Expanding SMEs’ Use of Ecommerce & Platforms for Trade

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Online sellers are likelier to export – data from >3,000 firms in developing countries

% of companies that export, by online sales

Developing country sellers are particularly likely to use platforms to export, and export to many markets.

Sources: World Development Indicators, various industry sources and firm-level survey (Suominen, 2017).
It Is in Developing Countries that Platform Seller Numbers Are Growing Fastest (→ catch-up)

Sources: World Development Indicators, various industry sources and firm-level survey (Suominen, 2017).
But developing country sellers’ use of platforms is low: most are <10% from usage levels in the UK.

Sources: World Development Indicators, various industry sources and firm-level survey (Suominen, 2017).
Developing country SMEs’ scoring of the enabling environment for cross-border e-commerce

1 = very poor  10 = excellent

- Cross-border online payments
- Connectivity and IT infrastructure cross-border
- My team's capacity for cross-border e-commerce
- Digital regulations for cross-border e-commerce
- Overall regulatory environment for cross-border business
- Cross-border e-commerce logistics
- Access to trade finance

Top-25 challenges (out of 67) for small & micro firms – South Asia

<table>
<thead>
<tr>
<th></th>
<th>Challenge</th>
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<tbody>
<tr>
<td>1</td>
<td>Last-mile delivery – rural</td>
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<td>2</td>
<td>Population’s digital literacy</td>
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<td>3</td>
<td>Overall cost of cross-border logistics</td>
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<td>4</td>
<td>Buyers’ access to credit cards</td>
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<td>5</td>
<td>Digital identity</td>
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<td>6</td>
<td>Fraud control in online payments</td>
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<td>7</td>
<td>Legal liability laws</td>
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<td>8</td>
<td>Cost of broadband</td>
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<td>9</td>
<td>Interoperability of the various payments systems and platforms in my country</td>
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<td>10</td>
<td>Availability of early-stage funding and growth capital (e.g. angel or VC funding)</td>
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<td>11</td>
<td>Cost of logistics to customer / buyer</td>
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<td>12</td>
<td>Customs clearance on low-value shipments</td>
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<td>13</td>
<td>IP protections</td>
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<td>14</td>
<td>Payment processing fees</td>
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<tr>
<td>15</td>
<td>Total cost of delivery from my country to foreign customer</td>
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<tr>
<td>16</td>
<td>Ecommerce logistics and warehousing</td>
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<tr>
<td>17</td>
<td>Transport infrastructure</td>
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<tr>
<td>18</td>
<td>Taxes or trade barriers in export markets</td>
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<td>19</td>
<td>IP protections in other markets</td>
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<tr>
<td>20</td>
<td>Security of online payments</td>
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<tr>
<td>21</td>
<td>Customs procedures for my ecommerce exports in main export markets</td>
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<tr>
<td>22</td>
<td>Availability of digital finance (online loans, peer-to-peer lending, etc.)</td>
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<tr>
<td>23</td>
<td>Last-mile delivery – urban</td>
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<tr>
<td>24</td>
<td>Tax rules</td>
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<tr>
<td>25</td>
<td>Customs procedures for ecommerce imports</td>
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</table>
### Top-15 challenges for cross-border ecommerce

<table>
<thead>
<tr>
<th>Merchants selling online</th>
<th>Ecosystem, e.g. ecommerce platforms</th>
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<tbody>
<tr>
<td><strong>1</strong> Finance - Availability to trade finance for merchants</td>
<td>Logistics - Total cost of delivery from my country to foreign buyers (exports)</td>
</tr>
<tr>
<td><strong>2</strong> Logistics - Customs procedures for ecommerce imports</td>
<td>Digital reg. - IP protections in other markets</td>
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<td><strong>3</strong> Logistics - Cost of logistics for cross-border transactions</td>
<td>Logistics - Market access (tariffs, trade policy) in my country's main export markets</td>
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<td>Logistics - Infrastructure for cross-border transactions</td>
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<td><strong>7</strong> Logistics - Infrastructure for cross-border ecommerce</td>
<td>Digital reg. - Copyright laws in other markets</td>
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<td><strong>8</strong> Logistics - Postal services for cross-border ecommerce - import or export</td>
<td>Digital reg. - Censorship rules in other markets</td>
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<td><strong>9</strong> Logistics - Customs procedures in main export markets</td>
<td>Overall regulatory environment - Tax rules in other markets</td>
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<td><strong>10</strong> Digital reg. - Consumer protection laws in other markets</td>
<td>Digital reg. - Internet intermediary liability / safe harbor in other markets</td>
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<td><strong>11</strong> Digital reg. - Interoperability of digital regulations with trading partner markets</td>
<td>Logistics - Postal services for cross-border ecommerce - import or export</td>
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<td><strong>12</strong> Digital reg. - Legal liability laws for online sellers in other markets</td>
<td>Digital reg. - Data localization requirements in other markets</td>
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<td><strong>13</strong> Digital reg. - Copyright laws in other markets</td>
<td>Digital reg. - OTT regulations (application of telecom and broadcast rules) in other markets</td>
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<td><strong>14</strong> Digital reg. - IP protections in other markets</td>
<td>Digital reg. - Data privacy requirements in other markets</td>
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SMEs’ gains if top-3 challenges to ecommerce were removed
How to Induce More SMEs to Sell Online and Use Platforms?
Policy Roadmap
Examples of ~ 60 policy success drivers and innovations mapped

6 main policy areas

- Digital regulations
  - Safe harbor laws for internet intermediaries
  - Cross-border data transfer allowed
  - Online dispute resolution (ODR) of consumer complaints
  - OTT rules that do not hamper internet services
  - Fully online business registration possible

- Payment regulations
  - Digital cash initiatives
  - Incentives for interoperability of payment providers
  - E-payment laws in place
  - Payment licensing defined
  - Risk-based approach (RBA) to AML

- Digital infrastructures
  - Broadband development plan
  - 5G broadband roadmap
  - Competition among wireless loop providers
  - Tariffs on ICT products

- Ecommerce logistics & trade facilitation
  - Digital single window
  - Blockchain piloted in customs
  - De minimis >$200
  - Postal innovations, e.g. ecommerce logistics, drones
  - Competitive logistics markets

- SME ecommerce export promotion
  - Online training for companies to export using ecommerce
  - Channel management platform or program
  - Digital transformation services for exporters
  - PPPs to train companies use platforms

- SME finance
  - Government lending & equity programs for tech companies
  - Guarantees for ecommerce transactions
  - Funding for women-led firms
  - Open banking practices encouraged
  - Fintech sandboxes

- Qualitative mapping of designs of policies
- Case studies
- Composite policy index \(\Rightarrow\) compare and track adoption of key policies
Preliminary Results: Policy Coverage for Platform-Enabled Trade

- Digital infrastructure policies
- Payment regulations
- SME ecommerce export promotion programs
- Digital regulations
- Ecommerce logistics & trade facilitation policies
- SME finance programs & policies

Advanced

East Asia

Latin America

South Asia

Africa
Developed Countries Have Higher Policy Coverage
Countries with High Policy Coverage Have More Trade on Platforms
Low-Hanging Fruit Has Been Picked

Digital regulations – number of countries that have adopted a policy (of 40 countries)

- Copyright laws with fair use of protected works
- Digital signatures legal and admissible
- Data transfer allowed, in full of w/ exceptions
- 100% digital business registration and licensing possible
- Consumer complaints on ecommerce can be filed online
- Data transfer requires user consent
- Flexible OTT rules for Internet services
- Safe harbor for internet intermediaries
- GST/VAT on ecommerce sales <10%
- Data transfer limited to jurisdictions not deemed "adequate"
- Data transfer not allowed in certain sectors or by certain subnational areas
- Courts-supported online dispute resolution (ODR)

Number of countries that have adopted policy

- Brazil safe harbor for internet intermediaries
- Mexico, China cyber-courts
- More flexible cross-border data regimes in Costa Rica, Colombia
SME finance – number of countries that have adopted a policy (of 40 countries)

- Credit guarantees for micro and small loans
- Direct loans to micro and small enterprises
- Equity for tech and digital businesses (gov’t as fund)
- Financing for women-led companies
- Regulatory sandbox to experiment FinTech regulations in place or piloted
- Regulatory framework for equity crowdfunding
- Equity for tech and digital businesses (gov’t as fund of funds)
- Open banking mandated or encouraged
- Equity programs targeting exporters
- Programs to finance/guarantee ecommerce transactions
- Banks mandated to refer SME applicants to alternative finance providers

Number of countries that have adopted policy

- UK promoting alternative finance providers, open banking practices
- Korea guaranteeing ecommerce buyers’ payments
- Southeast Asia, Rwanda trying on Fintech Sandboxes
- Canada & Mexico’s funds for women techpreneurs; Bangladesh policy to promote bank lending to women entrepreneurs
**Roadmap to fuel SMEs’ Use of Platforms for Trade**

### Get Basics Done
- ** ✓ Diffuse broadband, 4G**
- ** ✓ Put in place safe harbors for internet intermediaries**
- ** ✓ Fuel digital & interoperable payments, including cross-border**
- ** ✓ Reinvent posts for ecommerce**
- ** ✓ Digitize customs, pilot blockchain**
- ** ✓ Fuel SME lending through FinTechs**

### Scale and Grow
- ** ✓ Incentivize SMEs’ uptake of broadband**
- ** ✓ Remove tariffs on ICT products**
- ** ✓ Pilot 5G for competitive ecommerce user experience**
- ** ✓ Digital regulations to fuel platforms & accommodate SMEs using platforms (safe harbors, freer data flows, flexible OTT)**
- ** ✓ Online dispute resolution (ODR) to boost consumer trust**
- ** ✓ Postal transformation for ecommerce**
- ** ✓ Competitive logistics markets**
- ** ✓ Blockchain, AI, machine learning for customs**
- ** ✓ Single windows as G2B and B2B service**
- ** ✓ Training of SMEs to export online via PPPs with platforms, online training**
- ** ✓ Channel management initiatives for SMEs to use many platforms at once**
- ** ✓ Digital transformation programs for existing exporters**
- ** ✓ Incentives for open banking**
- ** ✓ FinTech regulatory sandboxes**
- ** ✓ Government as fund-of-funds supporting VCs investing in tech**
- ** ✓ Guarantees for ecommerce transactions**
- ** ✓ In all areas: focus on women and gender reporting**
Extras
Ecommerce logistics & trade facilitation – number of countries that have adopted a policy (of 40 countries)

- Publication of import-export regulations on the internet
- E-payment of customs duties and fees
- Separation of release from determination of customs duties
- Electronic submission of customs declarations
- Expedited shipments
- Innovative postal services (such as ecommerce fulfillment, drones)
- Customs risk management
- UPU postal development index >50
- Electronic application and issuance of preferential origin certificate
- Trade-related cross-border electronic data exchange
- Piloting / considering blockchain in customs
- Electronic single window
- Trade facilitation policy considers women in trade
- Trade facilitation measures to benefit women involved in trade
- De minimis threshold for entry of goods >$200
- De minimis for informal entry in USD >$1,000
- Single window also usable for B2B and G2B services

- East Africa, Korea, UK blockchain in customs
- Singapore, Uruguay postal innovations, fulfilment, drone delivery
- Singapore single window 3.0 for B2B, B2G services
SME ecommerce export promotion – number of countries that have adopted a policy (of 40 countries)

- Online training and advisory for SMEs to export using ecommerce
- Government ecommerce platform or channel management platform
- Programs for women exporters
- Help with SME logistics for foreign ecommerce
- Public-private collaboration to train SMEs to use ecommerce
- Subsidized digital transformation for exporters to use ecommerce
- SME ecommerce diagnostics
- Specific ecommerce plan or strategy

Number of countries that have adopted policy

- Pro Ecuador cooking show on Tmall
- MATRADE promotion & funding of digital transformation for exporters
- PromPeru remote online learning for ecommerce exports
Payment regulations – number of countries that have adopted a policy

- National digital identity (biometrics or blockchain-based)
- Demonetization or digital cash initiatives or programs
- Rules to apply for a payments license in place
- E-payments law in place
- Regulations or incentives for interoperability of online payments
- Privacy requirements for payment providers defined
- Auditing and reporting requirements for payment providers defined
- Risk-based approach (RBA) in AML
- Regulatory requirements differentiated by type of payment service/risk
- Capital requirements for payments provider defined
- Central bank allows foreign currency in on- or offline payments

- Peru, Tanzania, Brazil interoperable payments
- India digital ID & digital cash for financial inclusion