

# E-Commerce & Trade Facilitation

## Challenges and Opportunities



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# WBG Trade Facilitation

- ❑ 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)

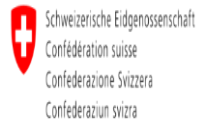


## Objective

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

## Vision

- 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



# GLOBAL TRENDS IN CROSS BORDER E-COMMERCE

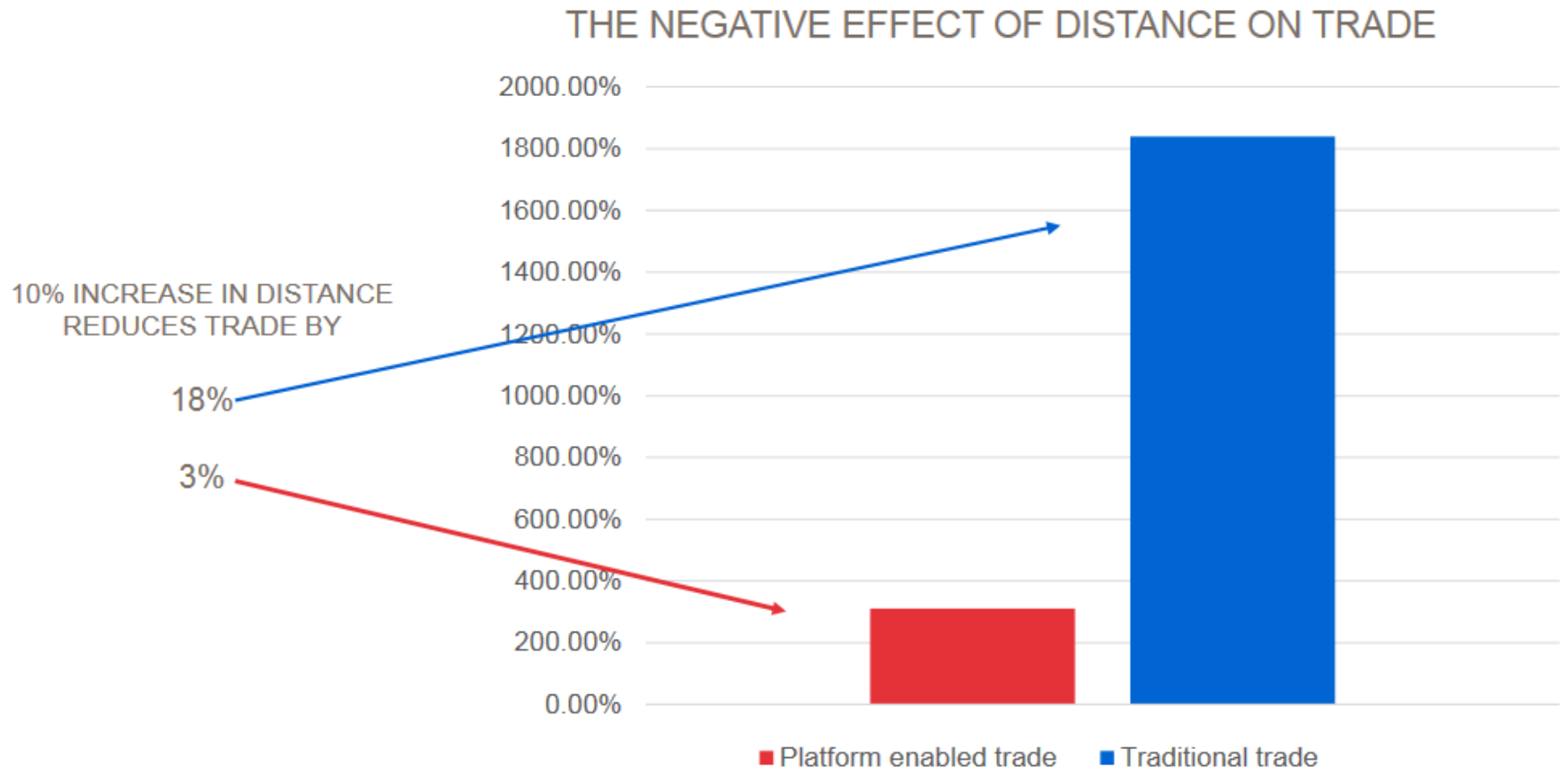
- E- Commerce is driven by technology and constrained by tradition...
- In 2005, e-commerce share of total goods traded was 3 % which increased to 12.1% by 2012.
- Estimated global sales in 2017 are expected to surpass US\$ 2.3 trillion.
- Regulations and logistics have a significant impact on consumer 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.
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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



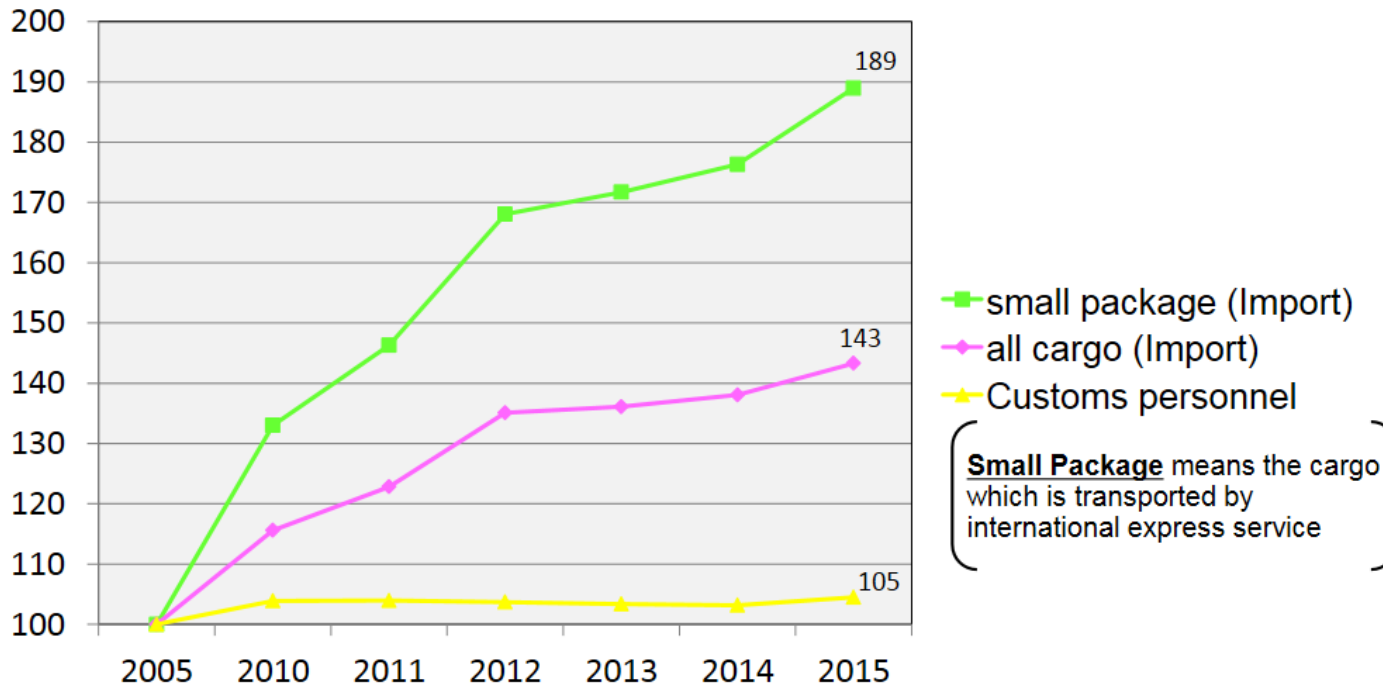
Source: EBay

# 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



Note: Figures for Year 2005 taken as a baseline (100)

Source: Japan Customs 2016



# E-COMMERCE: KEY OPPORTUNITIES

- The WTO Trade Facilitation Agreement

- Automation of border management environment

- Simplified procedures to enable e-commerce

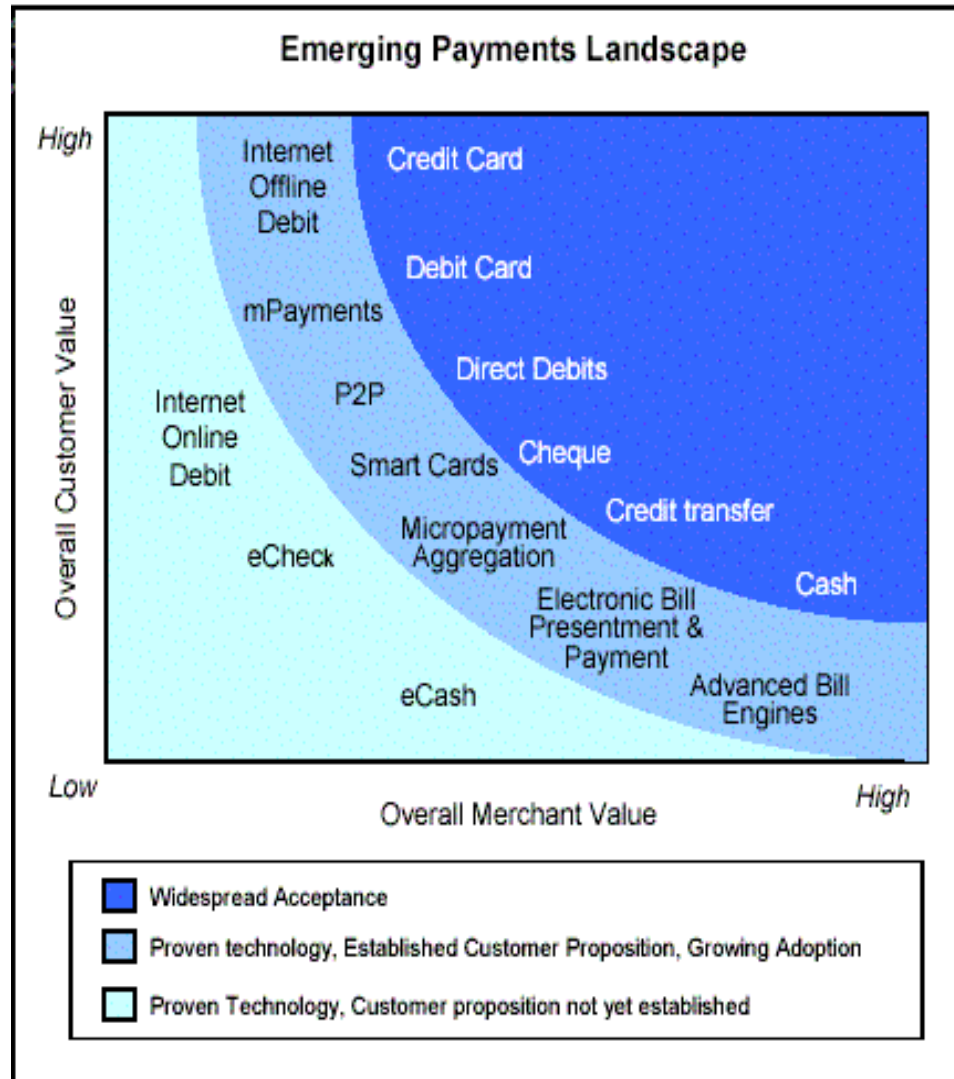
- Improvements in postal service delivery
- Improving National Quality Infrastructure
- Reducing costs through Regional Integration
- Opportunities for Logistics providers

# OPPORTUNITIES: WTO TFA

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

# OPPORTUNITIES: AUTOMATION

## E-PAYMENT



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

**Evolving Landscape**

# OPPORTUNITY: SIMPLIFIED PROCEDURES - DE MINIMIS

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

	Government Agency	Supply Chain Operator
Cost reduction as a result of raised De Minimis	<ul style="list-style-type: none"> <li>• Import compliance costs</li> <li>• ICT costs</li> <li>• Transfer costs between revenue and customs agencies</li> <li>• Establishment of VAT numbers for non- regular importers</li> </ul>	<ul style="list-style-type: none"> <li>• Data collection, analysis, cleansing and entry costs for full customs declarations</li> <li>• Bad debts with duties and VAT</li> <li>• Establishment of VAT numbers for non-regular importers</li> <li>• Customer service calls for queries on shipments problems/delays</li> </ul>
No impact if De Minimis is raised	<ul style="list-style-type: none"> <li>• Advance cargo information costs</li> <li>• Safety and security inspection costs</li> <li>• Warehousing and storage costs</li> <li>• Personnel training costs</li> </ul>	<ul style="list-style-type: none"> <li>• Advance cargo information costs</li> <li>• Safety and security inspection costs</li> <li>• Warehousing and storage costs</li> <li>• Personnel training costs</li> </ul>

## 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% ++

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**Thank you!**

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