

Accelerating SME Trade: *De Minimis* Plurilateral

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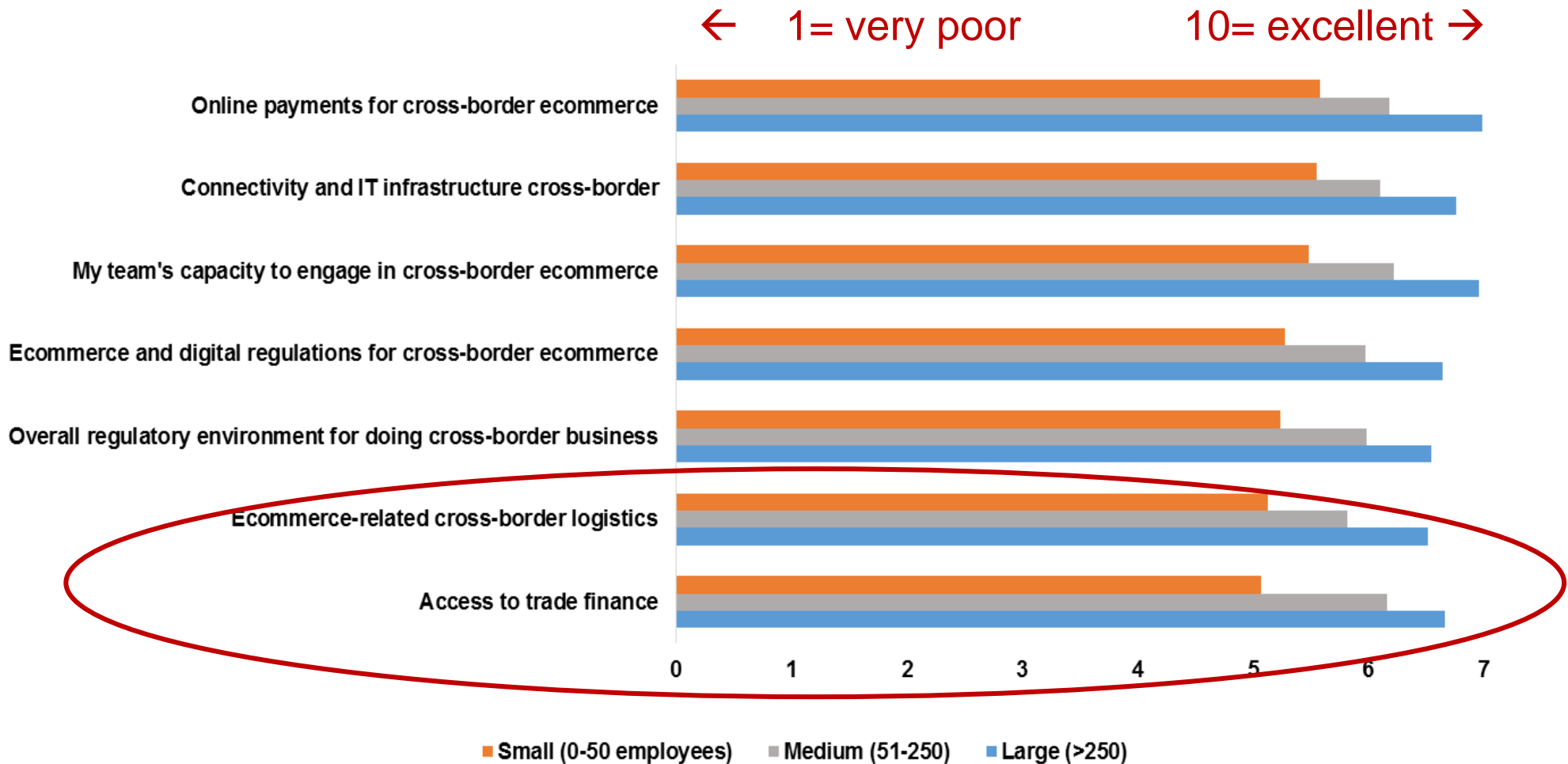
Ecommerce Week, Geneva

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Problem: Very Little Action to Align Customs Procedures with Rise of Small Business Trade

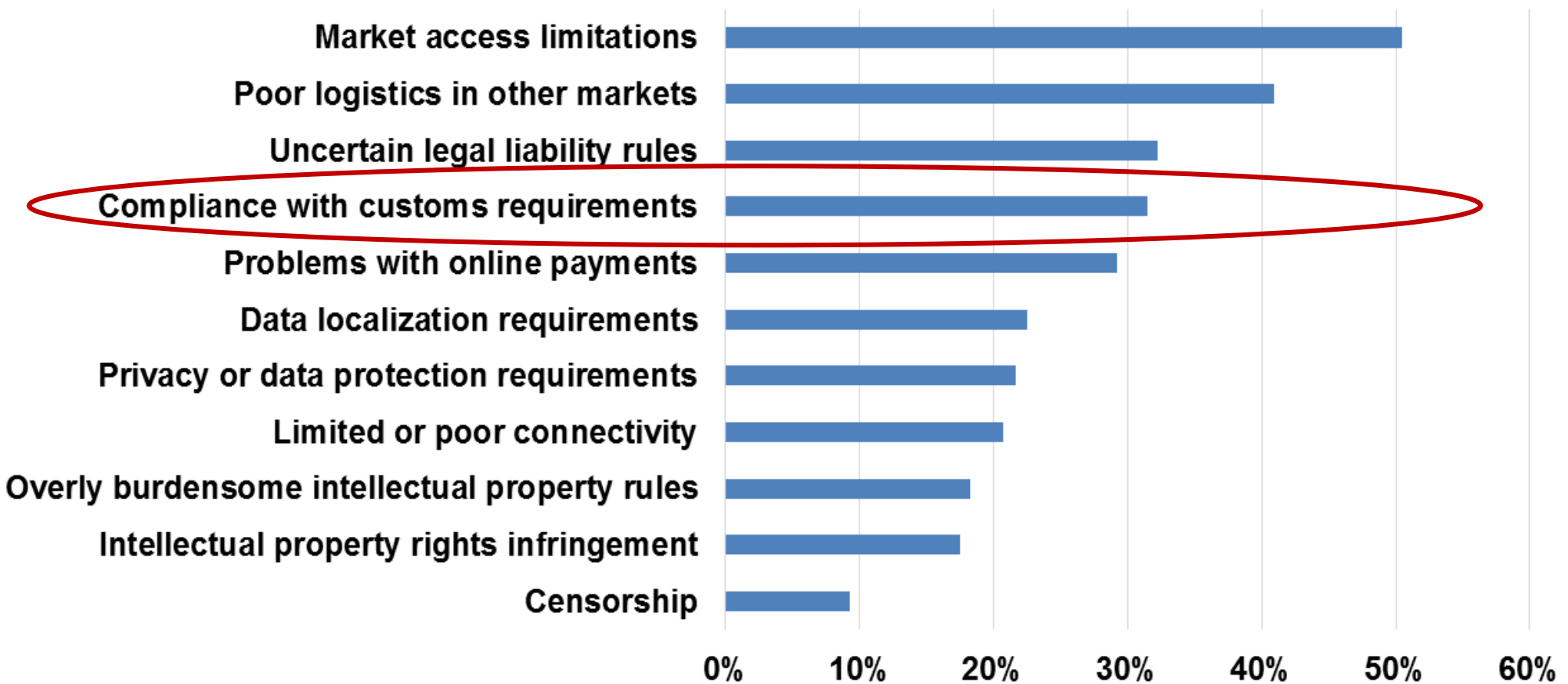
- Customs procedures is among top-3 bottlenecks to SME trade
- SMEs have higher fixed costs of trade compliance
- SMEs' compliance capabilities are less
- Countless econometric studies: low *de minimis* levels are counterproductive – bring in less than cost
- Raising *de minimis* is found to fuel customs revenue and boosts welfare

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



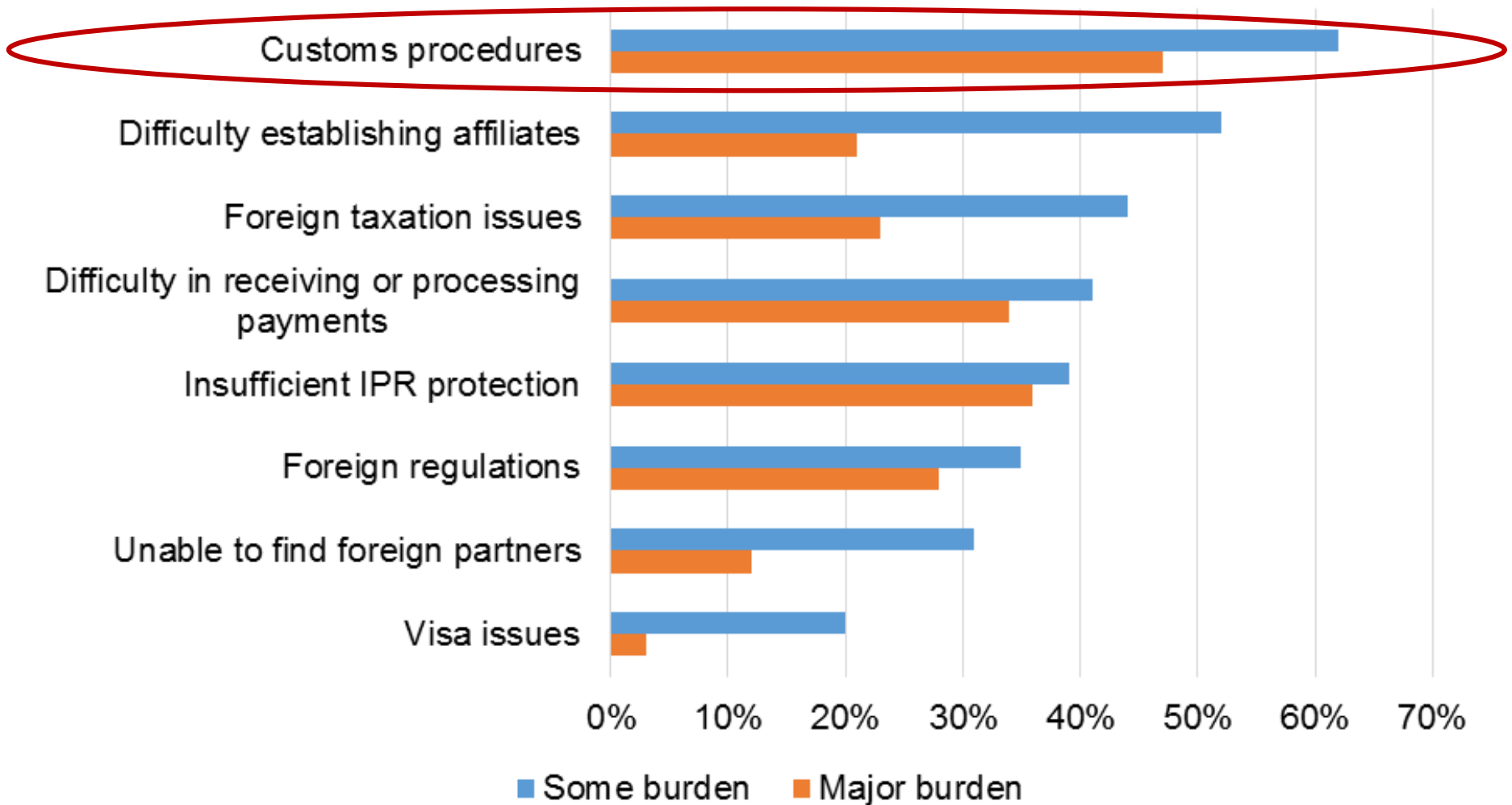
Same in Latin America

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”



Silver Bullet: 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
- Get rid of possibly unenforceable taxes (of distant domestic retailers)

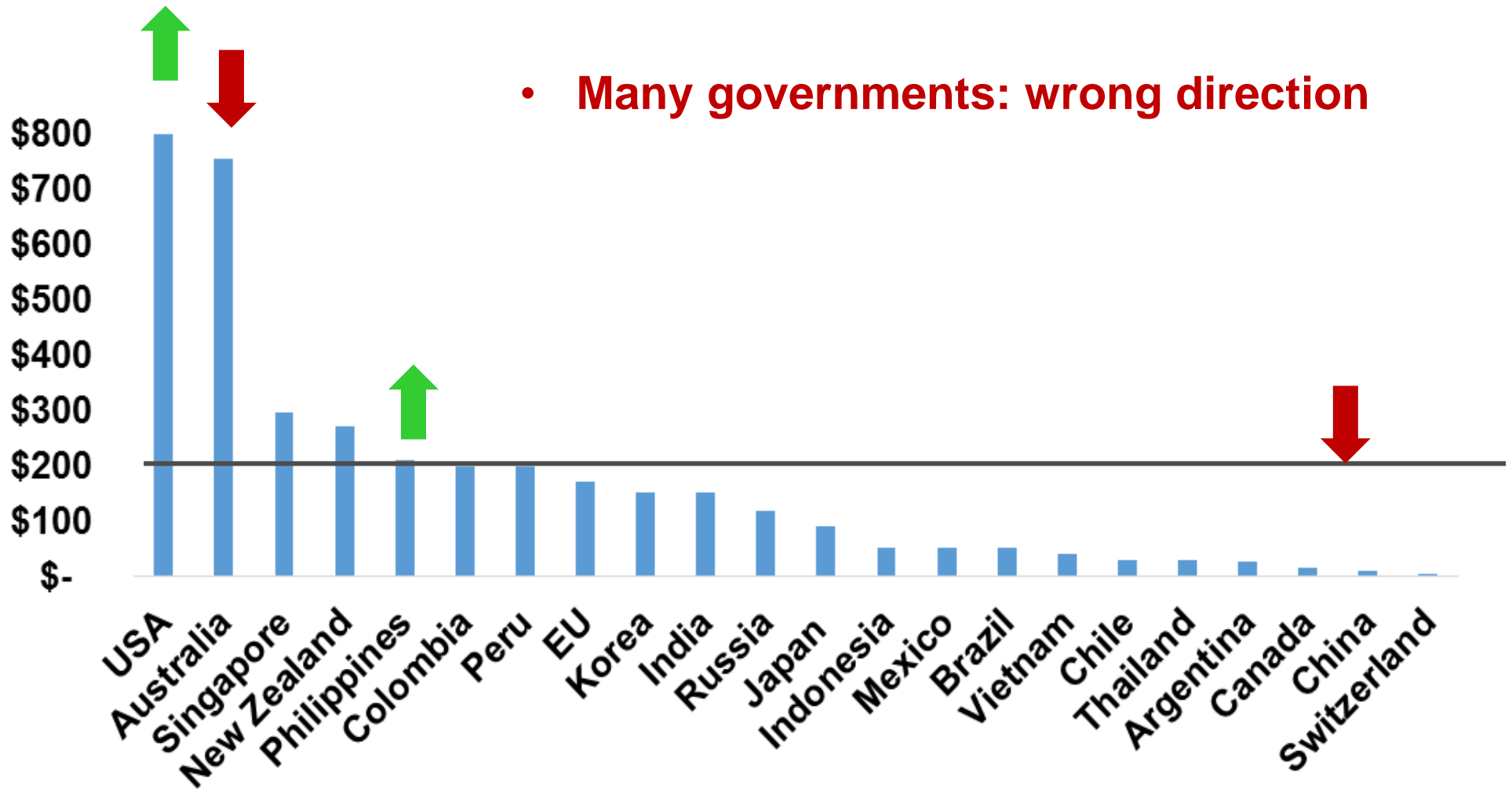
Net Economic Benefit from Increased *De Minimis* Levels, USD Millions

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”



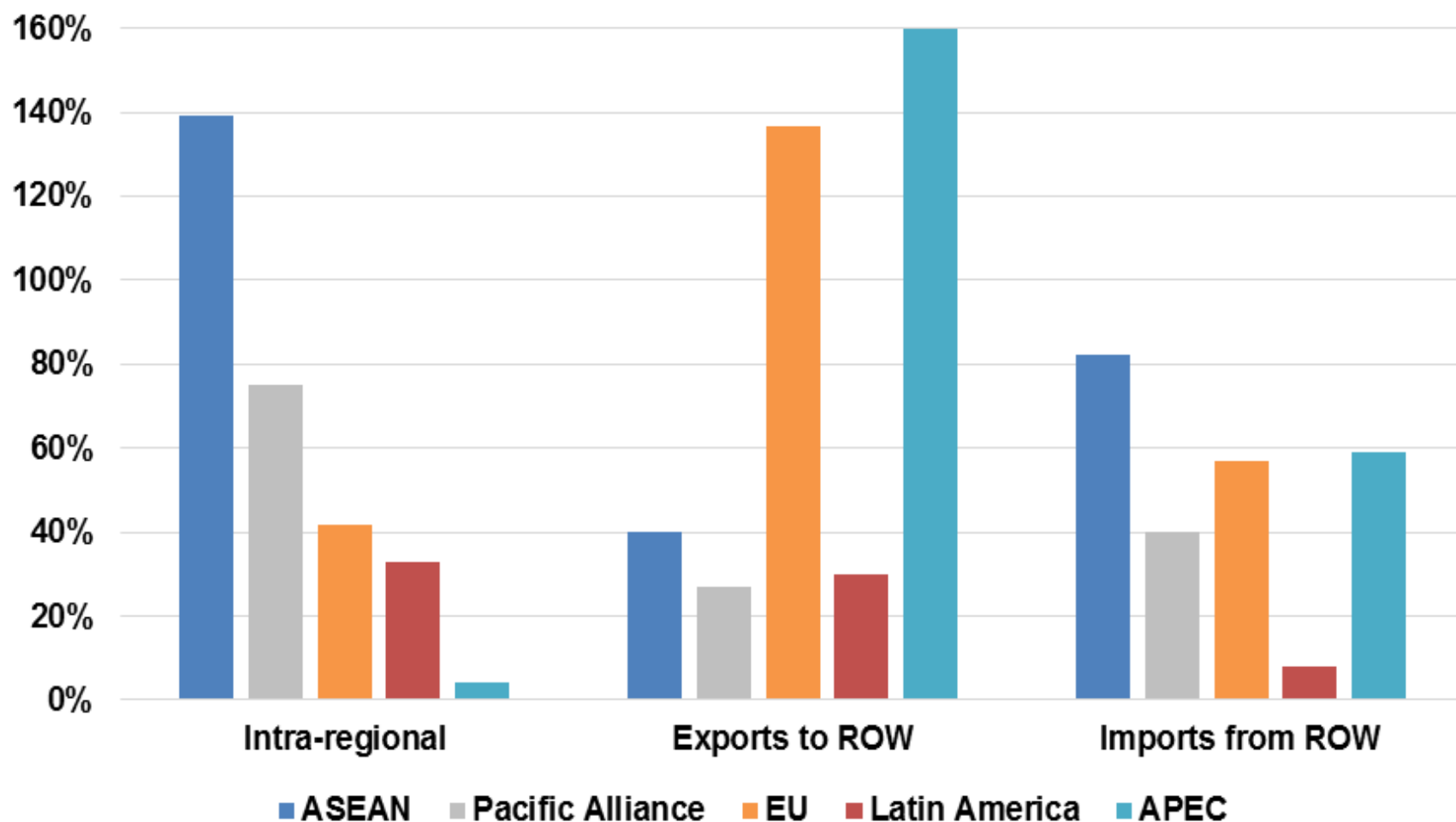
NEW PARADIGM

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

How Much Low-Value Item
Trade is There?

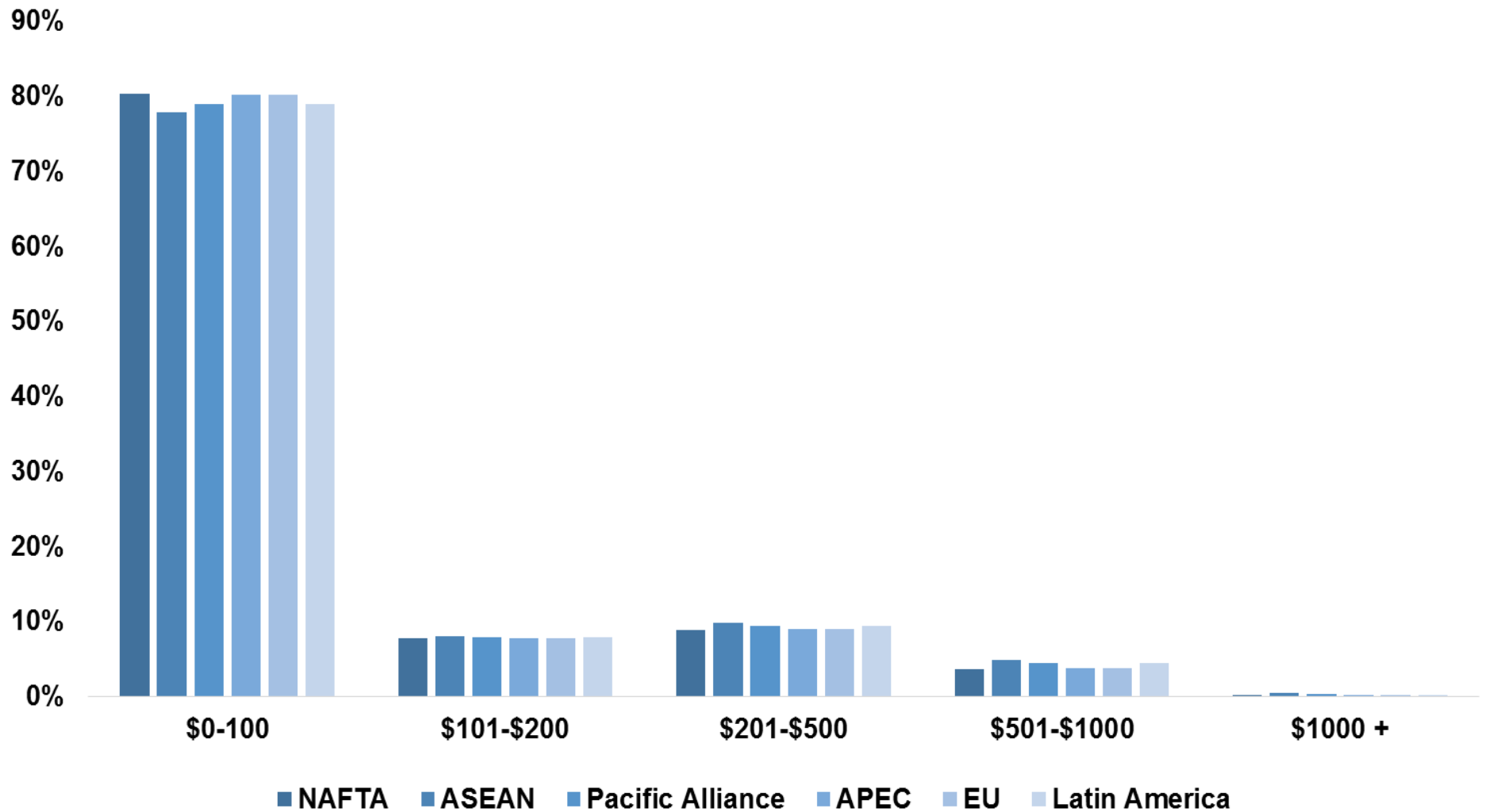
Parcel shipments up 73% in 2011-15

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

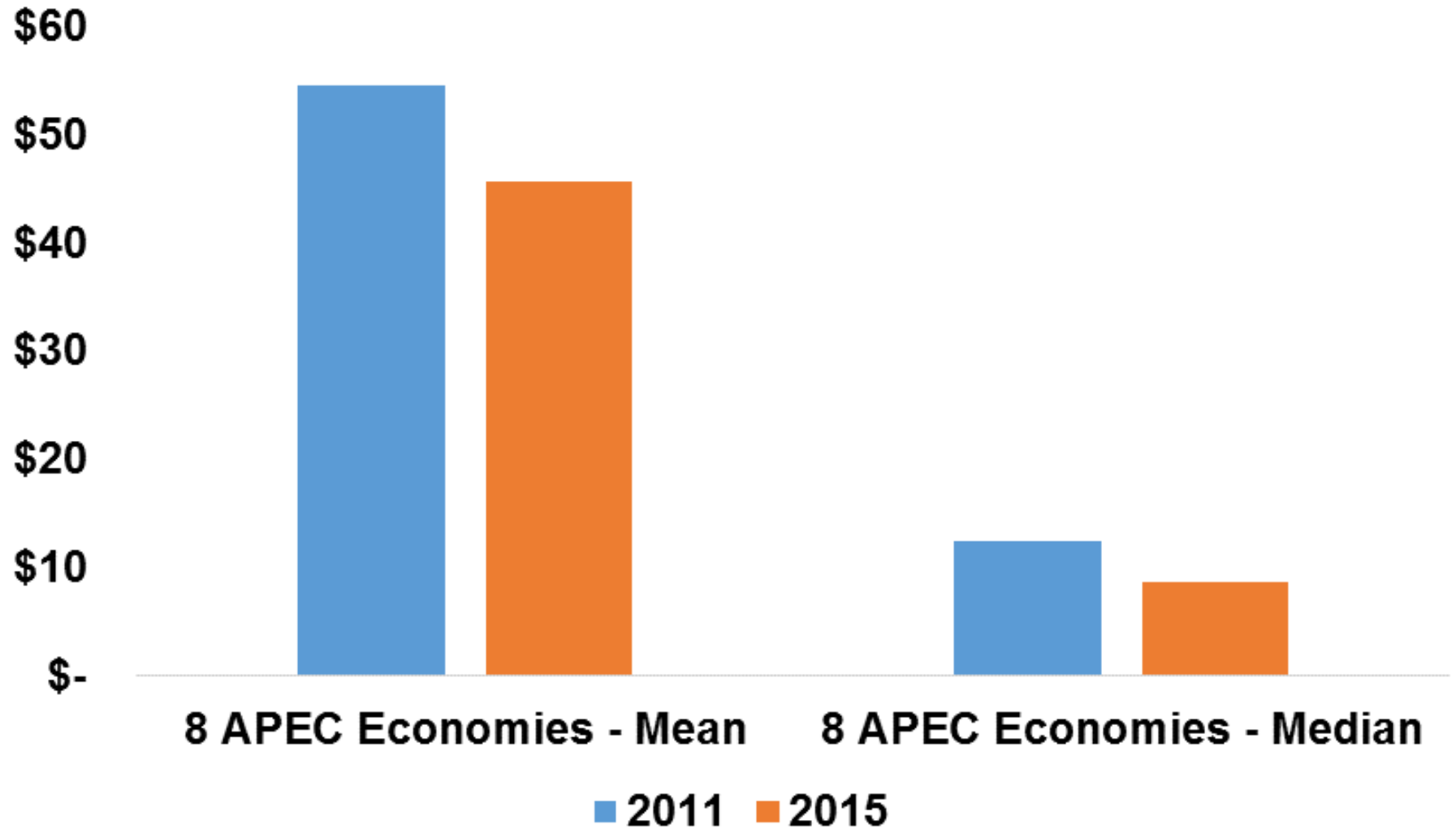


Bulk of shipments <\$100

Distribution of Shipments by Value

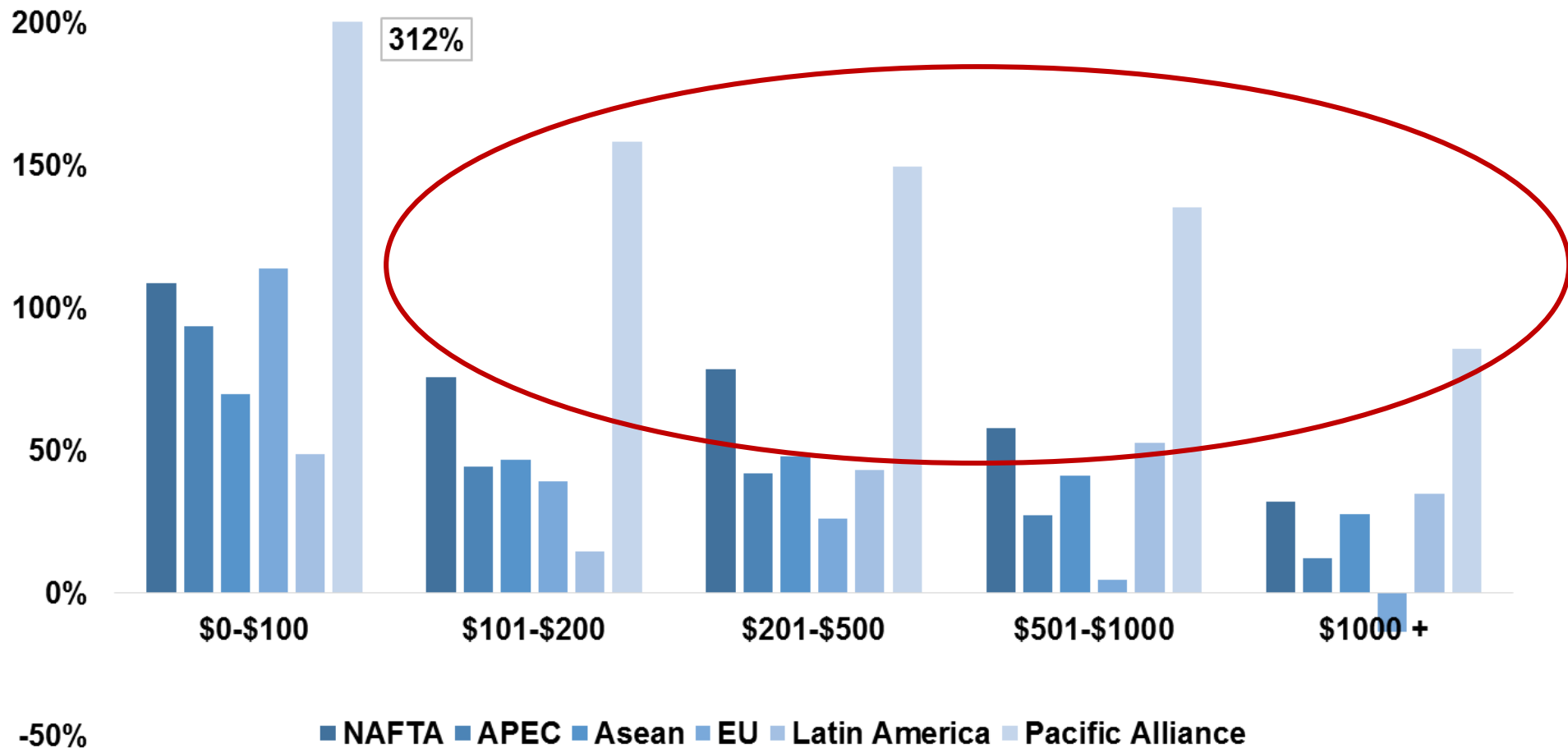


Mean and median shipments very small



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

Growth of Shipments by Value Category



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

- 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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