

# Facilitating Cross-Border E-commerce Collaboration

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Based on Unleashing E-commerce for South Asian Integration, World Bank, December 2019

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New Delhi, March 14\_2024

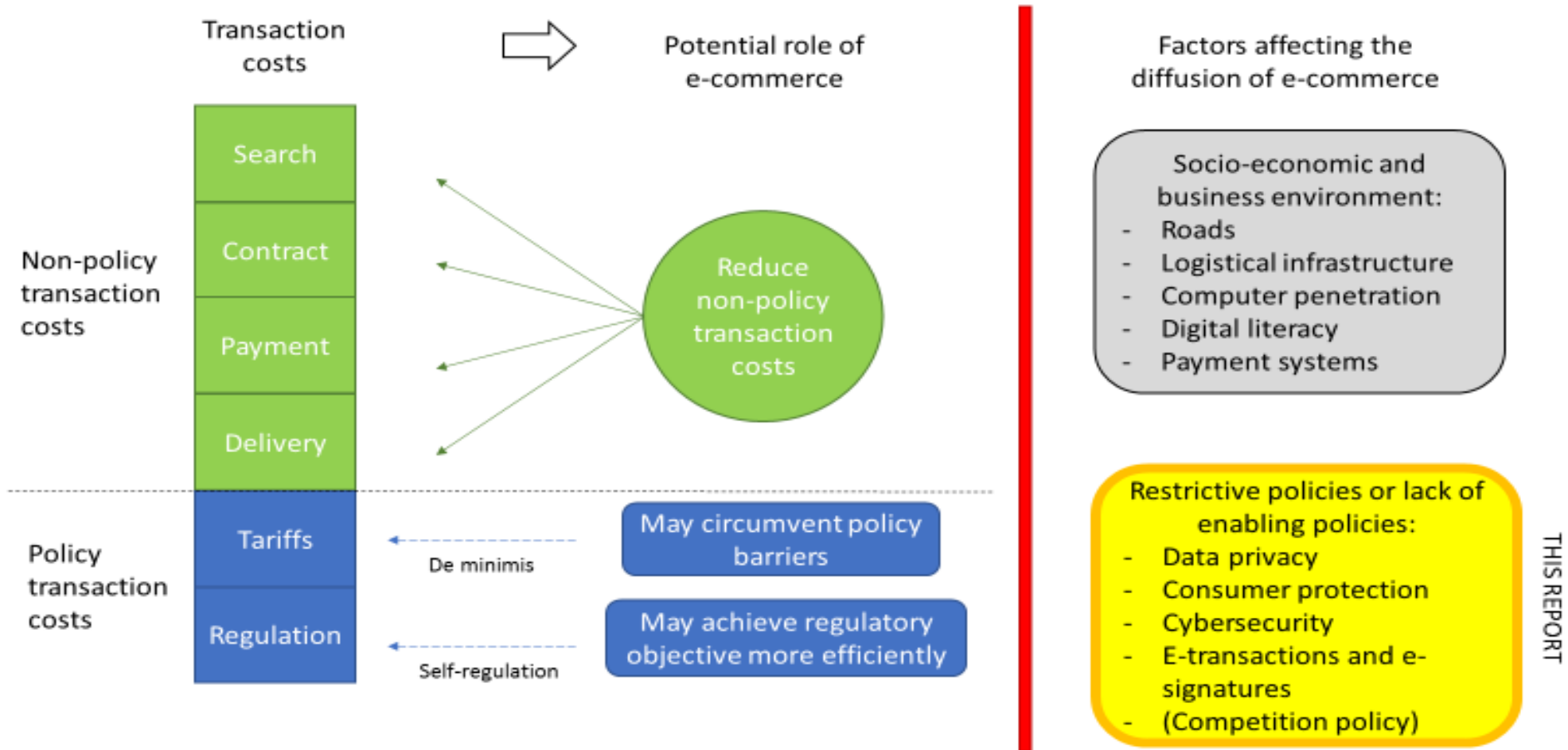
# ... South Asia lags behind in activating the potential benefits from e-commerce

- Globally, online purchases estimated to account for about 19.4% of total purchases in 2023: Asia Pacific growing rapidly
- South Asia lagging, India stands out

**Vast untapped potential:** Informal B2C trade; potential trade e-services like health, education, and digital content like music and movies; potential trade in high-demand goods

# E-commerce can reduce policy and non-policy transaction costs

## The Conceptual Framework



WBG report focuses on regulatory barriers to e-commerce that can be relatively easily rectified, exploiting the existing logistical infrastructure, in South Asia

# A practical approach to enhancing e-commerce in South Asia

- ❑ National, regional and global policies
- ❑ National policies can affect all firms irrespective of location, e.g., a consumer protection policy enacted in Sri Lanka
- ❑ We will focus here on regional aspects of policies, recognizing that many e-commerce policies will affect all firms, whatever their origin or location
- ❑ Growing evidence of the potential for e-commerce within South Asia: informal B2C trade; medical services facilitated by e-commerce; trade in digital products like movies, music, education; potential trade in high-demand South Asian products

# Unleashing e-commerce at the regional level: Development is a 3-stage process

Informal e-commerce,  
which mediates the tariff  
and logistics challenges

Current stage

Simplification of tariff,  
payments and logistical  
barriers, with consumers  
depending on reputation of  
big firms as a substitute for  
formal robust contractual  
and consumer protection  
regimes

Enables platforms to  
achieve scale

More formalized regional  
platforms and regulations

Governments likely to  
be interested when e-  
commerce reaches a  
critical mass

# Focus on second stage issues: enabling e-commerce transactions riding on the reputation of large firms



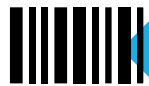
Enabling regional contracting



Facilitating practical payments solutions



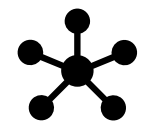
Protecting the consumer



Creating a practical tariff and delivery regime



Developing a regional market for e-transport services



# Enabling regional contracting: Regional platform attractive

- Some e-commerce platforms in India already selling across borders informally
- Different options possible to formalize e-trade
  - Allow companies to establish a regional platform (with suffix “.sa”), where initially the range of products listed is limited to those with lower tariffs and costs of delivery
  - Allow companies to supply cross-border through their national platforms, with cross-border recognition of digital contracts
- The .sa model would allow an expanding set of countries to sign on to initial guidelines negotiated between, say, two countries. The national platform, in contrast, would require a series of bilateral negotiations and guidelines
- In both, countries would need to recognize each other’s digital transactions regime, to make cross-border contracts legally binding
  - Address lack of clarity and institutional gaps in the legal frameworks for e-transactions within SA



# Facilitating practical payments solutions

- A fundamental issue is consumer access to foreign exchange
- Practical fixes have emerged, e.g., Order placed by Nepalese on India-based websites, with delivery through friends/ relatives who travel to India
- More efficient solutions needed:
  - Enable cross-border PISPs to operate throughout South Asia (or even in sub-regions)
    - In the interim, allow PISPs such as Paypal to at least receive money in each country for goods and services exported. For imports, central banks could cap the amount of cross-border purchases per year per consumer via e-commerce, which can also be done through PISPs, with perhaps 50% of this cap restricted for intra-regional purchases
  - Enable a South Asia digital wallet
    - E.g., in India, Paytm, Flipkart and Amazon.in provide their own digital wallets. Access to these services from other South Asian countries would require regulatory permission from the respective country authorities and compliance from the merchants



# Protecting the consumer

- Regulations on consumer protection are uneven in South Asia
- As policy catches up, firms can fill the void, esp. given strong competition
  - Instantaneous consumer ratings prompt firms to constantly improve product quality, which they do by penalizing erring suppliers and implementing a consumer-oriented returns or redressal policy
- Consumers in India and Sri Lanka tend to rely on the reputation of large digital platforms – which often go beyond the letter of the law – to protect their interests; reputation effect likely to prevail across borders
- Cross-border product returns may be too cumbersome from a regulatory standpoint
  - To get around this, firms may prefer to provide a returns solution within the consumer's country, which would require cross-border investment or tie up with a local firm. This may possibly imply a limited initial menu of product offerings, which could gradually increase as confidence increases on all sides

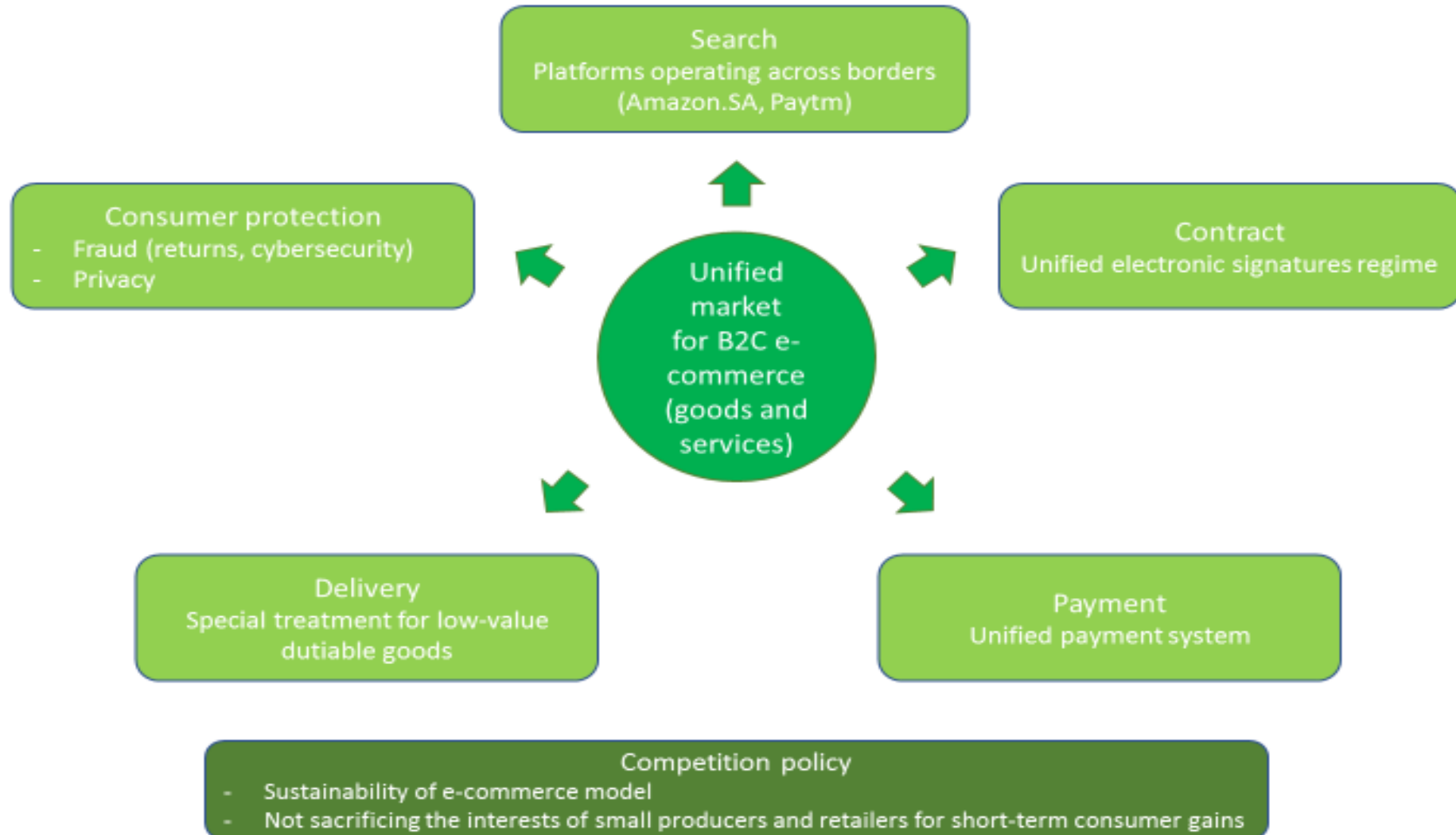
# ■■■■■ Creating a practical tariff and delivery regime

- South Asian trade regimes not conducive to trade, esp. with neighbors
- E-commerce could help boost trade, but will need:
  - De minimis tariff regime: zero duties for imports valued below the threshold
  - Threshold regime: For goods valued between de minimis and a threshold value, simple duty of X %, with fast-track customs clearance, based on ex-ante information exchanged between Customs officials and e-commerce firms. *Predictability of clearance process as important, if not more, than duty levied.*
  - Given forex restrictions, total imports under the de minimis and threshold limits could be subject to a yearly cap per consumer in some countries, of which, perhaps 50% could be reserved for intra-regional purchases
  - Competition will need to be encouraged in cross-border parcel delivery services to address high cost of such deliveries, a concern for B2C segment
    - A regional agreement between South Asian postal service providers, as in the EU?
    - Restrictions on FDI in logistics
    - Cross-border vehicular access would help when airports of neighbor are more efficient for delivery

# Developing a Regional Market for E-transport

- Transport (and logistics) services an input into e-commerce, and also transacted digitally (e-transport)
- Cross-border competition can make transport more efficient
- Allow trucks to cross land borders, instead of transloading their cargo
  - Operationalizing the BBIN Motor Vehicles Agreement a good starting point
  - Supplement by off-border clearances to reduce congestion in land ports
  - Allow multi-consignment goods to be carried in the same truck – Beneficial for SMEs
- Allow hybrid models of goods and passenger transport. As app-based aggregator model, this could unleash major efficiency gains through, e.g., the carrying of small shipments in the boot of a passenger vehicle
  - Extend to cross-border cooperation in BBIN, since BBIN MVA applies to both goods and passenger services

# A unified B2C market in South Asia can be considered when e-commerce gathers critical mass



# Final thoughts

- Informal e-commerce already takes place within some South Asian countries
- To kick-start the formal market, a practical approach involves the following
  - Permit cross-border e-commerce payments, perhaps up to a maximum value per consumer and 50% reserved for intra-regional purchases
  - Institute a clear *de minimis* tariff regime and a low value threshold regime
  - Pursue flexible transport solutions that allow technology and apps to create efficiency gains, and trucks and passenger vehicles to cross land borders
  - Leverage the reputation of large e-commerce platforms to offer consumer protection, returns and redress, and data security as an initial substitute for robust contractual and consumer protection regimes
  - Start with an incremental approach if necessary – for example, designate an “authorized operator regime” in e-commerce, with countries mutually agreeing on a list of internationally recognized and nationally reputed companies