

Aid for Trade Review - OECD

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Problem

- Policymakers and aid agencies increasingly attuned to the power of ecommerce to spur SME trade, job creation and inclusive growth
 - But they **lack data and information to prioritize** policies and investments for ecommerce development
 - Existing **interventions risk being too scattered and piecemeal** to be transformative
 - Old **legacy institutions in export promotion, business credit, customs procedures, etc. fail to support today's trade**
- Private sector has the best knowledge of the opportunities, challenges and solutions to ecommerce development
 - But **private sector's knowledge, resources, and capabilities not systematically channeled into policymaking or PPPs**

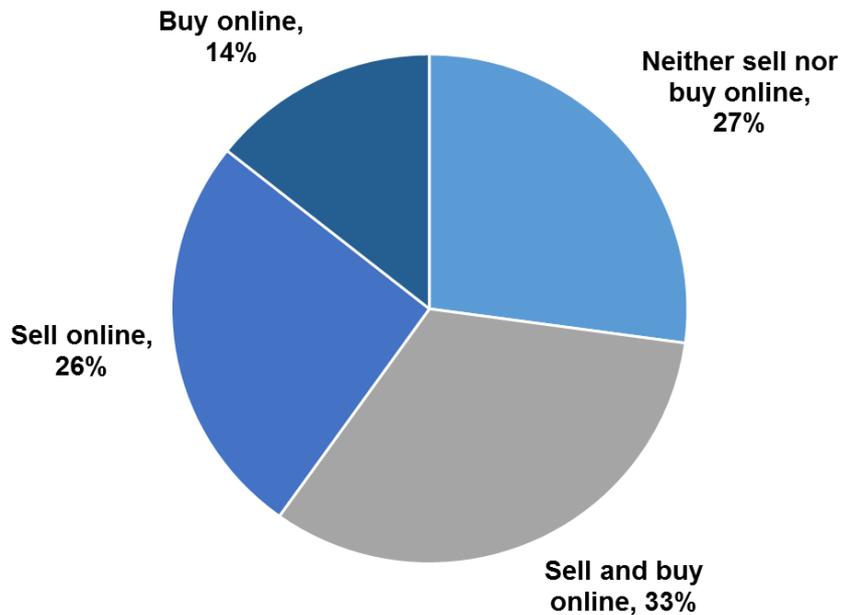
This chapter starts mending these gaps

1. Highlight 2 new **business surveys on enabling environment for ecommerce** by Nextrade Group
2. Provide highlights of the various **ecommerce development projects championed by the private sector** to cultivate ecommerce worldwide
3. Map out **policy pathways and public-private partnerships** to scale and accelerate ecommerce development

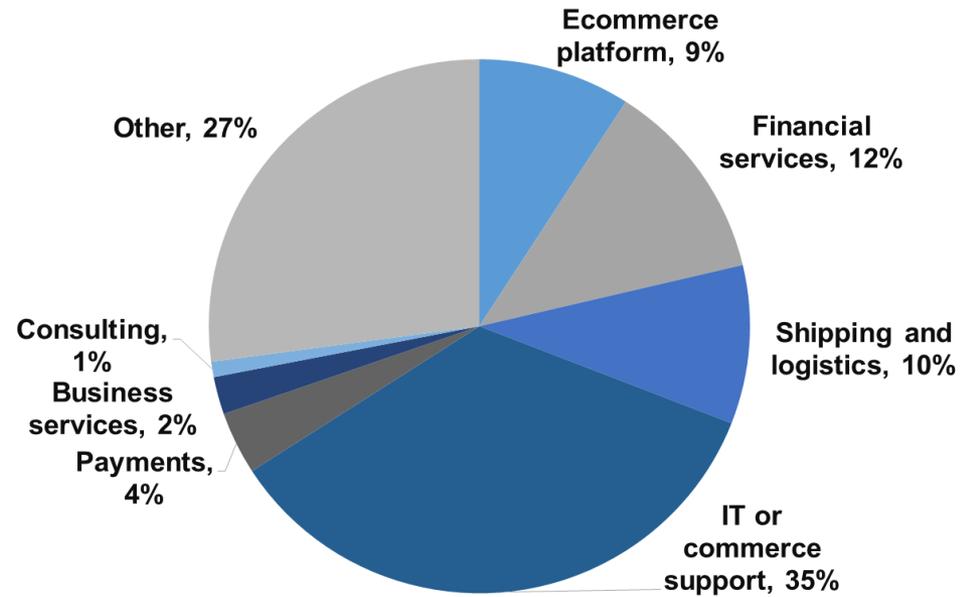
Survey results

Types of Companies

Merchants

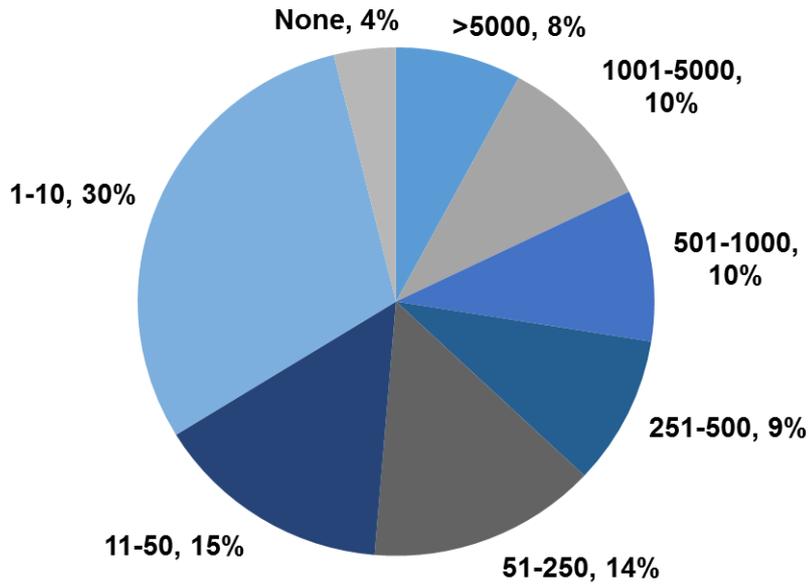


Ecosystem

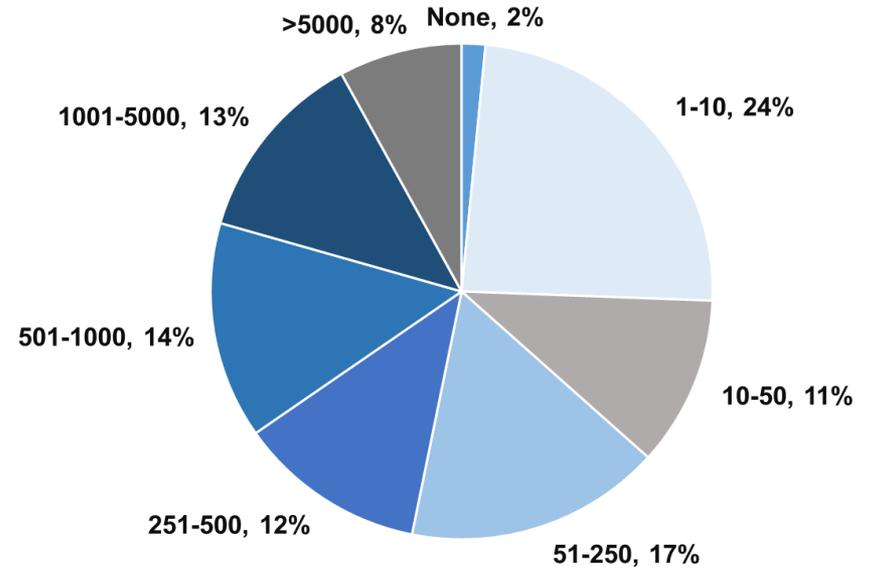


Size of Staff

Merchants



Ecosystem

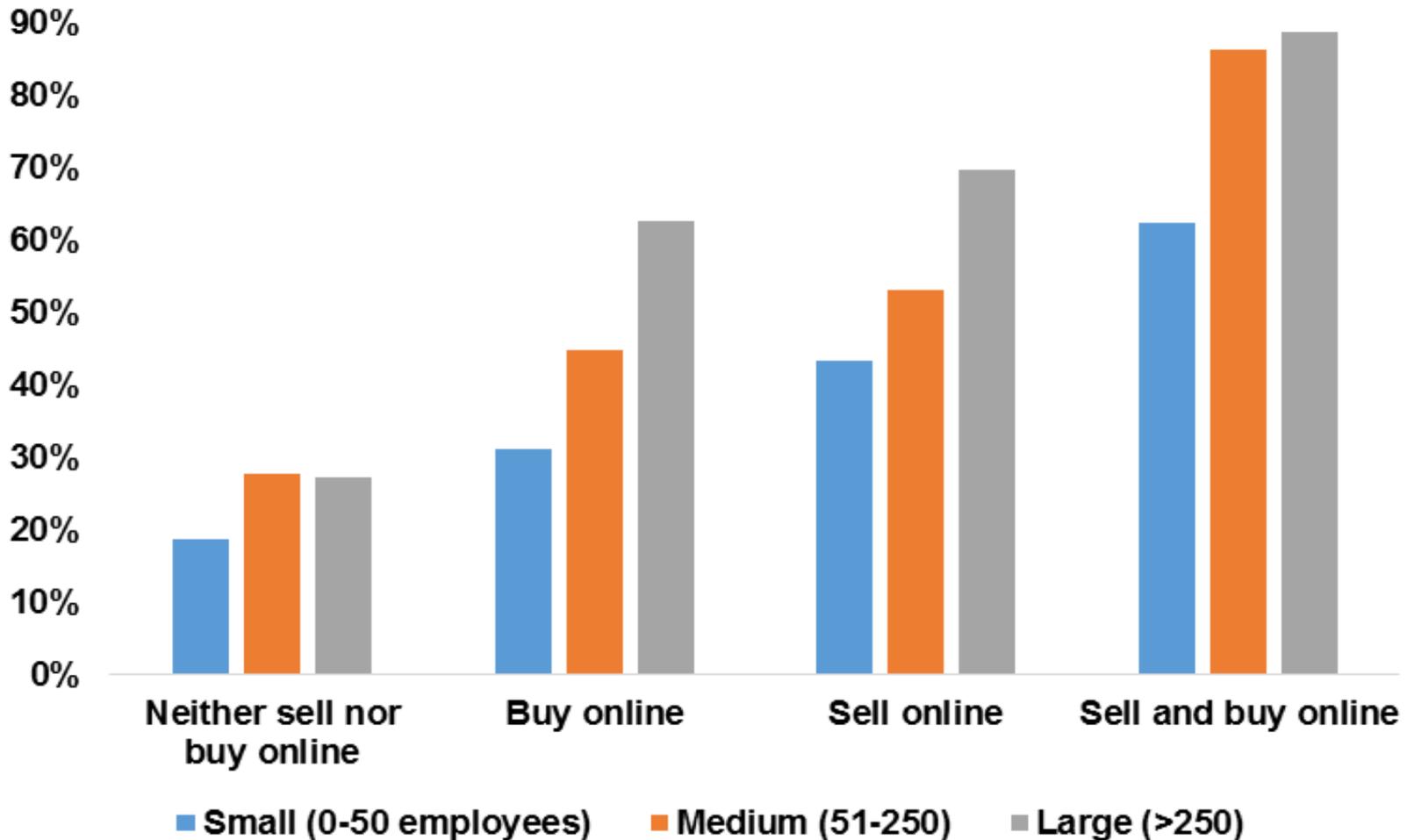


The Only Ecommerce-Specific Survey and Index, with Data that Offers Actionable Policy Insight

	Ecommerce-specific questions	Firm-level data	Updated annually	New data (not recycled from other sources)	Is actionable in that prioritizes policy areas
Doing Business Survey (World Bank)	No	No	Yes	Yes	Yes
Enterprise Surveys (World Bank)	No	Yes	No	Yes	Partly
Networked Readiness Index (WEF)	No	No	Yes	Yes (in part)	Yes
UNCTAD Ecommerce Index	No (only 4 variables)	No	Yes	No	No
Ecommerce Development Index	Yes	Yes	Yes	Yes	Yes

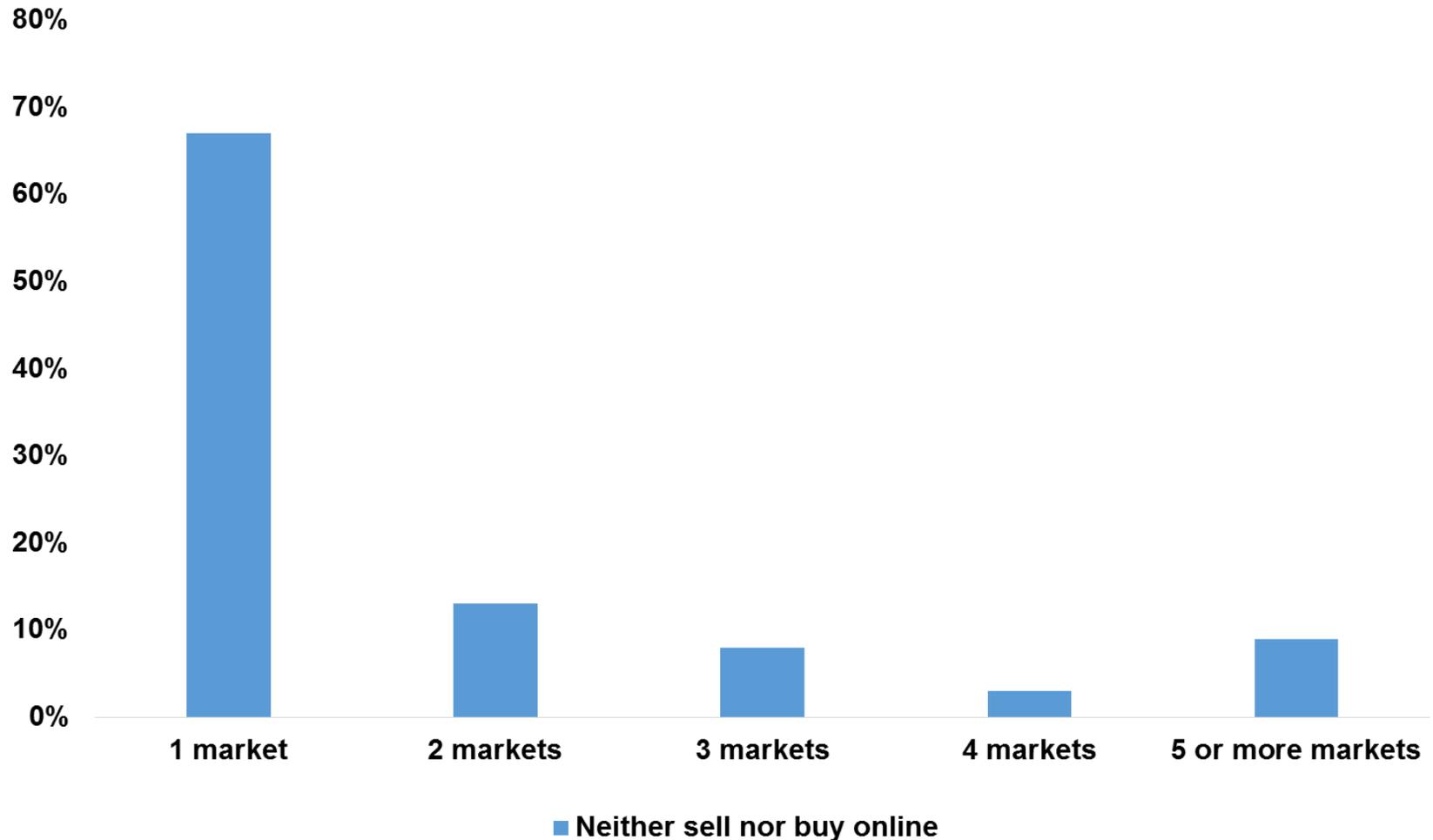
Online sellers are indeed likelier to export

% of companies that export, by online sales



While offline sellers are undiversified exporters...

Number of markets companies sell into, by company's online activity



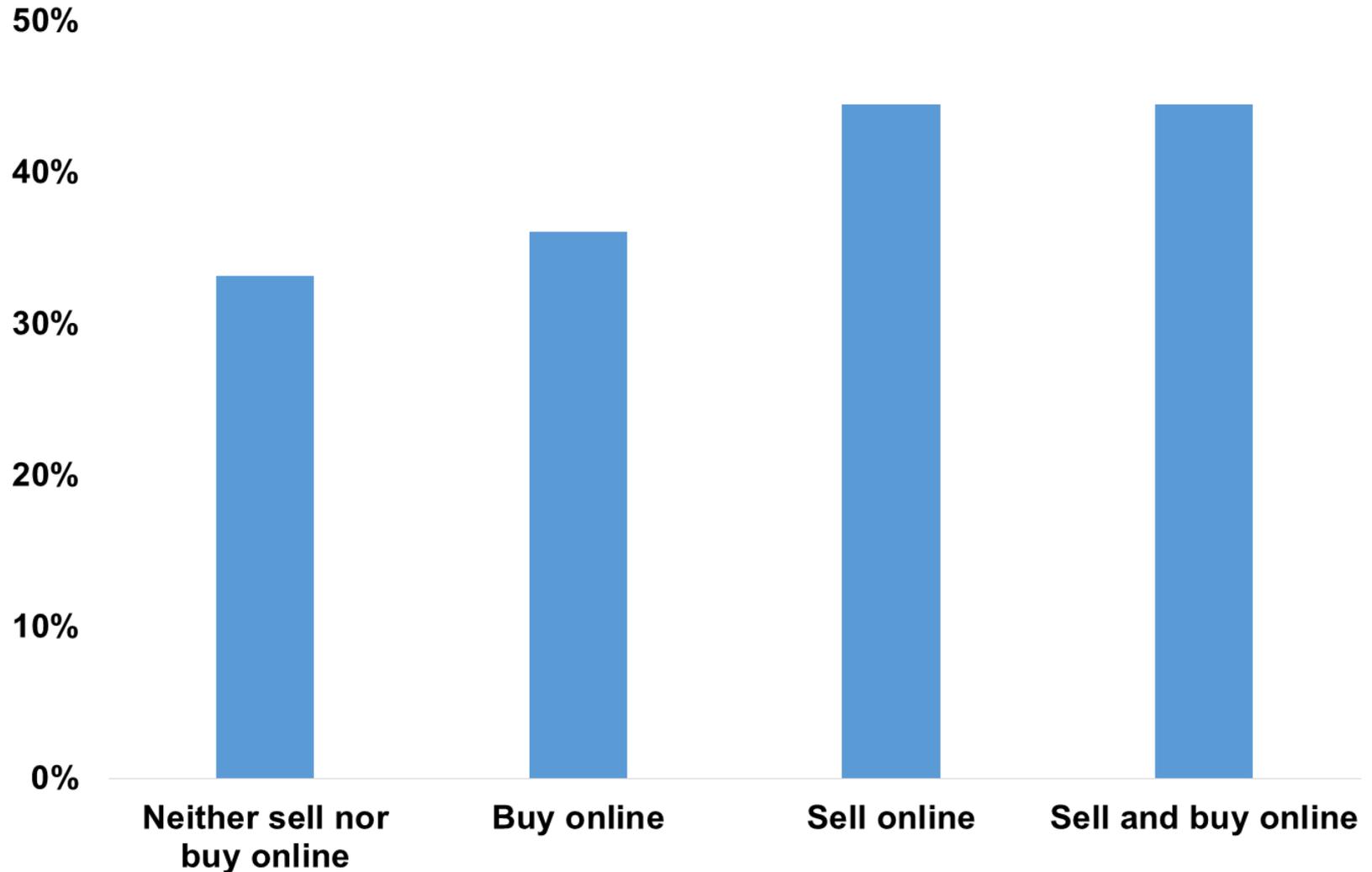
... >50% of online sellers that export, export to 2 or more foreign markets

Number of markets companies sell into, by company's online activity

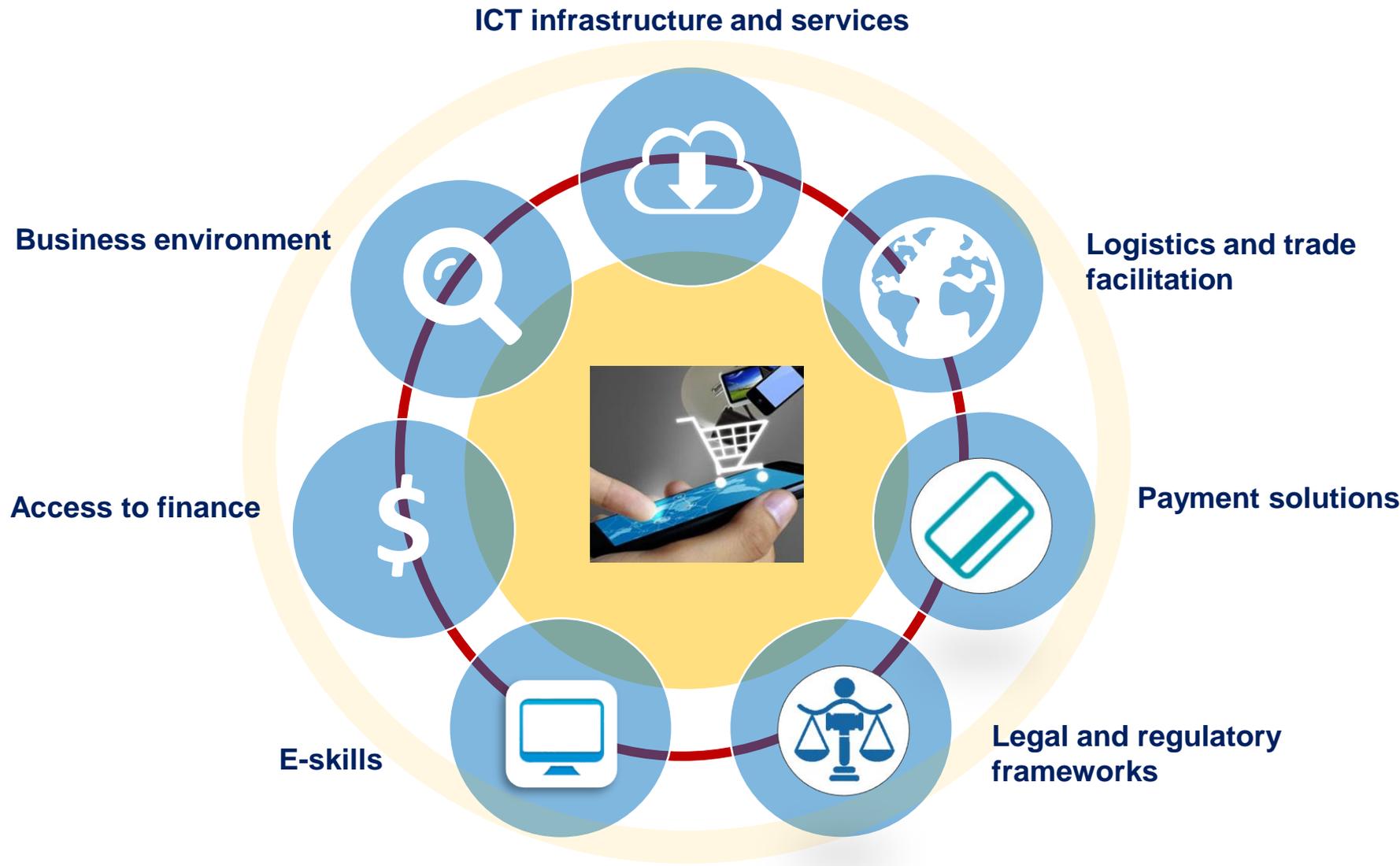


Online sellers likelier to be fast-growth companies

% of Fast-Growth Companies (Annual Revenue Growth of >10% or More) in a Category, by Online Activity

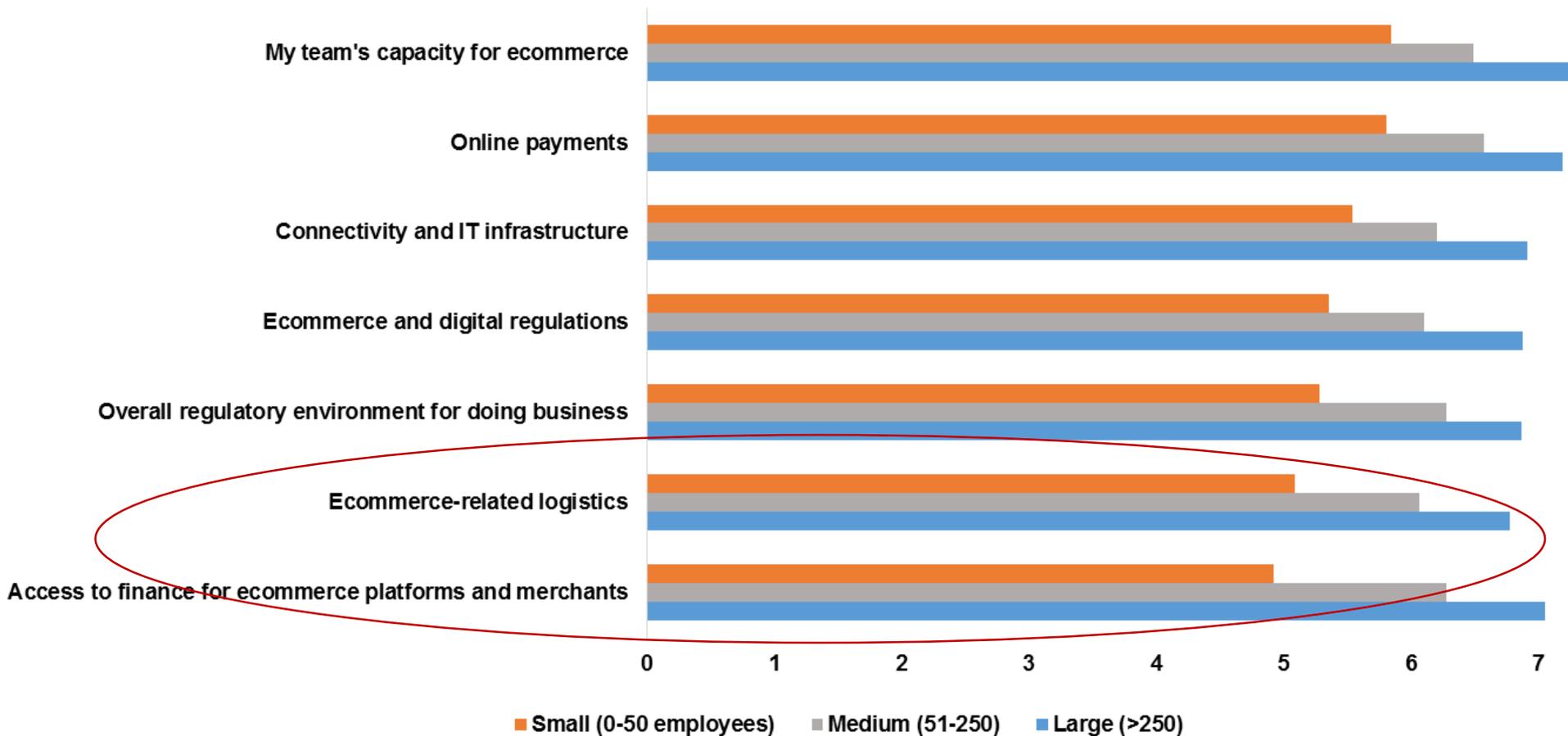


Digital trade needs many elements to work-together

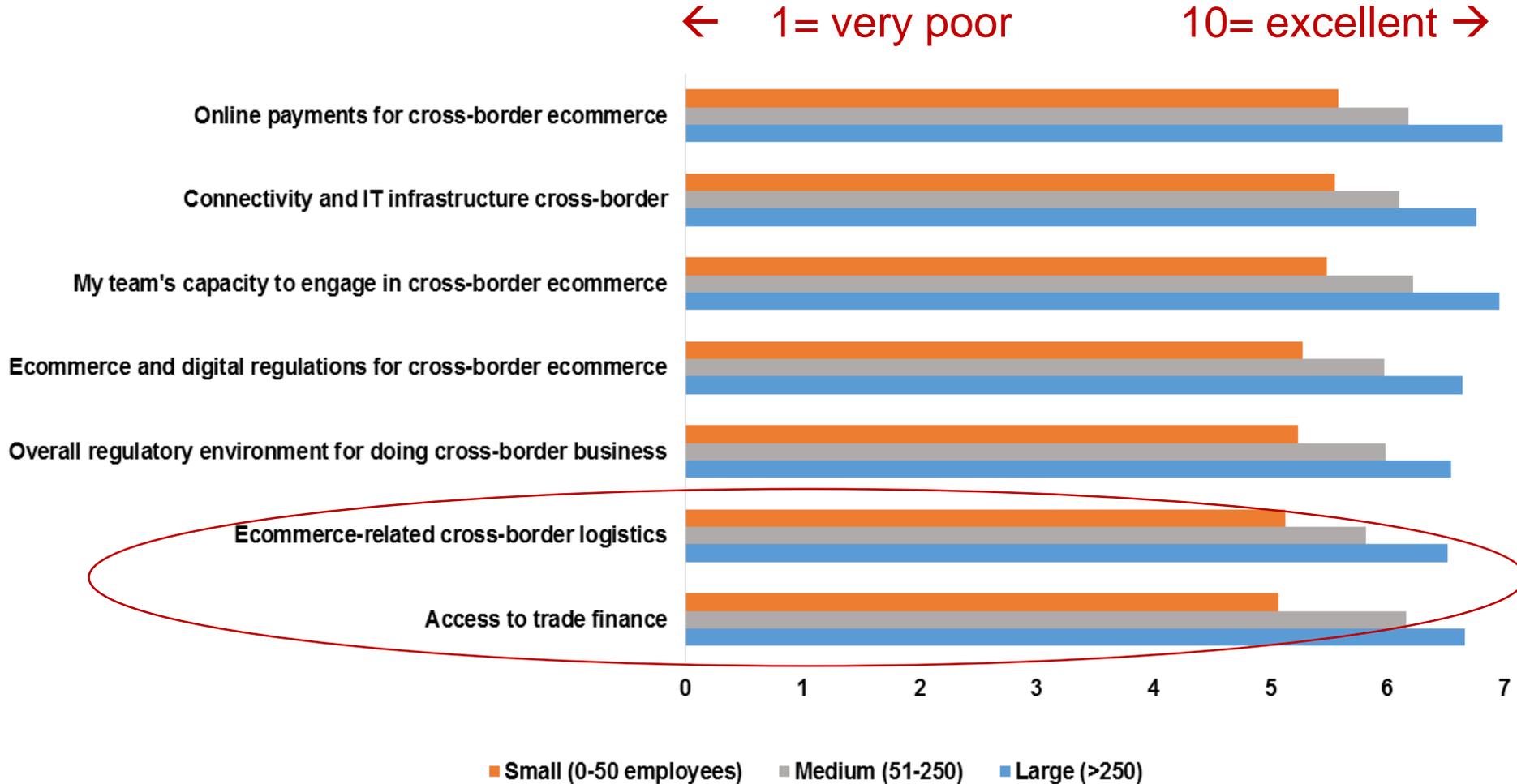


Challenges to ecommerce

← 1= very poor 10= excellent →

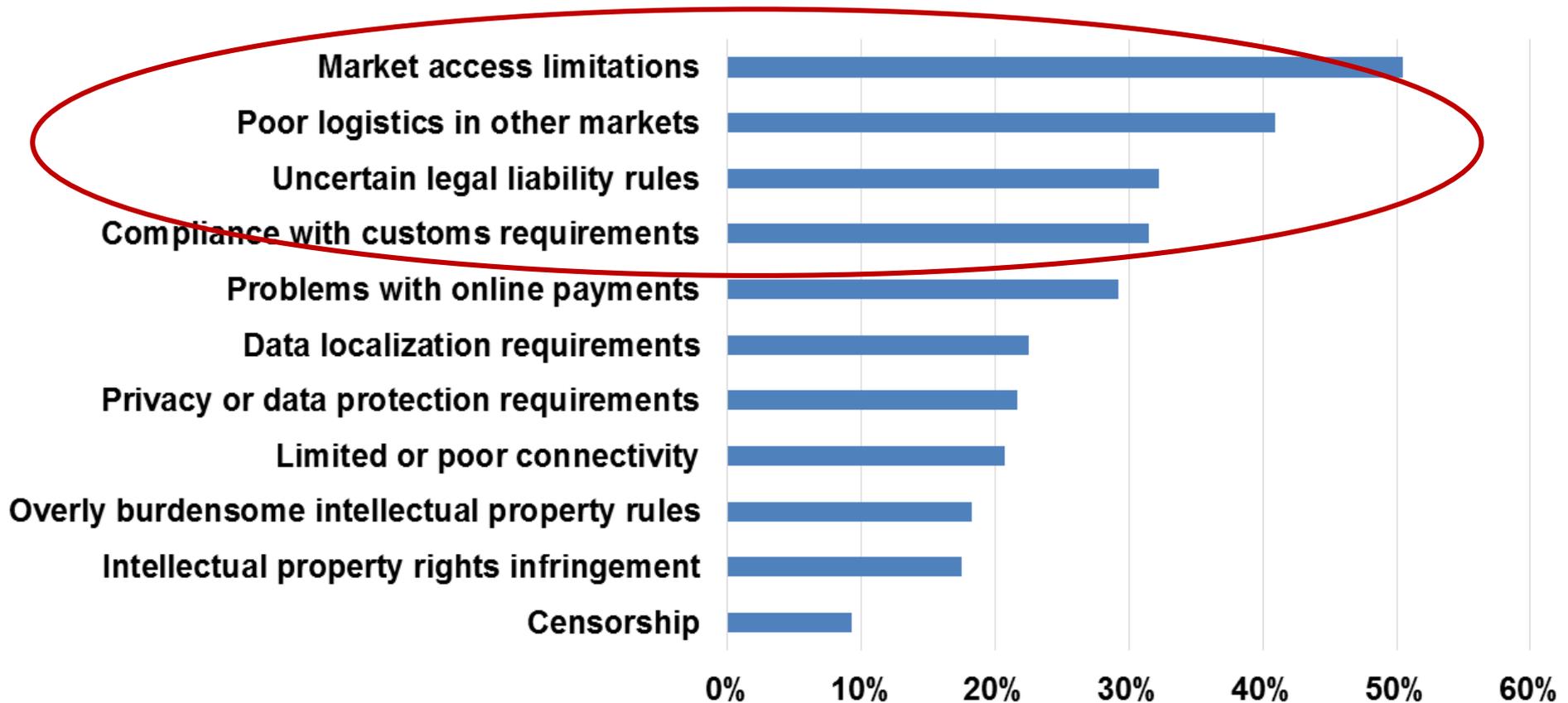


Challenges to *cross-border* ecommerce

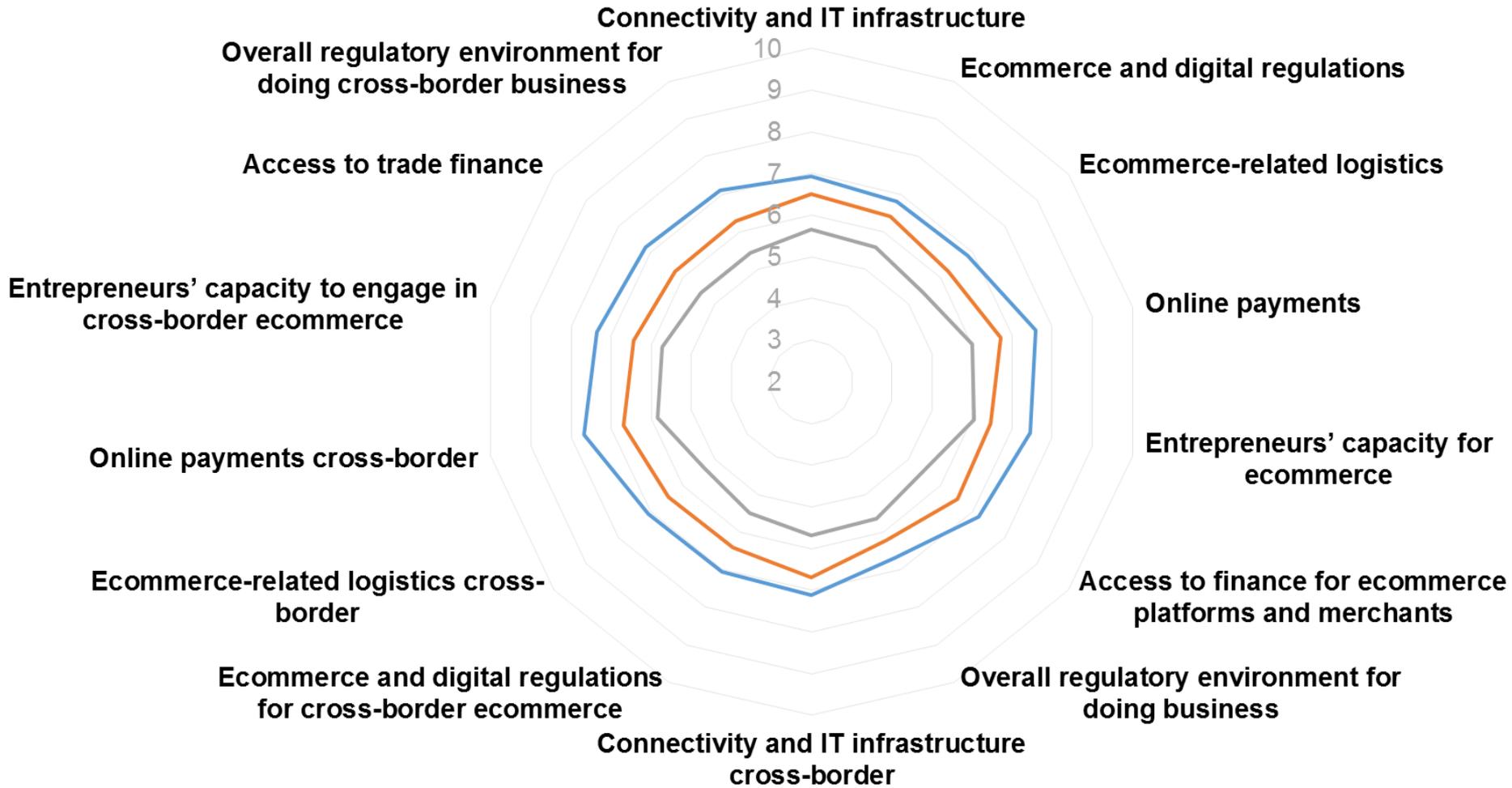


Same in a survey of all of Latin America

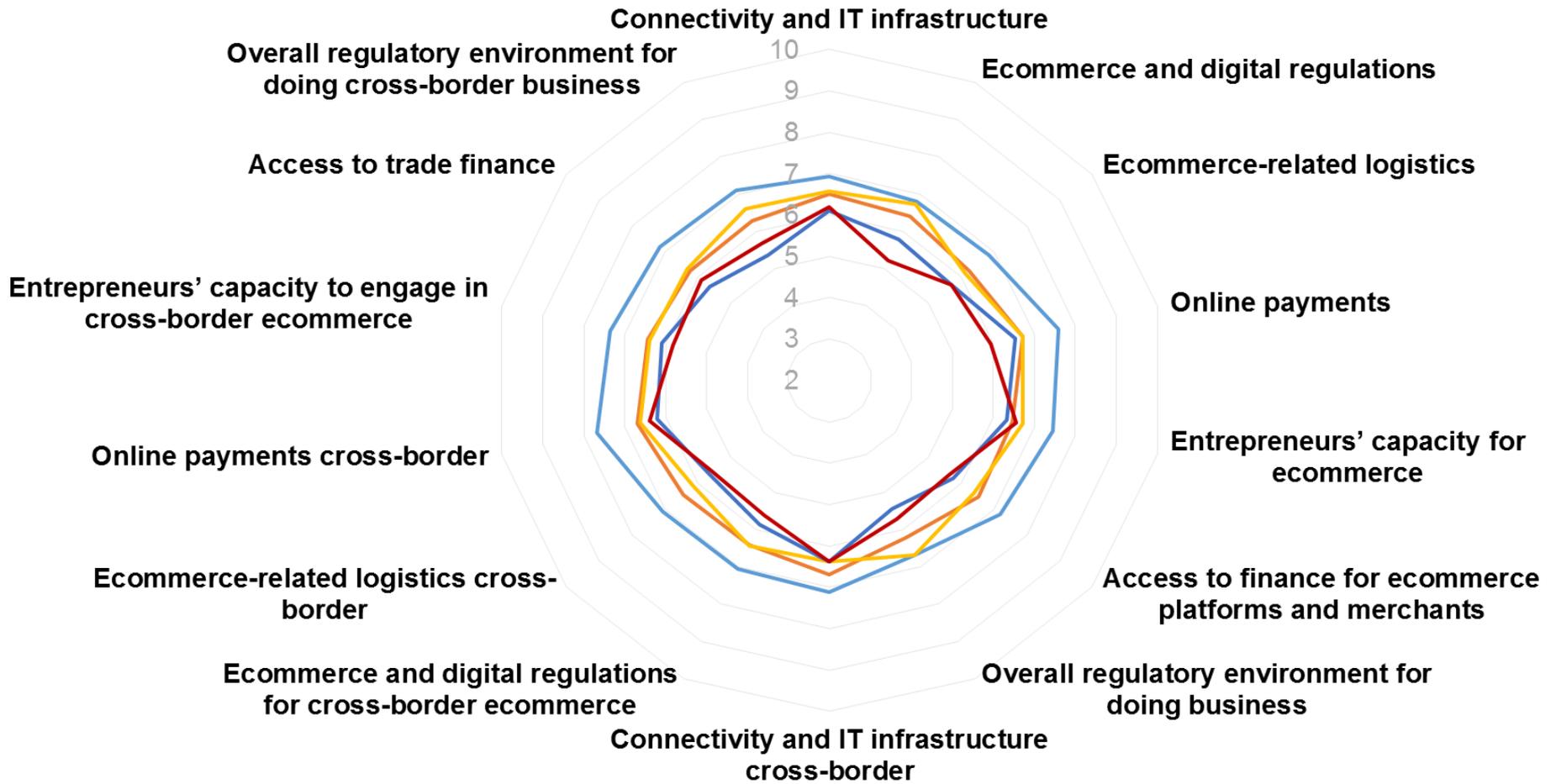
Challenges Experienced as “Very Significant” by LAC Companies to Cross-Border Online Sales, by Type (cross-border sellers)



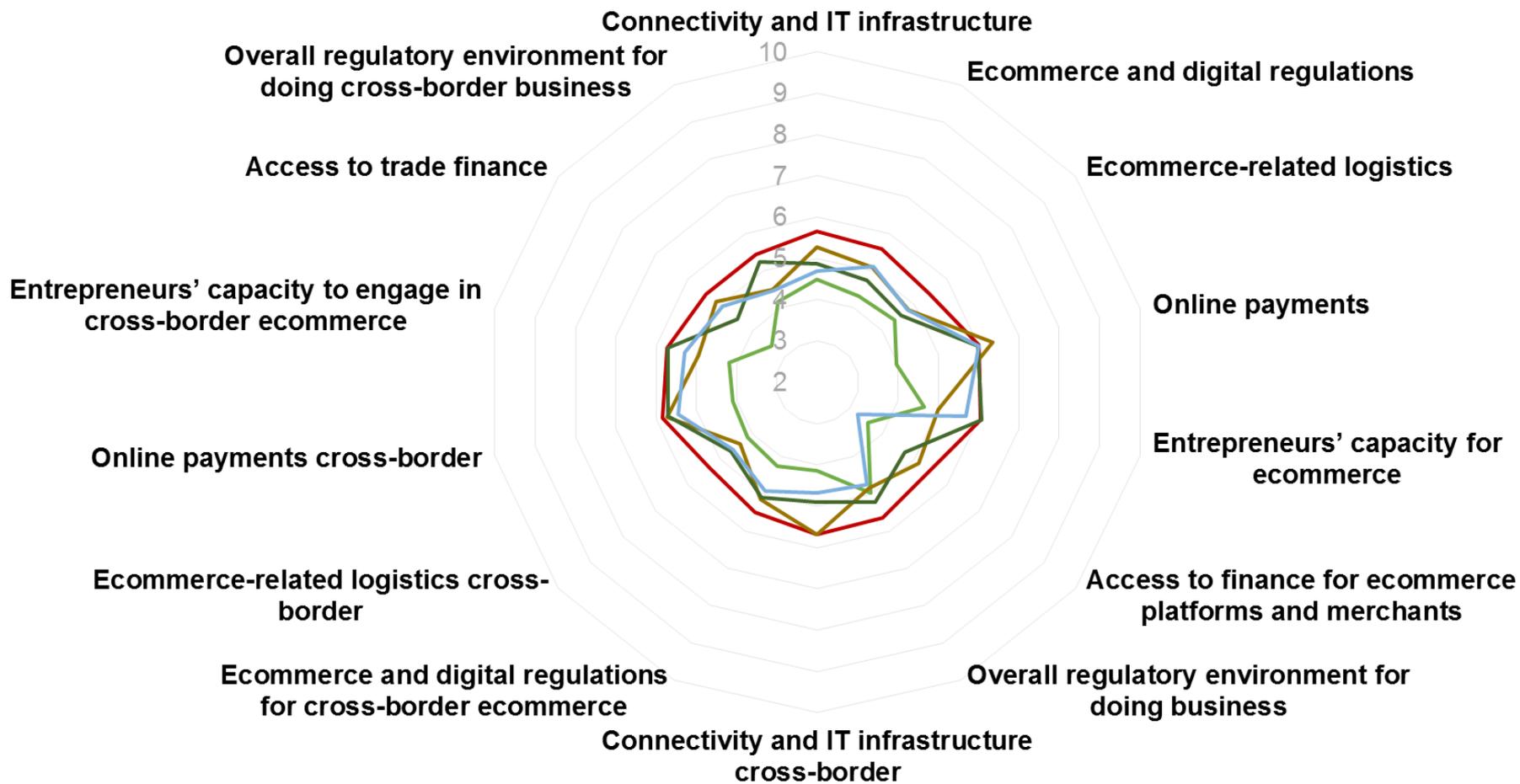
— Brazil — Mexico — Global average



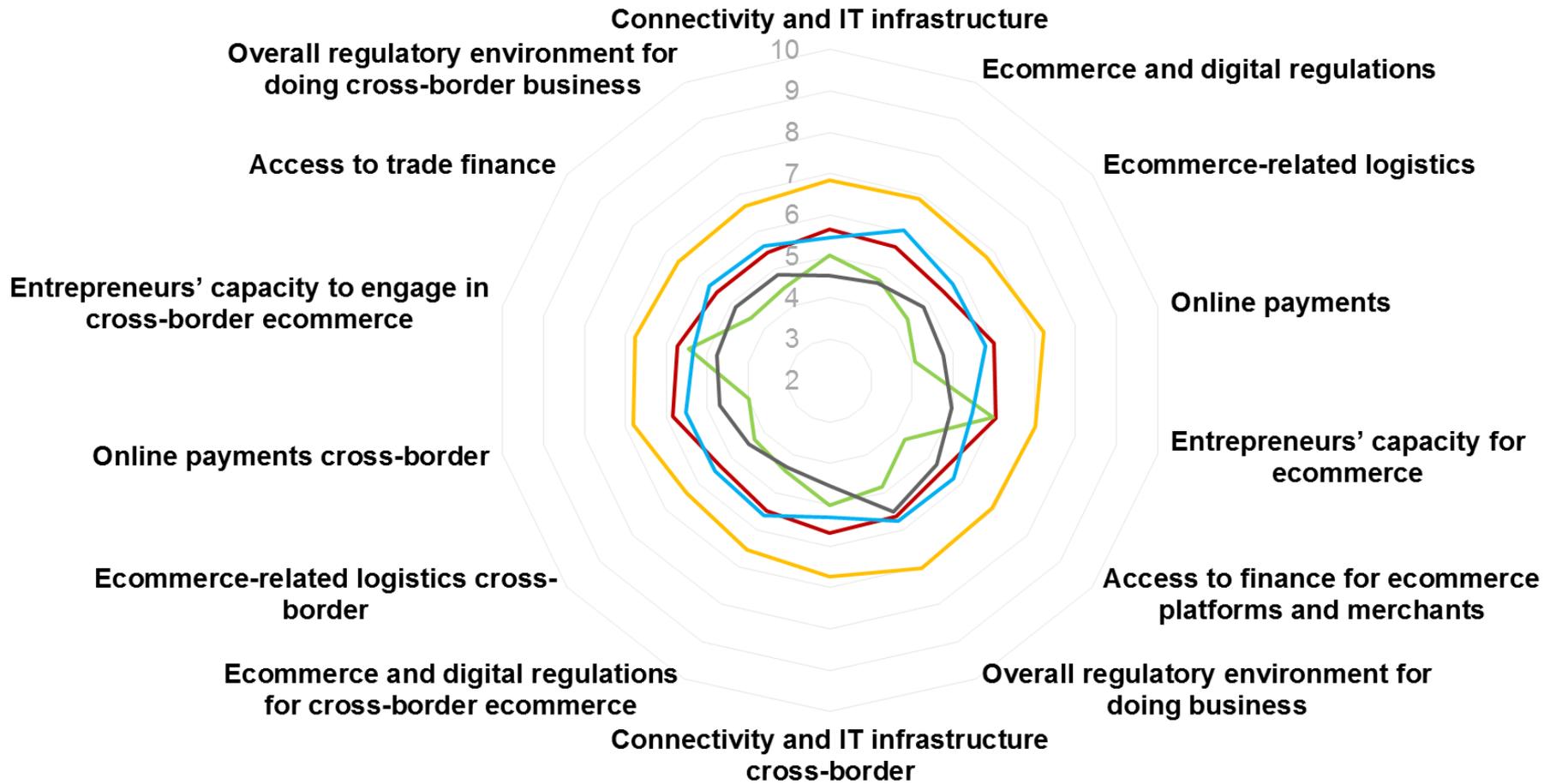
— Brazil — Mexico — Chile — Colombia — Uruguay



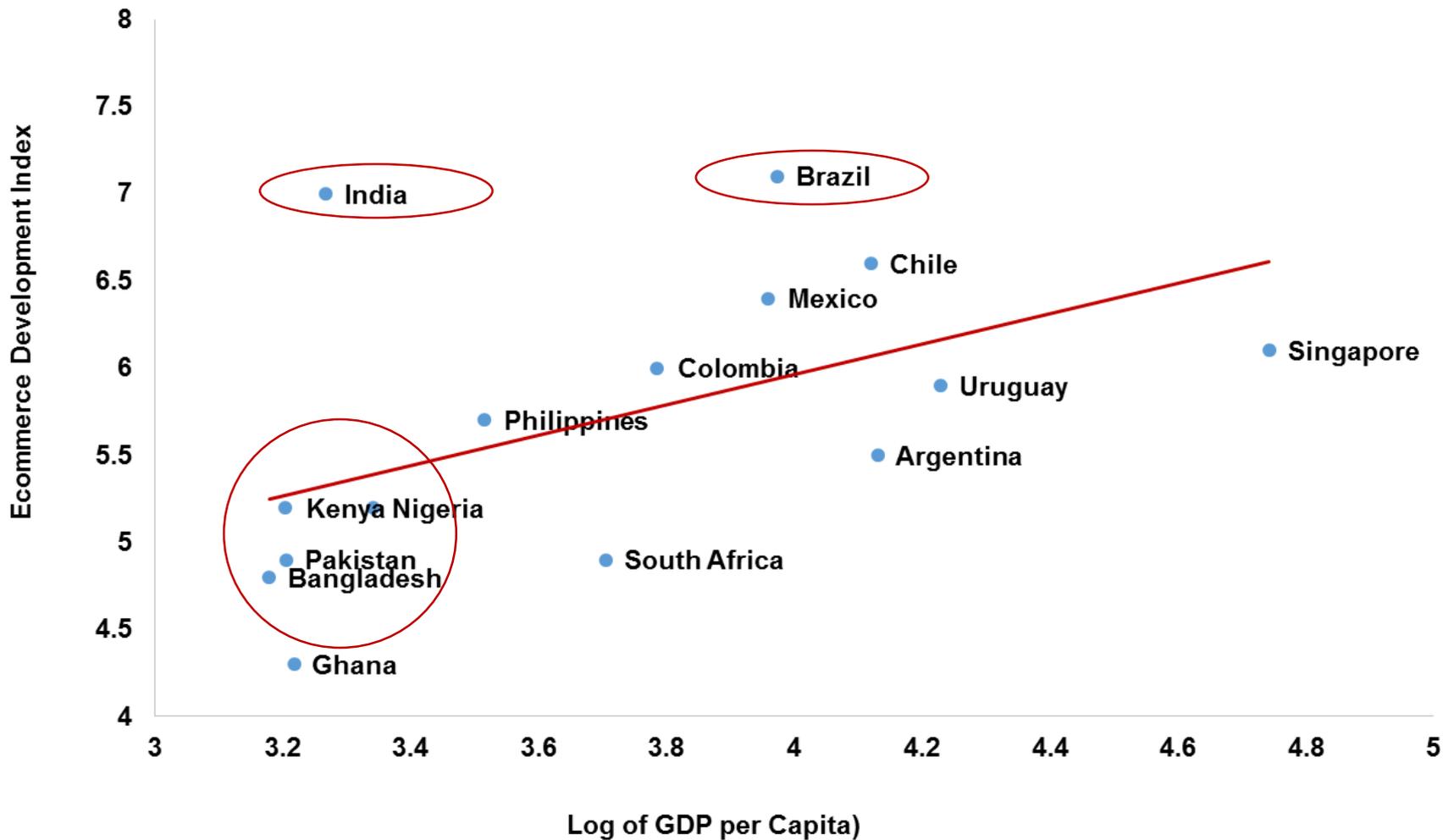
— Global average — Ghana — Kenya — Nigeria — South Africa



— Global average — Bangladesh — Philippines — Pakistan — India



Brazil, India outperform peer economies; surveyed LDCs underperform



Source: Suominen (2017).

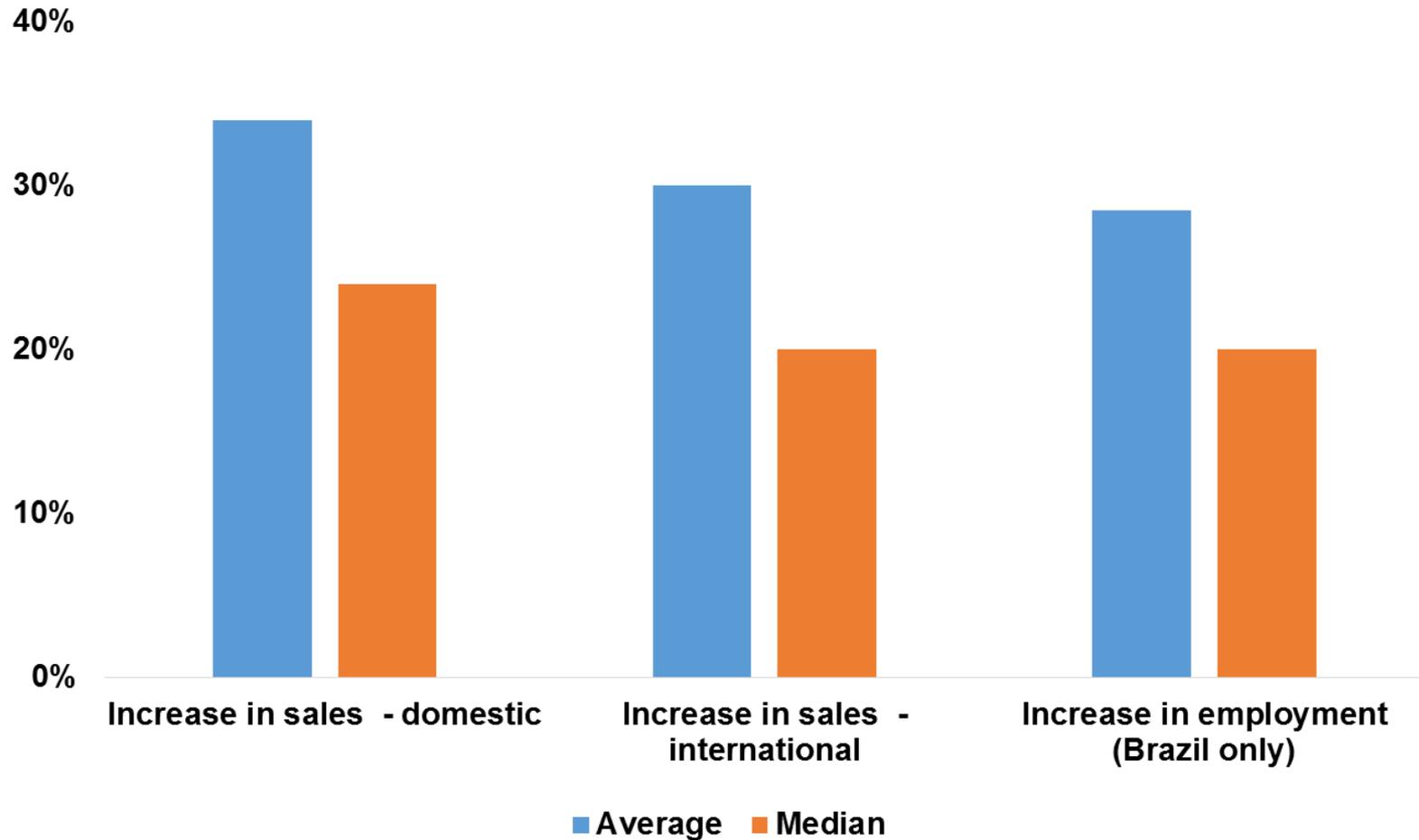
Main challenges to cross-border ecommerce – small merchants

	Merchants
1	Finance - Availability to trade finance for merchants
2	Logistics - Customs procedures for ecommerce imports
3	Logistics - Cost of logistics for cross-border transactions
4	Logistics - Total cost of delivery from my country to foreign buyers (exports)
5	Payments - Cost of cross-border online payments
6	Logistics - Market access (tariffs, trade policy) in main export markets
7	Logistics - Infrastructure for cross-border ecommerce
8	Logistics - Postal services for cross-border ecommerce - import or export
9	Logistics - Customs procedures in main export markets
10	Digital reg. - Consumer protection laws in other markets
11	Digital reg. - Interoperability of digital and ecommerce regulations with trading partner markets
12	Digital reg. - Legal liability laws for online sellers in other markets
13	Digital reg. - Copyright laws in other markets
14	Digital reg. - IP protections in other markets
15	Overall regulatory env. - Tax rules in other markets

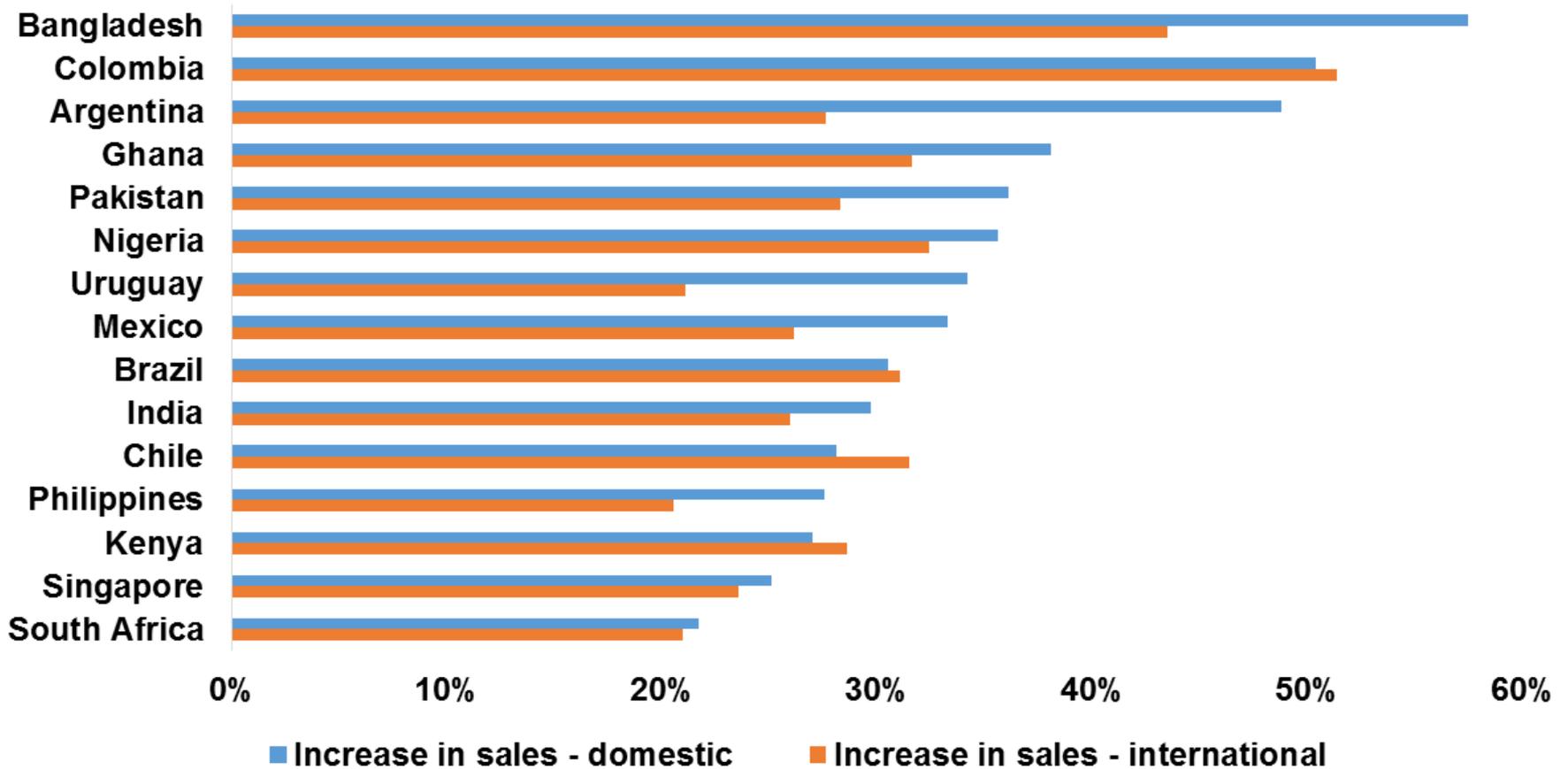
Main challenges to cross-border ecommerce – small merchants

	Merchants	Ecosystem
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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 and ecommerce 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

Companies' Revenue Gains If Their Top-3 barriers to Ecommerce Were Removed

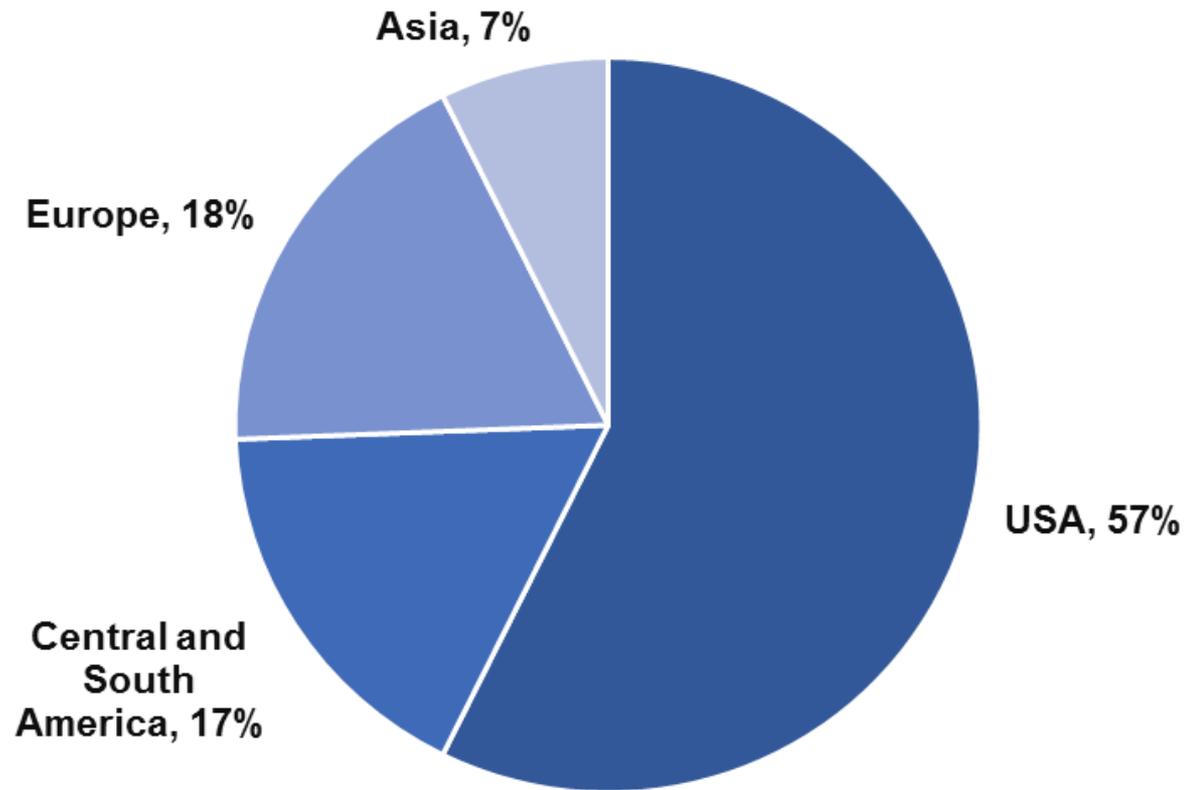


Gains Significant Globally



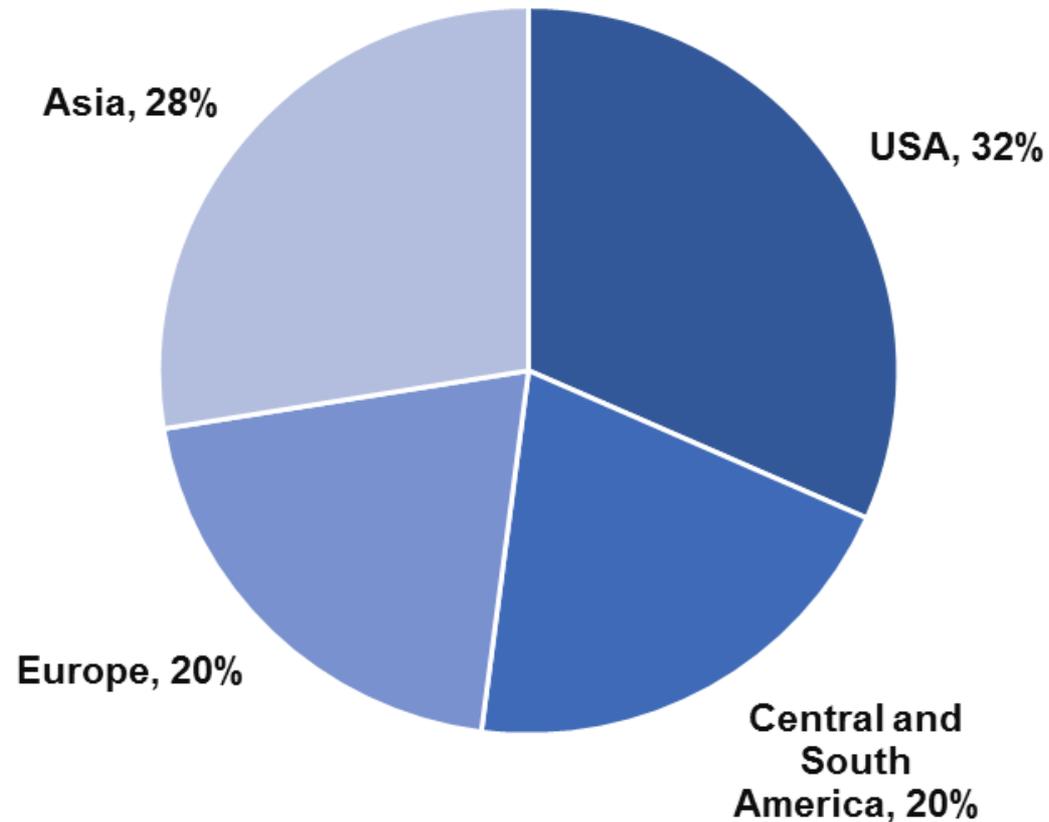
Removal of Barriers Would Likely Also Help Diversify Export Markets – e.g. Mexico

% of surveyed Mexican companies export to:



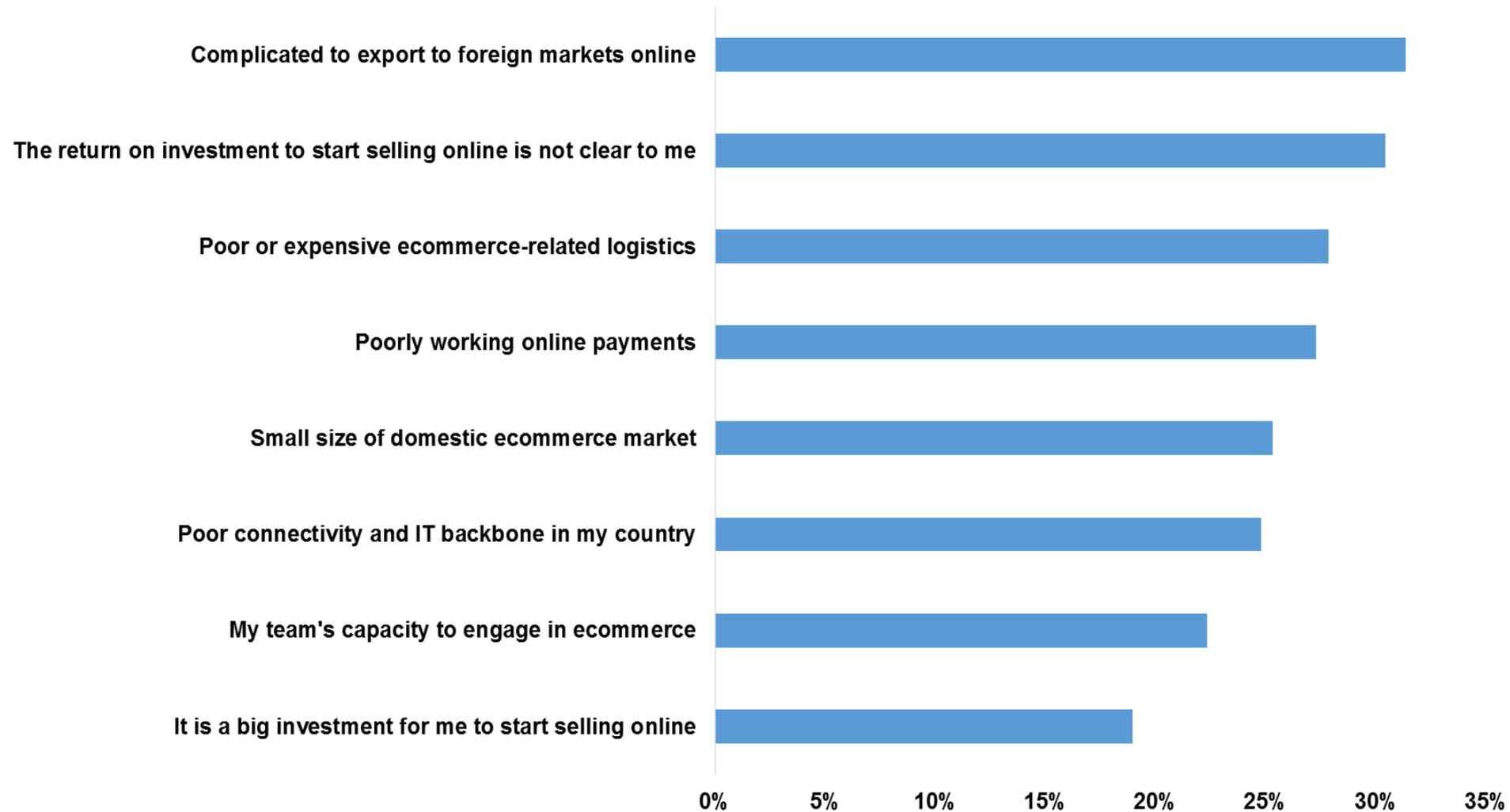
Removal of Barriers Would Likely Also Help Diversify Export Markets – e.g. Mexico

If barriers were removed, % of surveyed Mexican companies would export more to:



Challenges to start selling online

% of companies that agree with statement



Policy & PPP solutions

To spur ecommerce, we need to refashion the trade policy / trade capacity building toolkit

- **Yes, old issues of trade facilitation, market access, and access to finance persist, but they are also different in ecommerce (e.g., cost of rural last-mile delivery, cost of low-value item imports, access to digital finance, foreign IP and copyright rules, etc.)**
- **New solutions are needed**
 - ✓ **Regulations** for digital economy and ecommerce
 - ✓ **Trade facilitation** “TFA+” to facilitate low-value shipments and SMEs’ trade compliance
 - ✓ **Export promotion** for digital era: training SMEs to use ecommerce to export
 - ✓ **Export credit** instruments and digital finance for small businesses and transactions
 - ✓ **Data** on digital trade, and on barriers to digital trade – census bureaus and statistical agencies
 - ✓ **Regional digital integration**

Public-private collaboration in A4T, eTrade for All

- Further public-private policy dialogue on ecommerce policies and regulations – examples: Bangladesh, Turkey, Chile – and help private sector make proposals
- Pursue public-private funding partnership to unlock problems, scale solutions
 - **Private sector seeds, public sector scales** – e.g. many ongoing private sector-led projects that have financial, economic, and social returns
 - **Private sector risks and develops, public sector gives a return and owns** - e.g. Social Impact Bonds
 - **Private sector lends, public sector guarantees** – e.g. microcredit to microbusinesses
 - **Private sector provides data, public sector reforms** – e.g. customs to understand new patterns of trade