E-Commerce & Trade Facilitation
Challenges and Opportunities
World Bank Group is a major provider of trade related assistance

Support to trade facilitation related projects increased from $322 million in 2004 to $7 billion in 2015

Two-thirds devoted to low or lower middle income countries

Program includes:

- Analysis and Diagnostics
- Technical Assistance
- Financing of major trade infrastructure and institutional reform projects
- Research and data products (LPI/Doing Business)
- Global advocacy and partnerships

Over 120 customs and border management projects over past 20 years

In recent years shift from pure customs projects to border management, agency reform and modernization
WTO-TFA Preparation & Implementation Support - Trade Facilitation Support Program (TFSP)

**Objective**

Assist developing countries in reforming and aligning their trade facilitation laws, procedures, processes & systems to enable implementation of the WTO TFA Requirements.

- Implementation focused
- Rapid response capability
- Deep engagement with the private sector
- Strong monitoring, evaluation & results framework
- Complementary & sequenced Technical Assistance (TA) activity
- IFC-WB presence in most countries, project components included at national and regional levels
- Global expertise

**Vision**
GLOBAL TRENDS IN CROSS BORDER E-COMMERCE

- E-Commerce is driven by technology and constrained by tradition...

- In 2005, e-commerce share of total goods traded was 3% which increased to 12.1% by 2012.

- Estimated global sales in 2017 are expected to surpass US$2.3 trillion.

- Regulations and logistics have a significant impact on consumer price and time for goods to reach their destination.

- High prices and lengthy delays particularly reduce market access for SMEs, and affect the attractiveness of cross border ecommerce for consumers.

Source: McKinsey Institute
TRADE FACILITATION & E-Commerce

- An average trade transaction involves 20 to 30 different parties, 40 separate documents, and around 200 data elements (30 of which are repeated many times across different agencies)
- Traders often need to physically go to border agency offices and complete paperwork
- Border agencies typically have offices in their capital cities
- Many procedures and approvals are paper based
- Small parcel shipments often treated as general cargo (limited benefits offered such as de-minimis, expedited shipments, duty relief)
- Customs and border procedures requires specialized knowledge – use of customs brokers is common as a result
E-COMMERCE ENABLED TRADE DECREASES DISTANCE

THENEGATIVE EFFECT OF DISTANCE ON TRADE

10% INCREASE IN DISTANCE REDUCES TRADE BY

18%

3%

Source: EBay
E-COMMERCE: KEY CHALLENGES

- Underdeveloped legal enabling environment
- Low level of readiness of border agencies
- Gaps in telecom, internet and e-payment infrastructure
- Challenges faced by SMEs
- Lack of integration of postal services with border agencies
- Need for improvement to air connectivity
- Poor reach of logistics and postal delivery for remote areas
- The policy challenges created by exponentially advancing technologies in last mile logistics
Balancing Facilitation and Control......

Customs Workload and its Personnel

Source: Japan Customs 2016

Note: Figures for Year 2005 taken as a baseline (100)
E-COMMERCE: KEY OPPORTUNITIES

• The WTO Trade Facilitation Agreement

• Automation of border management environment

• Simplified procedures to enable e-commerce

- Improvements in postal service delivery
- Improving National Quality Infrastructure
- Reducing costs through Regional Integration
- Opportunities for Logistics providers
OPPORTUNITIES: WTO TFA

- Expedited shipments
- Risk management & PCA
- Adoption of International Standards
- Advance declaration
- E-payment
- National Single Window
- Formalities
- Border Agency Coordination
E-PAYMENT

- Mobile Payments
- Online using credit cards or direct debit accounts
- Cash on Delivery
- E-Cash
- Smart Cards

Evolving Landscape
The cost of clearance procedures would dramatically reduce due to tax exemption and simpler clearance procedures.

<table>
<thead>
<tr>
<th>Cost reduction as a result of raised De Minimis</th>
<th>Government Agency</th>
<th>Supply Chain Operator</th>
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</thead>
<tbody>
<tr>
<td>• Import compliance costs</td>
<td></td>
<td>• Data collection, analysis, cleansing and entry costs for full customs declarations</td>
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<tr>
<td>• ICT costs</td>
<td></td>
<td>• Bad debts with duties and VAT</td>
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<td>• Transfer costs between revenue and customs agencies</td>
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<td>• Establishment of VAT numbers for non-regular importers</td>
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<tr>
<td>• Establishment of VAT numbers for non-regular importers</td>
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<td>• Customer service calls for queries on shipments problems/delays</td>
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<th>No impact if De Minimis is raised</th>
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<td>• Advance cargo information costs</td>
<td></td>
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<td>• Safety and security inspection costs</td>
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<td>• Safety and security inspection costs</td>
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<td>• Warehousing and storage costs</td>
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<tr>
<td>• Personnel training costs</td>
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Lessons learnt.....

- Sequencing of reforms
- Monitoring and measuring success
- Coordinated Border Agency Approach
- Private - Private sector buy-in to new approaches
- E-Payment can reduce clearance time by 30% ++
Thank you!

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