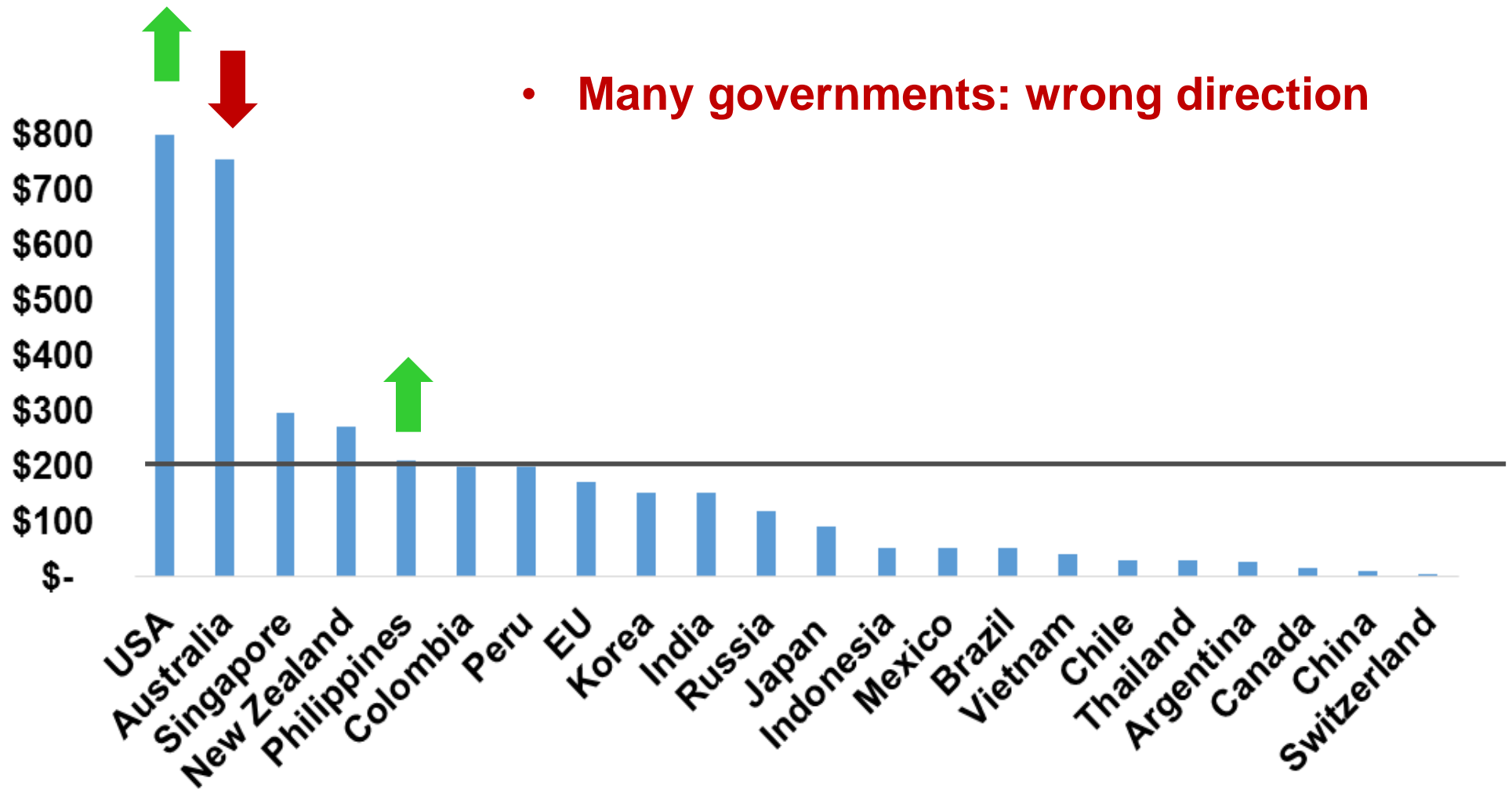
Net Economic Benefit from Increased *De Minimis* Levels, USD Millions

Alternative Threshold USD	Canada	Indonesia	Japan	Malaysia	Thailand	Vietnam
\$ 50	\$ 30.20	0	0	0	\$ 0.30	N/A
\$ 100	\$3,663.00	\$ 28.48	0	0	\$ 53.40	\$ 6.90
\$ 150	\$4,511.00	\$ 31.70	\$ 101.00	0	\$ 59.50	\$ 8.60
\$ 200	\$5,268.00	\$ 34.90	\$ 296.00	\$ 17.70	\$ 65.80	\$ 9.40

Source: CAPEC and Trade Data International Pty Ltd, estimates by ITS Global Asia Pacific, cited in Holloway and Rae. For Vietnam, source is Jeffrey Rae, "The Economic Impact of Increased De Minimis Thresholds on ASEAN Economies, ASEAN Regulatory Reform Symposium, Manila, The Philippines, 23 July 2012.

Yet: *De Minimis* Levels Largely Unchanged

- Many governments: wrong direction



Now: Turn The Lousy Equation Around

OLD PARADIGM

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



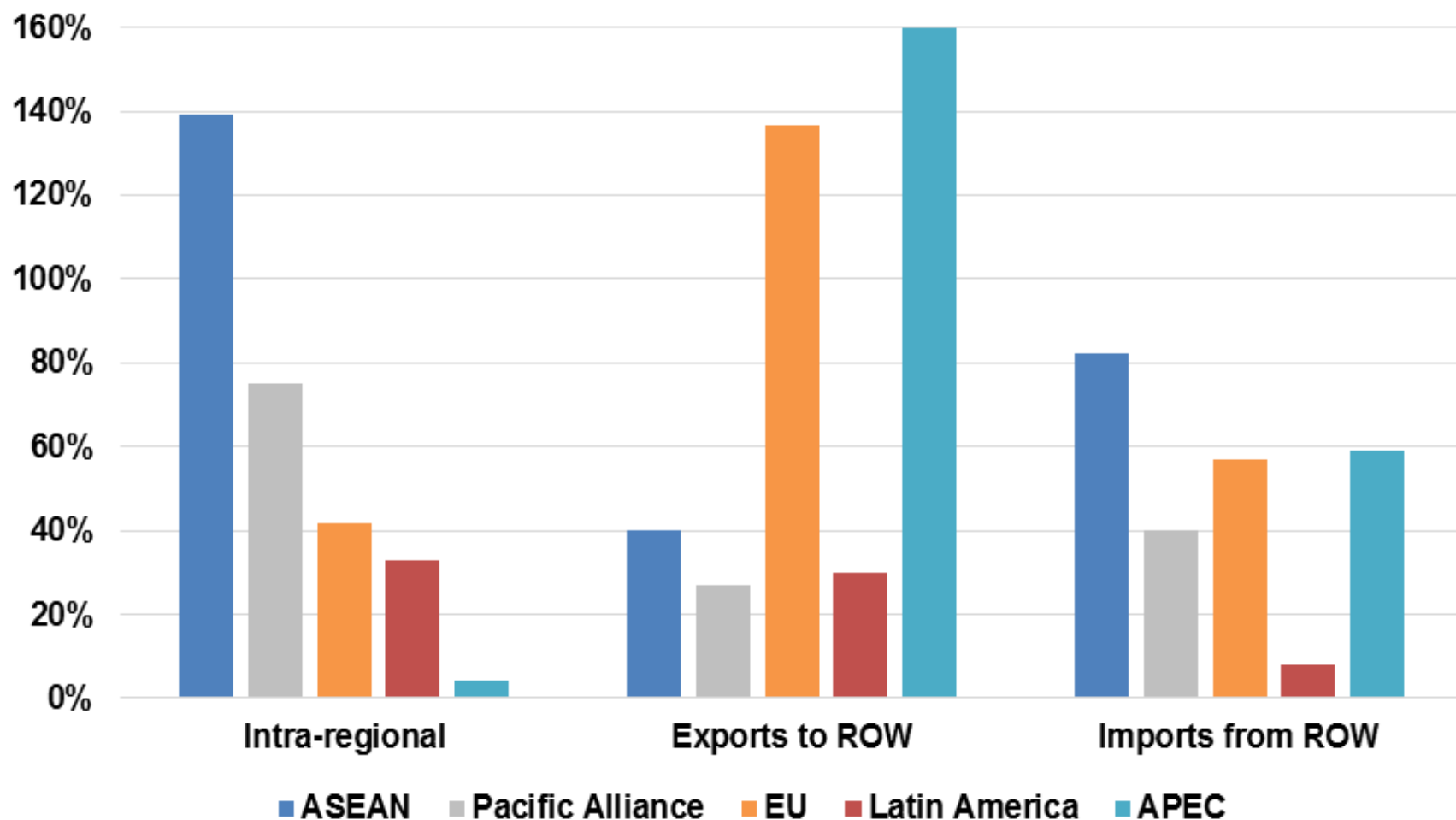
NEW PARADIGM

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

How Much Low-Value Item
Trade is There?

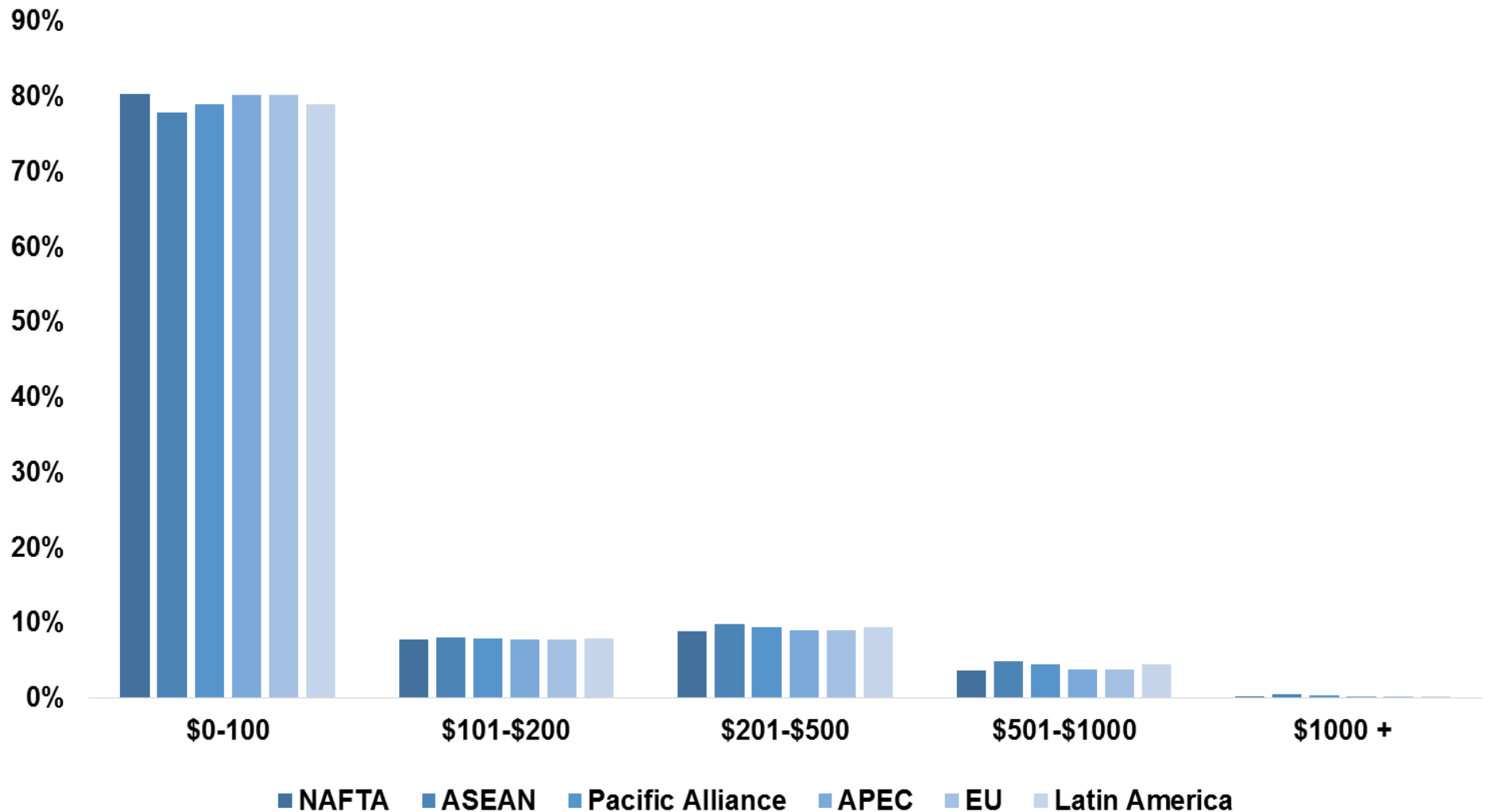
Parcel shipments up 73% in 2011-15

Growth in Tonnage of Cross-Border Parcel Flows in 2011-15, Selected Regions and Directions (Index where World in 2011 = 100)

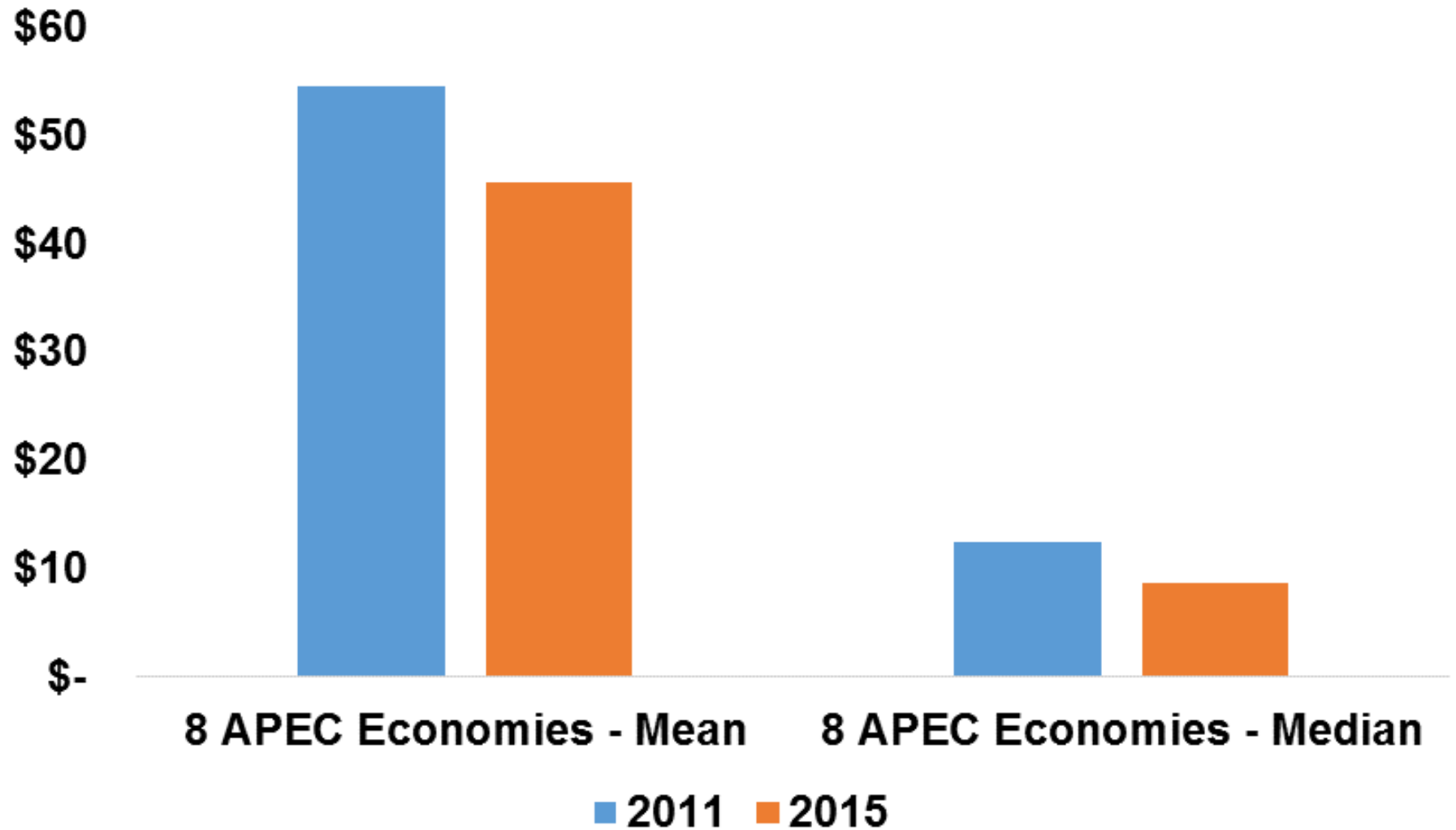


Bulk of shipments <\$100

Distribution of Shipments by Value

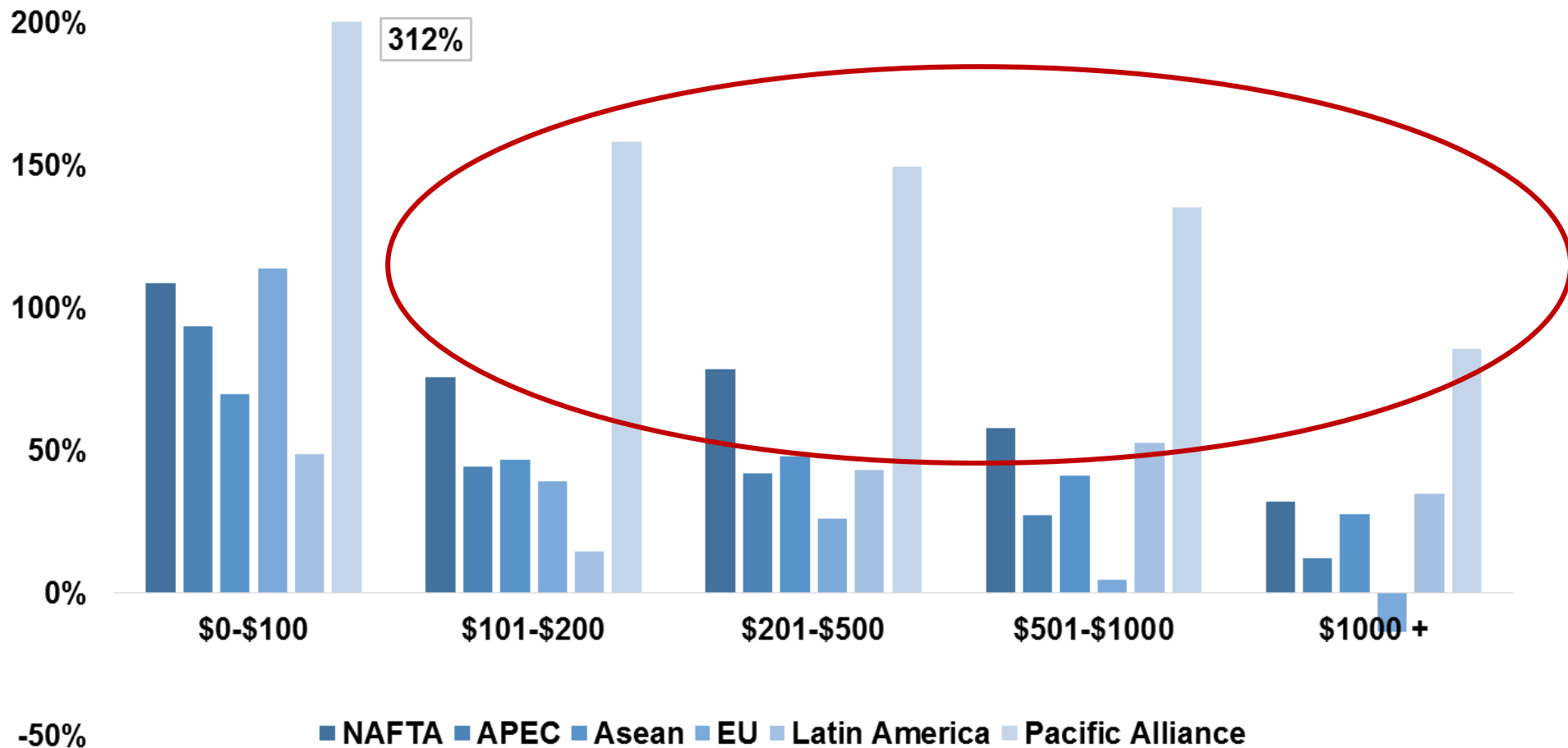


Mean and median shipments very small

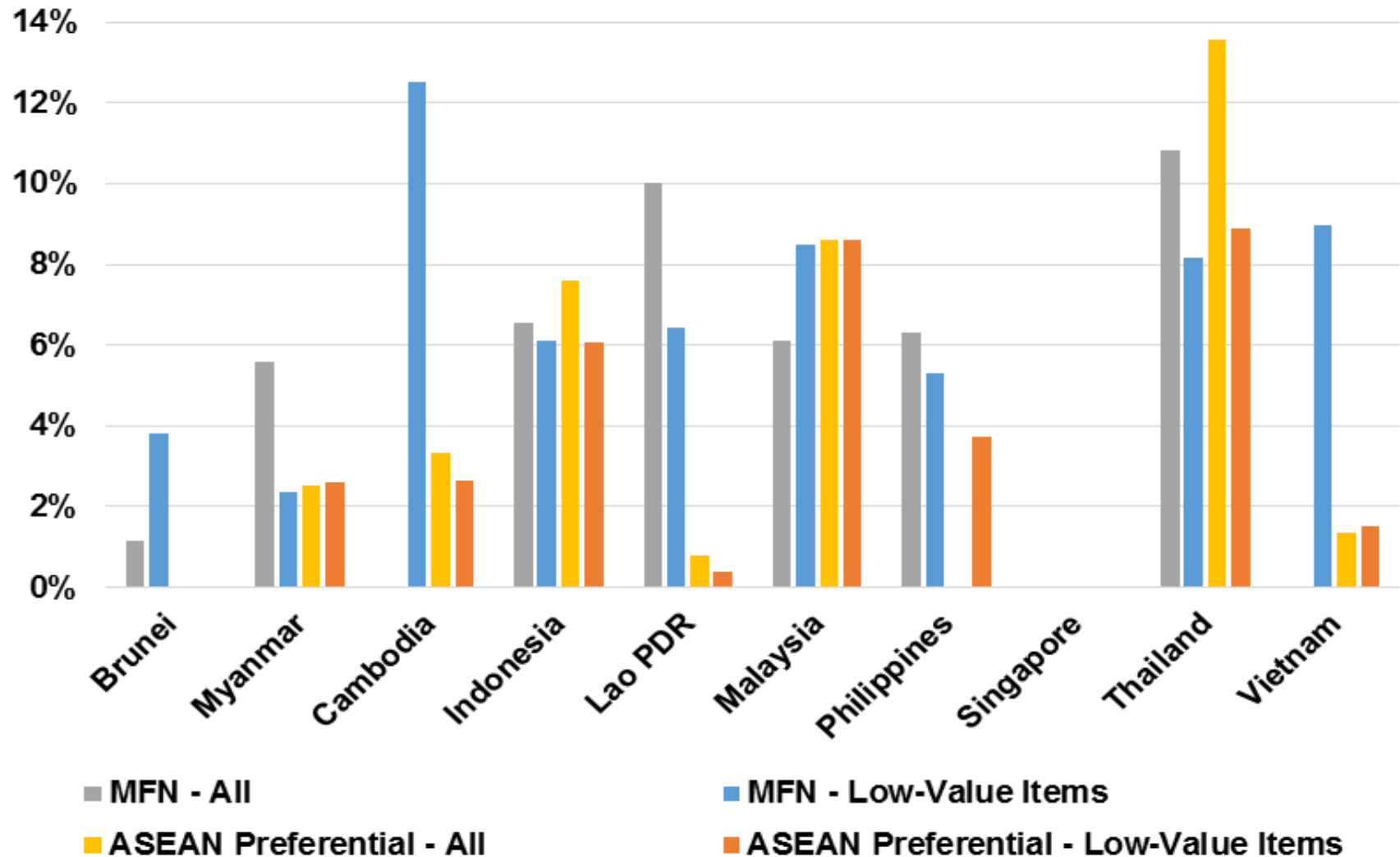


Most growth in shipments <\$100 (below *de minimis*)

Growth of Shipments in 2011-15 by Value Category



Tariff on Low-Value Items Makes No Sense: Brings Little Revenue



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

Steps to a *De Minimis* Plurilateral

- ESCAP, development banks: Create ecommerce capacity-building program for willing countries
- Help each economy assess net effects (including SME exports) of scenarios
- Stage intergovernmental negotiation for 18-month pilot
- Assess impact annually
- Who should drive: developing countries that
 - Ask developed countries (Canada, EU) to work together
 - Get longer phase-out
- Above thresholds: Trusted eTrader Program
 - PPP with big data on ecommerce shipments for customs security assessments (like ACAS)
 - Simplified compliance
 - Fast-track clearance for Trusted eTraders

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