

CLADEC – position paper re: e-Commerce

The exponential growth of e-commerce in recent years, which was augmented by the COVID-19 pandemic, has accelerated the transformation process of the world economy in recent years. This represents a challenge for the industries associated with this type of commerce, including digital shopping platforms, supplier and buyer companies, and express shipping companies. At the same time, it constitutes a challenge for Customs authorities, from the point of view of control, tax collection, security, among other aspects.

As a result, authorities and the private sector need to rethink the approach to border management to facilitate trade and promote e-commerce as an important driver of economic growth, particularly for Small and Medium Enterprises (SMEs) which now have a better path to participate in and reap the benefits of global trade, while allowing Customs authorities to fulfill their mandate, including generating revenue and ensuring safety and security.

The projections for e-commerce growth in Latin America are the highest in the world. This means that customs services and border agencies share the interest of the express industry in achieving efficient and expedited clearance. Therefore, it is imperative to understand that unless streamlined and digitalized customs procedures are established to handle high volumes of low value shipments, customs clearance requirements for e-commerce shipments can be as demanding as those for a commercial shipment worth many thousands of dollars. Without implementing customs clearance measures that can handle the avalanche of e-commerce shipments that are imported daily, customs services risk being overwhelmed. The consumers making these purchases may incur unexpected expenses and experience delivery delays.

E-commerce had a crucial role in helping citizens confront the COVID-19 pandemic by relying on international express services to transport medicines, medical equipment and related spare parts, personal protective equipment (PPE) and many other articles purchased through digital means. Acknowledging this, many governments in the region implemented trade facilitation measures aimed specifically at products related to COVID-19. It is crucial to leverage the lessons learned during the pandemic to further advance the trade facilitation agenda by adapting the regulatory framework to formalize all positive temporary measures and, where possible, extend them beyond the COVID-19 related products.

There is increasing global recognition that international e-Commerce will likely be one of the driving forces of future global economic growth and countries should adopt policies which serve to stimulate its growth and expansion. The World Trade Organization (WTO) has said that e-

Commerce helps micro, small and medium sized enterprises (MSMEs) have access to global markets. The WTO also considers that the pandemic has demonstrated the importance of global digital trade given its key role during the crisis.¹ The WTO Trade Facilitation Agreement (TFA) provides governments with the framework to implement such policies.

The pandemic has been a proof-of-concept of the TFA. Countries whose customs procedures were more aligned with the treaty's standards experienced fewer supply chain disruptions, and their economies were more resilient. In order to meet commitments made to implement the aforementioned customs best practices it will be necessary to foment collaboration between customs services and other border agencies. They must overcome inertia and work closely with the private sector to ensure that all interested parties are providing full support to the effort. The Inter-American Development Bank (IDB) and other multilateral organizations stand ready to support TFA -related projects. Needs must be clearly expressed by Governments in order for the assistance projects to be developed effectively with adequate funding.

Effective public-private cooperation and collaboration between all stakeholders will be essential to allow the development of the legal and regulatory frameworks necessary for the effective management of e-commerce volumes by all parties involved.

The development of a regulatory environment which supports the growth of e-commerce will be a key factor going forward. The express industry advocates for and is ready to leverage its logistics competencies and knowledge to support the implementation of laws and regulations which help accomplish the following:

- 1) Ensure regulatory rationality and consistency in support of trade facilitation – accelerate the implementation of the WTO's Trade Facilitation Agreement, including its recommended practices on 'electronic borders'.
- 2) Maximization of the efficiency of clearance processes.
- 3) Effective automated systems which can handle increased volumes efficiently.
- 4) Administrative simplicity, elimination of unnecessary complexity.
- 5) Implementation of modern and efficient duty and tax collection systems particularly for low-value shipments

Given the rapid evolution of e-commerce, it is important to observe new developments, global tendencies and internationally recognized best practices. A permanent dialogue among

¹ WTO: E-COMMERCE, TRADE AND THE COVID-19 PANDEMIC (2020) - https://www.wto.org/english/tratop_e/covid19_e/ecommerce_report_e.pdf

stakeholders will serve to ensure that experiences are shared, and best practices are understood and widely disseminated.

If successfully implemented, these policies will help guarantee compliance with trade-related laws and regulations, with the necessary security and controls, while supporting the explosive growth of the legitimate economic activity that is e-commerce.