Expanding SMEs' Use of Ecommerce & Platforms for Trade

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on E-Commerce and the Digital Economy
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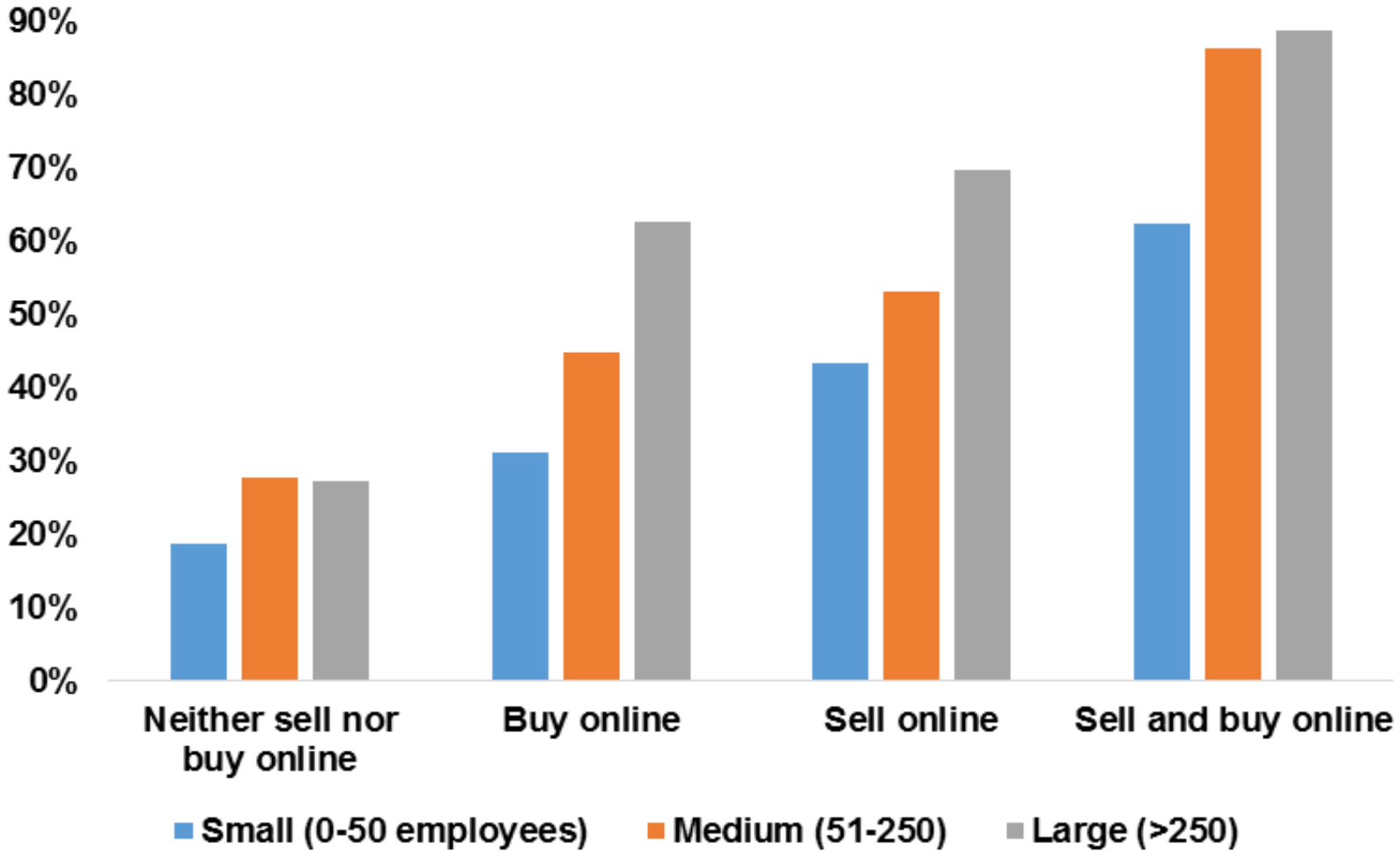
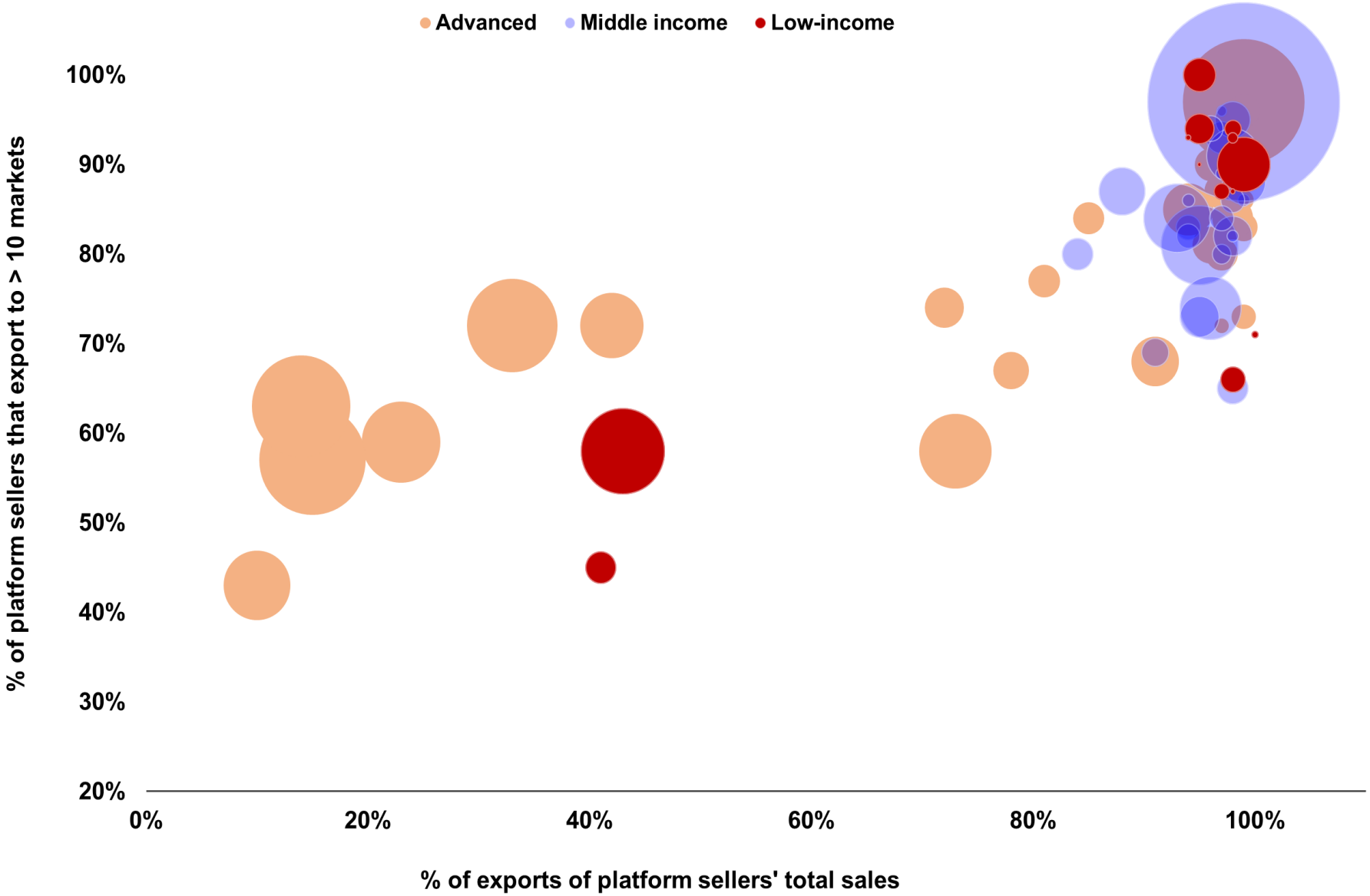
Online sellers are likelier to export – data from >3,000 firms in developing countries

% of companies that export, by online sales



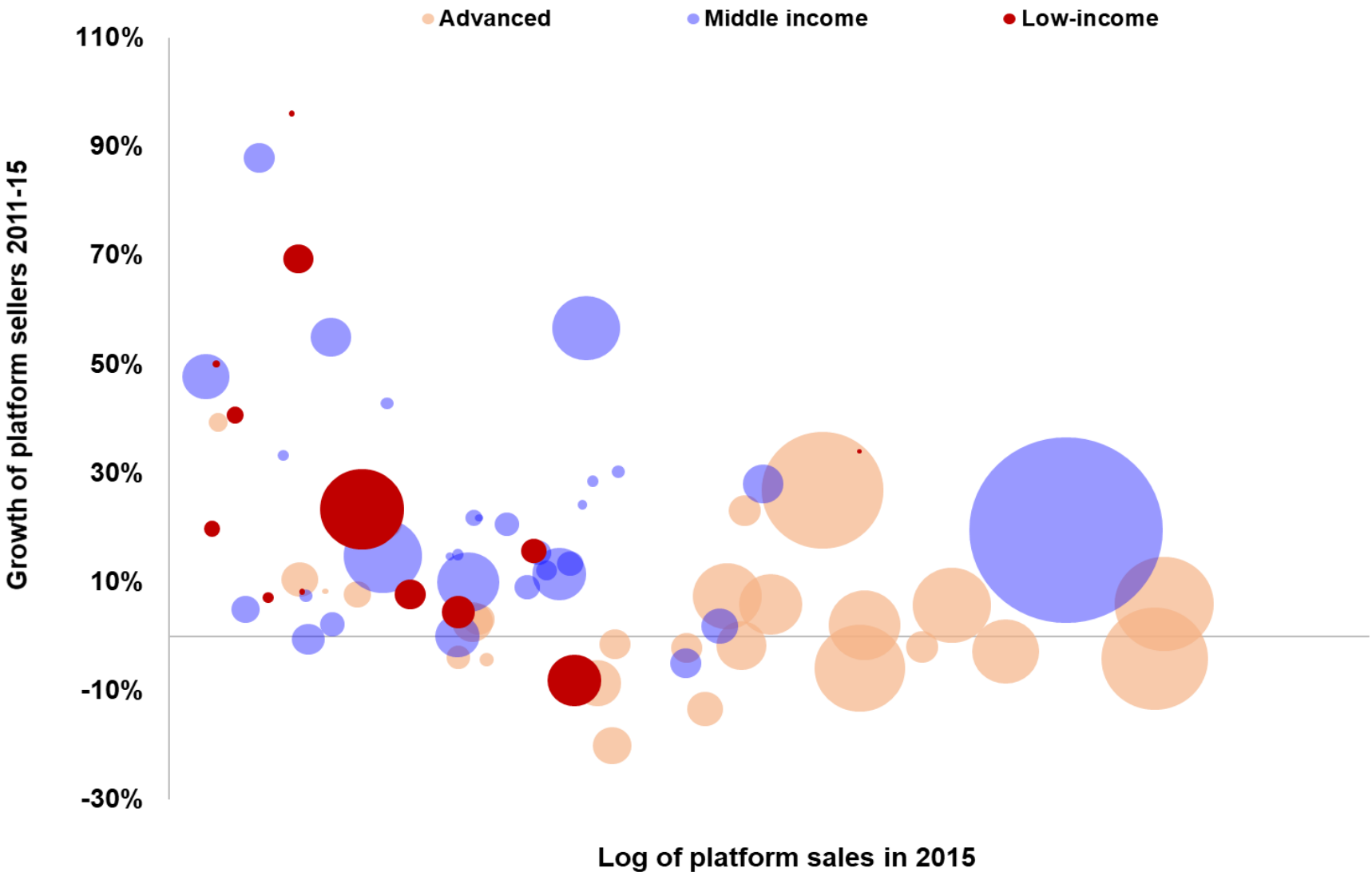
Source: Suominen (2017).

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



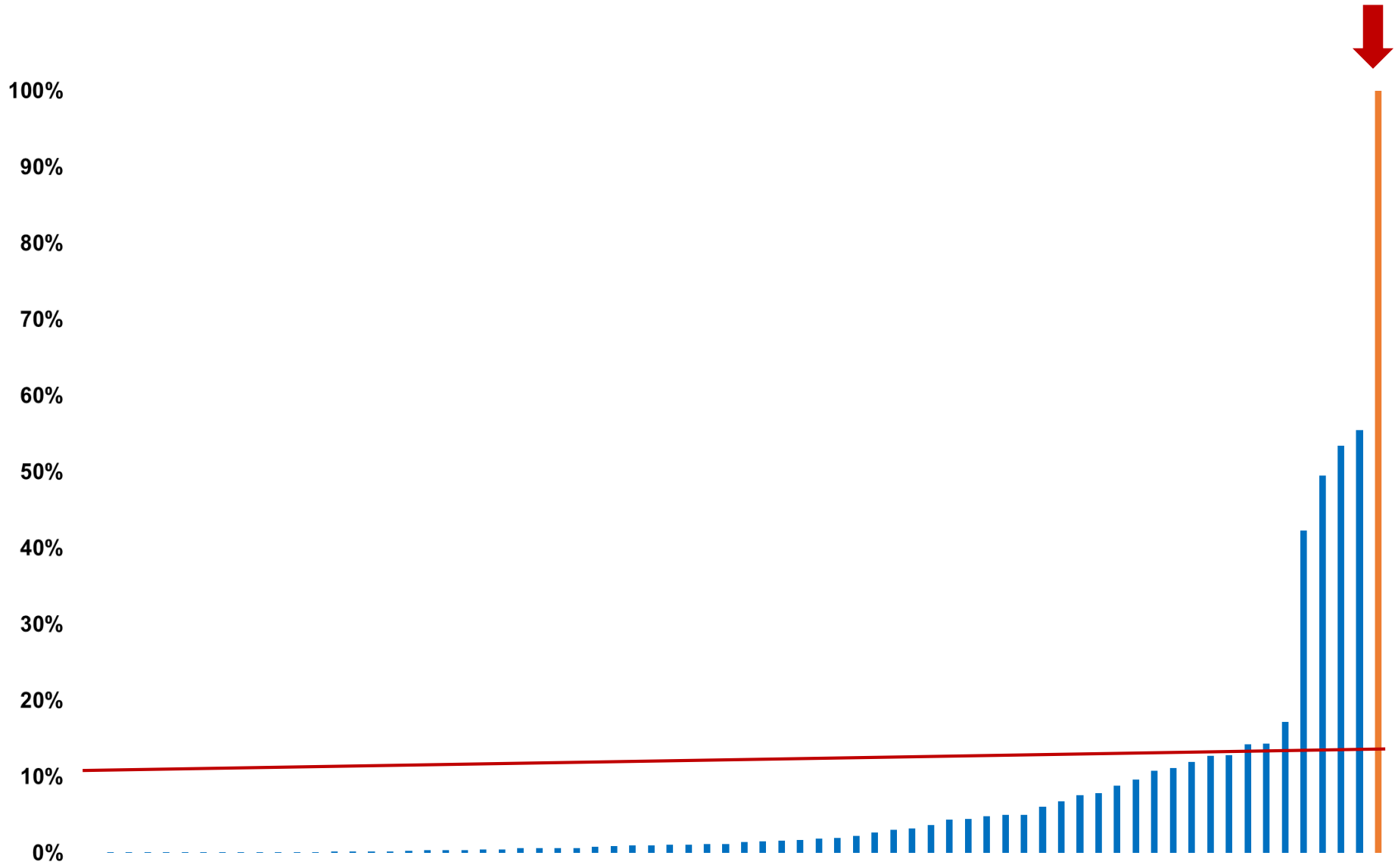
Sources: World Development Indicators, various industry sources and firm-level survey (Suominen, 2017).

It Is in Developing Countries that Platform Seller Numbers Are Growing Fastest (→ catch-up)



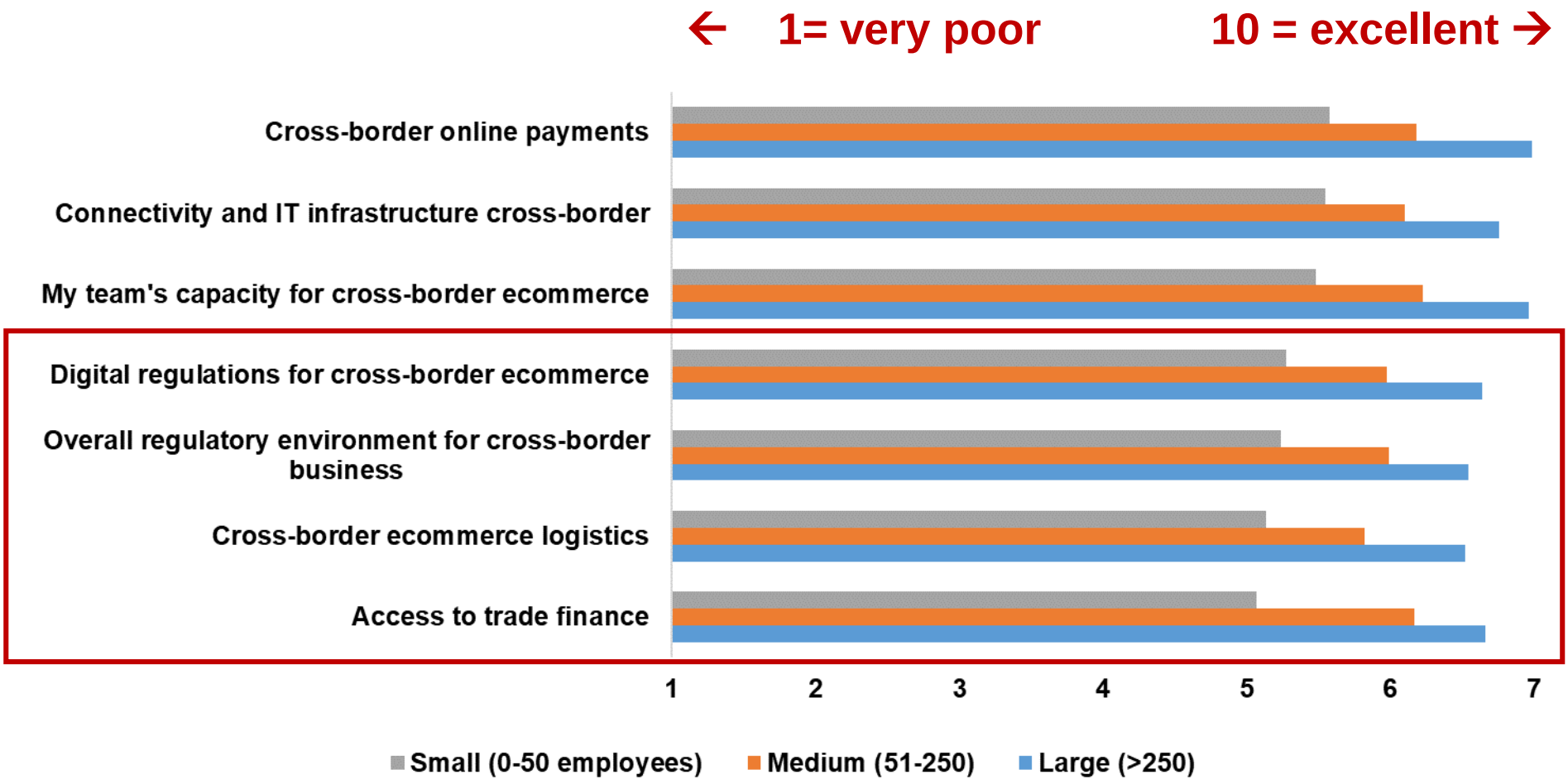
Sources: World Development Indicators, various industry sources and firm-level survey (Suominen, 2017).

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 ecommerce



Source: Suominen (2017).

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

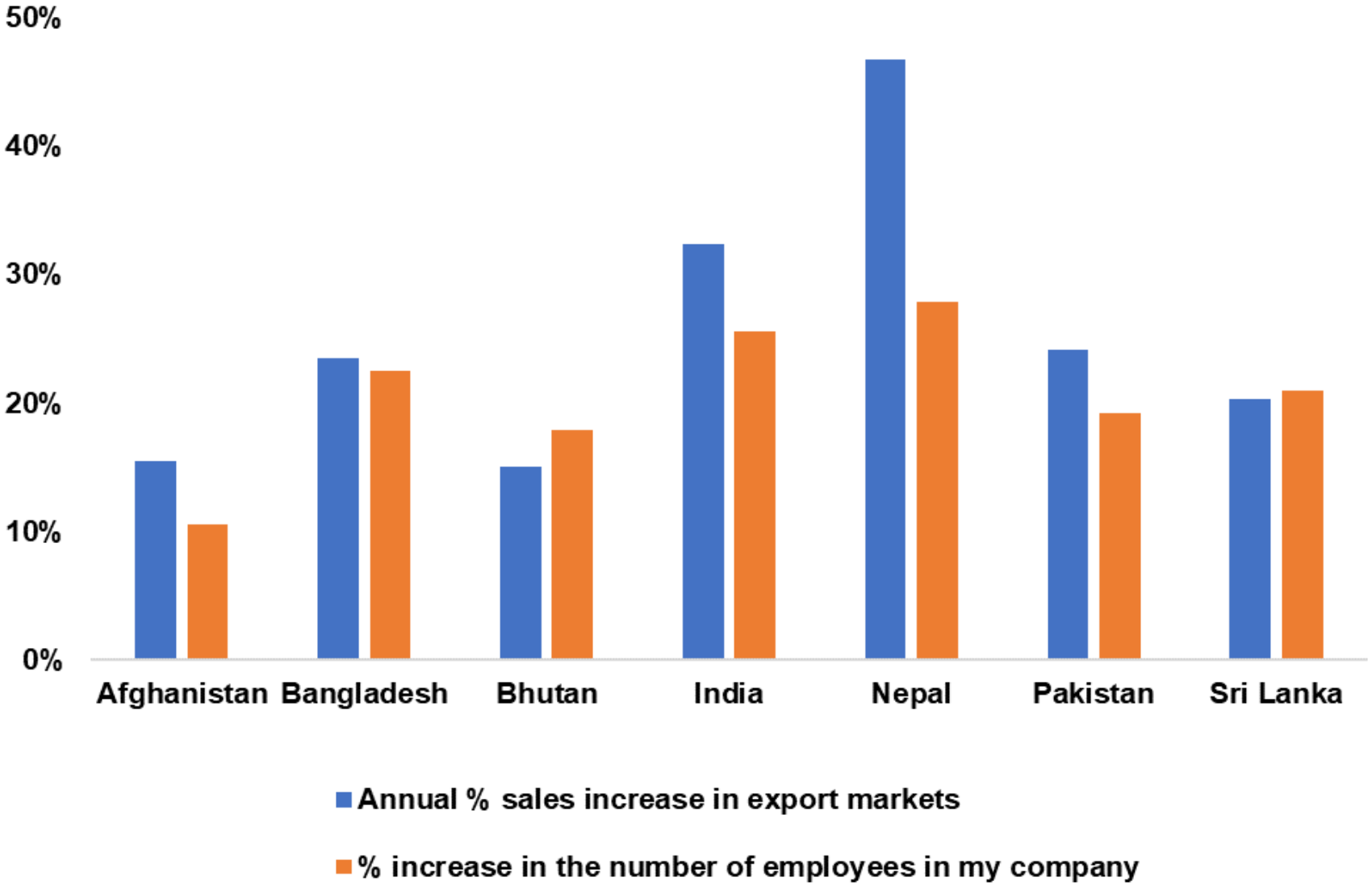
1	Last-mile delivery – rural
2	Population's digital literacy
3	Overall cost of cross-border logistics
4	Buyers' access to credit cards
5	Digital identity
6	Fraud control in online payments
7	Legal liability laws
8	Cost of broadband
9	Interoperability of the various payments systems and platforms in my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

Top-15 challenges for cross-border ecommerce

	Merchants selling online	Ecosystem, e.g. ecommerce platforms
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 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

Source: Suominen (2017).

SMEs' gains if top-3 challenges to ecommerce were removed



How to Induce More SMEs to Sell Online and Use Platforms? Policy Roadmap

6 main policy areas

Examples of ~ 60 policy success drivers and innovations mapped

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

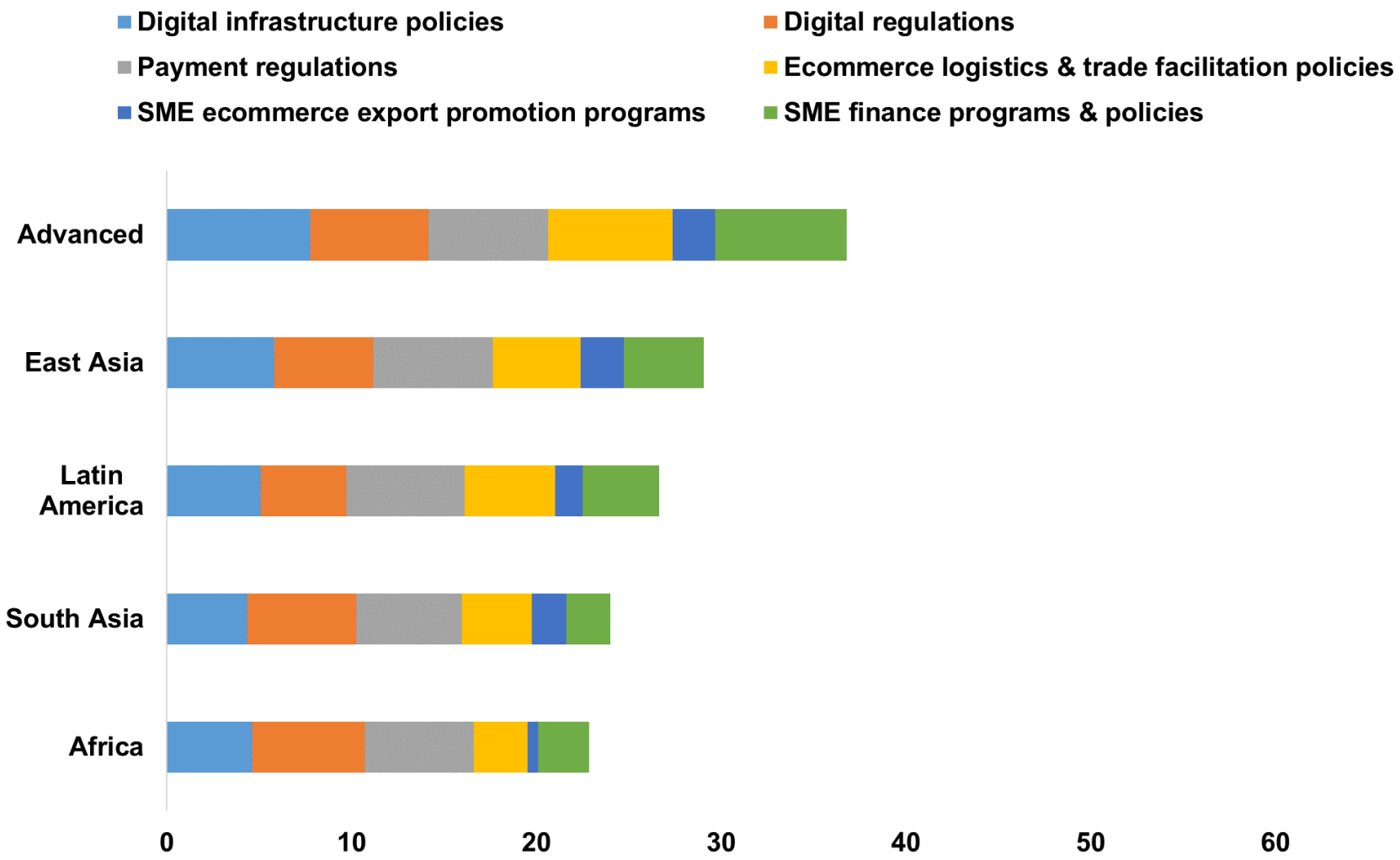
- Online training for companies to export using ecommerce
- Channel management platform or program
- Digital transformation services for exporters
- PPPs to train companies use platforms

SME finance

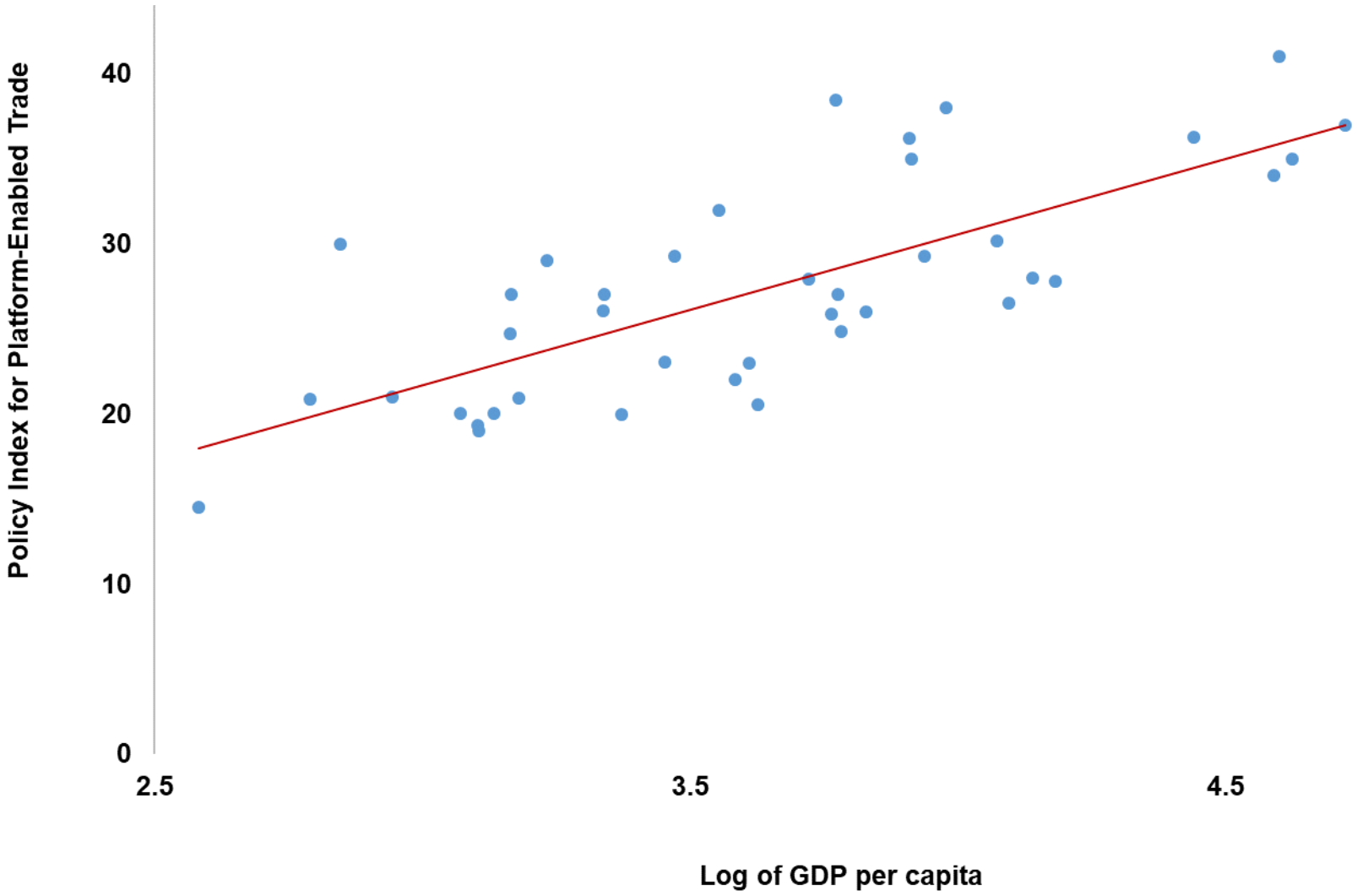
- Government lending & equity programs for tech companies
- Guarantees for ecommerce transactions
- Funding for women-led firms
- Open banking practices encouraged
- Fintech sandboxes

- **Qualitative mapping of designs of policies**
- **Case studies**
- **Composite policy index → *compare and track* adoption of key policies**

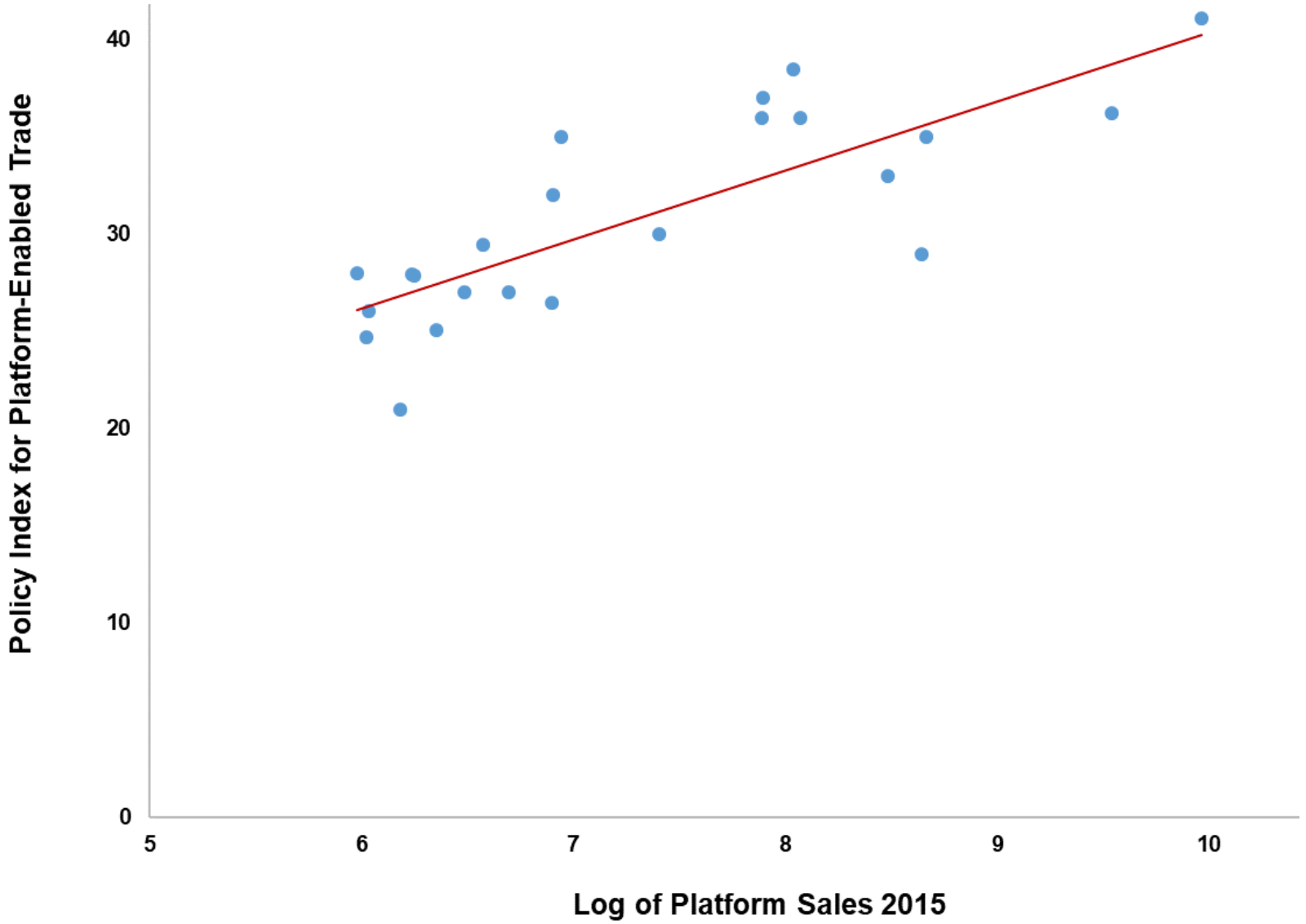
Preliminary Results: Policy Coverage for Platform-Enabled Trade



Developed Countries Have Higher Policy Coverage

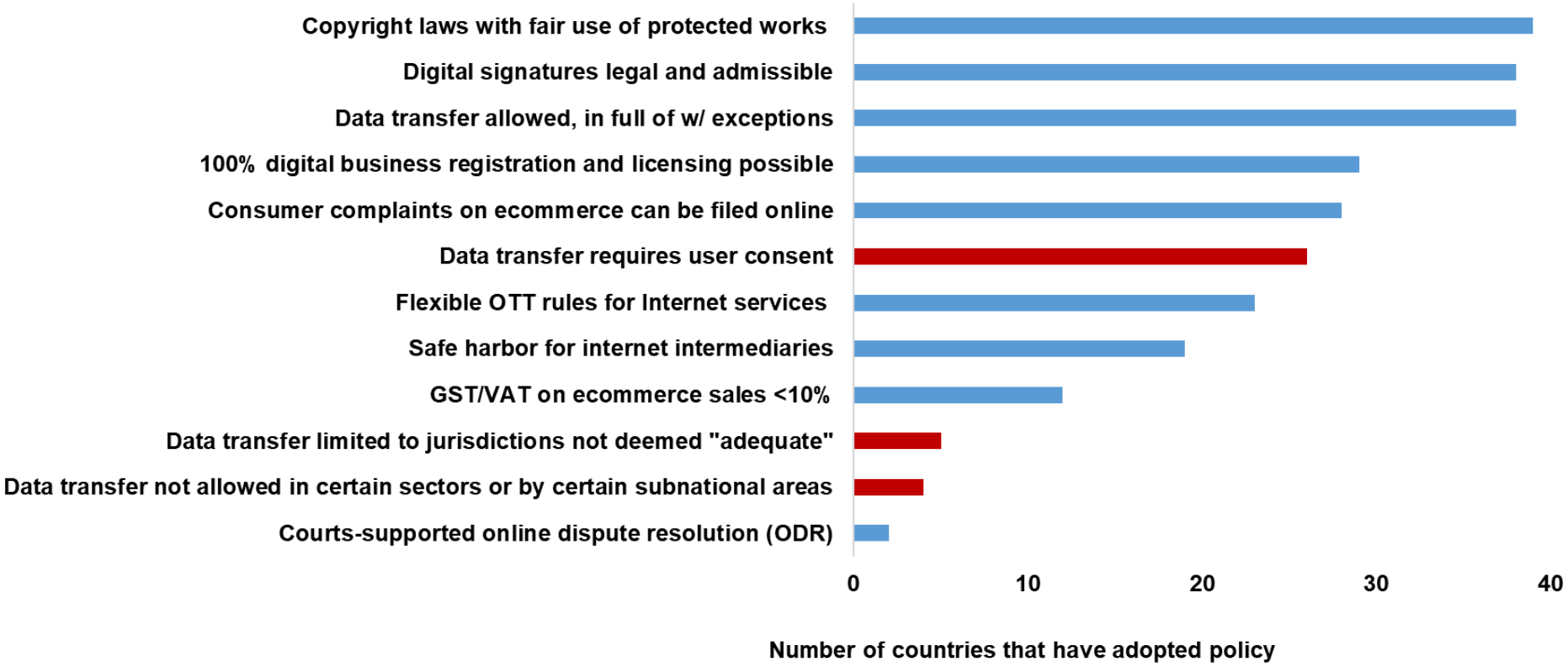


Countries with High Policy Coverage Have More Trade on Platforms



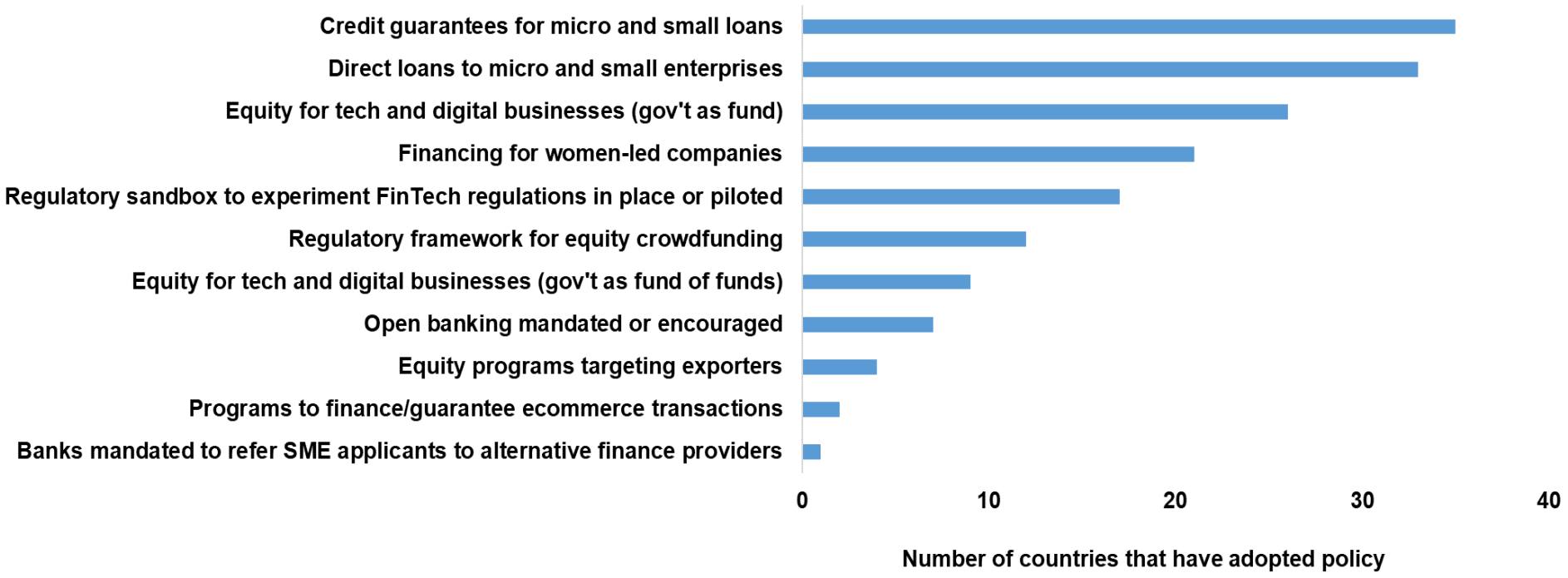
Low-Hanging Fruit Has Been Picked

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



- **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)



- **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

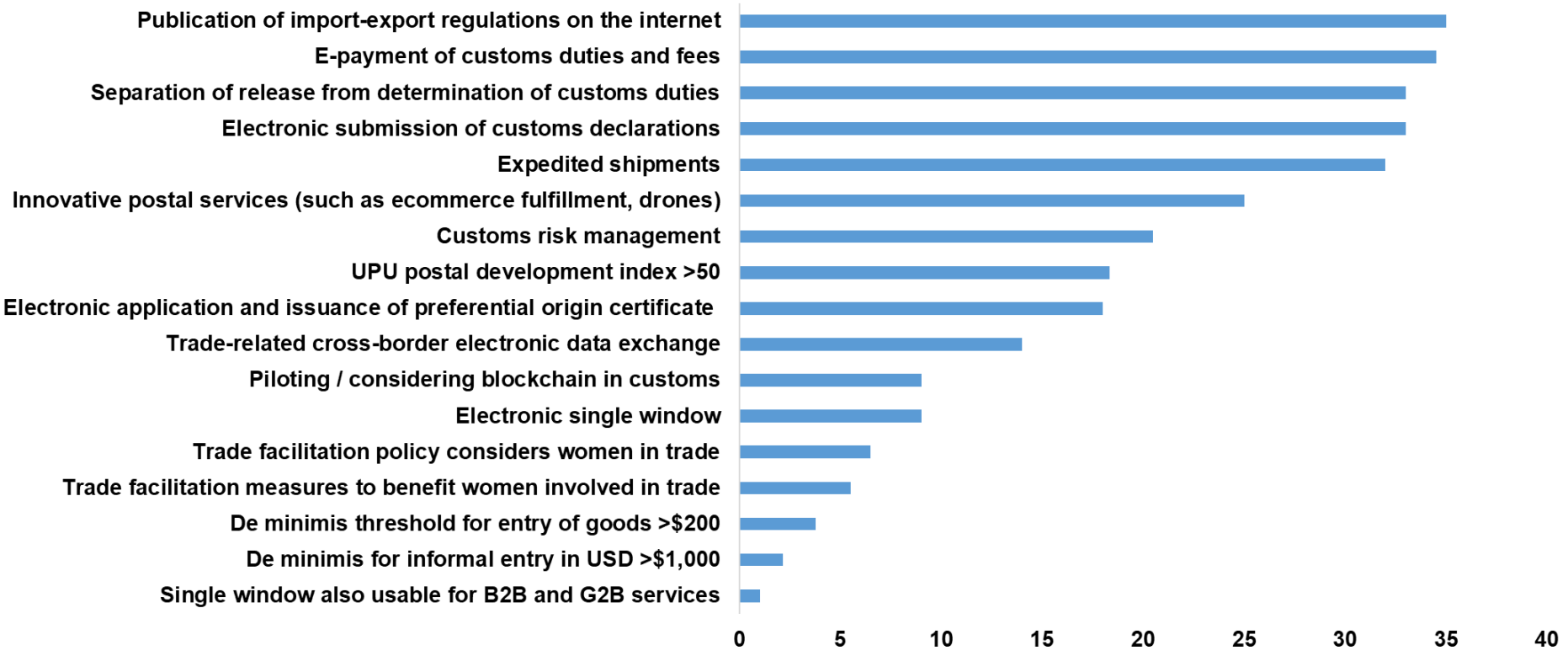
- ✓ Training of SMEs to export online via PPPs with platforms, online training
- ✓ Channel management initiatives for SMEs to use many platforms at once
- ✓ Digital transformation programs for existing exporters

- ✓ 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)

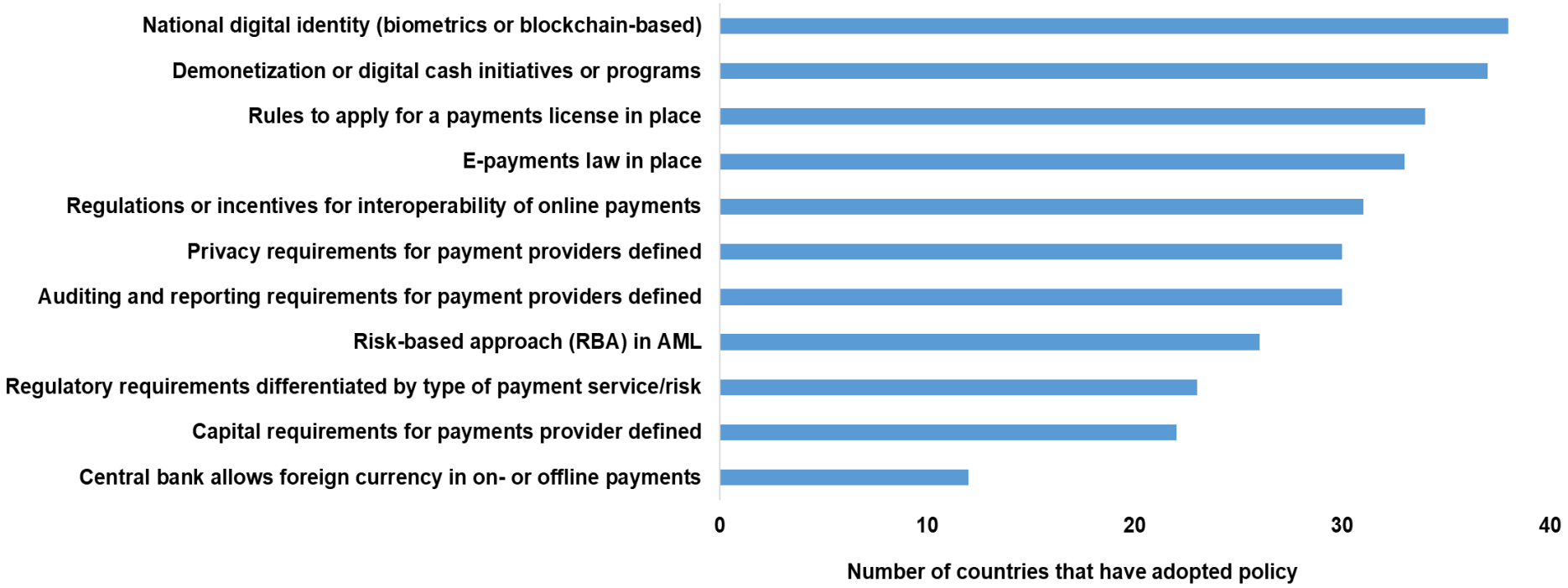


- **East Africa, Korea, UK blockchain in customs**
- **Singapore, Uruguay postal innovations, fulfilment, drone delivery**
- **Singapore single window 3.0 for B2B, B2G services**

SME ecommerce export promotion – number of countries that have adopted a policy (of 40 countries)

- **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



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