

Technology-enabled Global Trade

The opportunities and challenges on the road to 21st century commerce



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Foreword



I have been with eBay Inc. for nearly three years now, and in that time I have seen a revolution in the way in which businesses and consumers engage in commerce. The technological innovation that is shifting the way consumers shop in-store – from a traditional brick-and-mortar experience to a multi-channel local commerce experience – is also prompting a new paradigm for global trade – from classical container shipments between large businesses to instant transactions between business of all sizes and consumers. This is a more inclusive vision of global trade than has ever existed in the past.

This shift in the global marketplace is the result of technology and is being driven by entrepreneurs and businesses that see the tremendous benefits of access to a global consumer base.

A traditional Main Street business can now use eBay Marketplaces to sell their products online and reach a potential 128 million active consumers. These businesses can maintain a local presence and contribute to their local economy, but also increase revenue through access to customers around the world.

This technology-driven change in the global trade landscape will create increased economic opportunity; promote a more inclusive marketplace; and, shift the debate on the beneficiaries of globalization.

The Internet's greatest asset is its ability to provide instant global scale. The Internet destroys distance and makes it possible for businesses of all sizes to connect with global consumers and enjoy the economic benefits of exporting their products. The 2013 World Economic Forum (WEF) Enabling Trade report found that the use of technology platforms can reduce the burdens small businesses face when selling overseas, increasing cross-border small business sales by 60-80%. Moreover, a 2012 Organization for Economic Cooperation Directorate (OECD) report states that exporters in the US on average pay wages that are 6% higher than non-exporters.

The economic benefits of increased global trade are tangible and powerful, but, traditionally, only the largest of businesses could secure the gains from access to global consumers. The Internet enables everyone – from the individual entrepreneur to the largest of businesses – to access the same set of global customers.

This equality of opportunity is unprecedented. Moreover, the small businesses on our Marketplace are truly taking advantage of this opportunity. Our research finds that over 95% of the US commercial sellers on our Marketplaces engage in exporting. Our research has also uncovered that businesses of all sizes in India, Chile, Ukraine, South Africa, France, Australia, Thailand, and Indonesia are also trading at similar rates. The Internet is enabling everyone across the globe - no matter their skills, abilities or geographic location - to earn an income and be self-sufficient.

We continue to develop our technology in order to help foster the growth of this new entrepreneurial class of global traders. We are investing heavily in machine translation to create localized versions of product listings and help to break language barriers. We are making shipping and tracking processes more efficient, understandable, and cost-effective. We are helping businesses to create personalized experiences for their users, even when they are on the other side of the world. Finally, our integration with eBay Inc.'s PayPal service ensures that consumers can transact with trust and merchants can receive their payments quickly and securely.

But, there are certain classical policy barriers that we cannot resolve through technology and that threaten to limit the growth of technology-enabled trade. In early 2014, we signed a partnership with the US Department of Commerce to help promote the growth of technology-enabled traders and break down some of the policy barriers that these growing entrepreneurs are facing. The global trade regime was created with big container ships and large multi-national businesses in mind. Now that a new entrepreneurial group of technology-enabled traders have entered the fold, policymakers need to rethink the way in which they approach trade policy. Improvements to the customs and shipping aspects of the global trading regime, in particular, could have tremendous positive impacts on technology enabled trade.

The concept of trade is as old as humans themselves. The Internet and technology are not changing the idea of two individuals engaging in mutually beneficial transaction, but are simply making the act of trading easier, more transparent, and more ubiquitous. They are effectively turning exporting into a very feasible option even for micro businesses, as you will read in this report. Leveraging technology enables us to enhance traditional methods of trading – bringing more people into the tent of beneficial globalization.



Devin Wenig
President, eBay Global Marketplaces

I. Introduction

In 1995, when the US government divested its final piece of the computer science network (NSFNET) marking the official commercialization of the Internet, the Internet had a global user base of 20 million people, mostly academics and well off individuals in the developed world. Less than 20 years later, the Internet has grown to about 2.5 billion people, with over 60% of these users outside the US and Europe.¹

This report documents the tremendous effect that the proliferation of Internet access, and the services that exist on top of the Internet, is having on global trade. In the US, and around the world, traditional businesses are becoming technology-enabled businesses in order to secure the benefits of having a potential customer base of 2.5 billion people.

It is not just large traditional businesses that are making the change, small businesses and micro small businesses are also leveraging technology to engage in global trade, really for the first time in history. Enabling small businesses to enjoy the same benefits that come from global trade that large businesses do will help to create a more inclusive global economy.

This report is built on six economic studies that eBay Inc. has released over the last three years. These studies analyze businesses of all sizes that utilize the eBay Marketplaces and PayPal platforms. Our platforms provide us a window into how technology is revolutionizing businesses all around the world.

The Internet and the services built on top of the Internet are enabling these businesses – in the US and around the world – to improve data processing, enhance customer service and instantly connect with an interested party on the other side of the world.

The opportunity created by this new type of trade is unprecedented and powerful. A world where every single business and every single consumer can engage in a competitive global marketplace means greater wealth creation for more people. This is technology-enabled trade; this is part of the vision that we call Connected Commerce.

Figure 1. US Technology-Enabled Traders

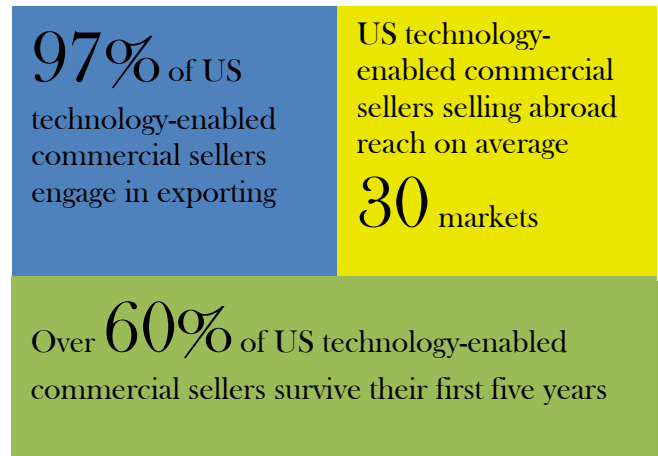
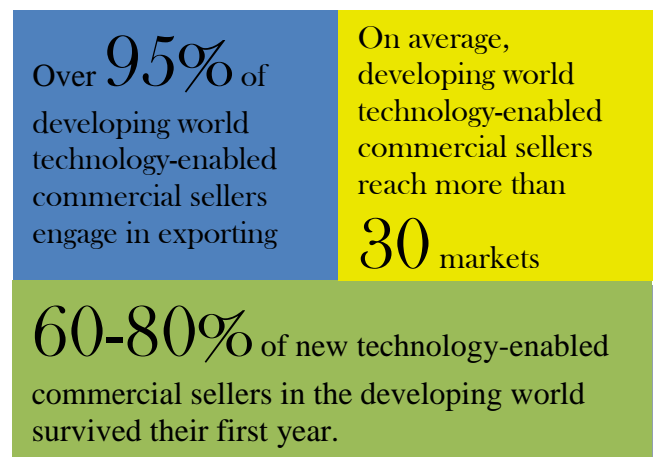


Figure 2. Technology-Enabled Traders in the Developing World (IN, TH, ID, CL, PE, UA, ZA, JO)



¹ Internet World Stats, <https://www.internetworldstats.com/stats.htm>

² Commerce 3.0 studies available here: <http://www.ebaymainstreet.com/commerce-3>

³ Overview here: <http://www.ebaymainstreet.com/sites/default/files/ebay-WTO-pF-2013.pdf>

II. Global Trade for All

Through the power of the Internet and technology, businesses of all sizes are able to reach beyond their local consumer base and access global markets. Technology-enabled trade is the term we have used to capture this development of online and offline worlds coming together, and the merging of local and global markets.

Technology-enabled trade represents the revolution taking place whereby international trade is no longer the privilege of the largest players or select countries.

The technology-enabled global marketplace is flat.

Barriers to trading across distance are 83% lower for trade via such a marketplace, compared to traditional markets. In developing countries the effect is even more pronounced, with barriers 94% lower.

The benefits of technology are realized by enterprises of all sizes in all markets.

Technology-enabled businesses in developing and emerging economies see increased export rates, endless numbers of markets within reach, and higher survival rates in precisely the same way as technology-enabled businesses in the developed world.



Global Trade for All: The US Experience

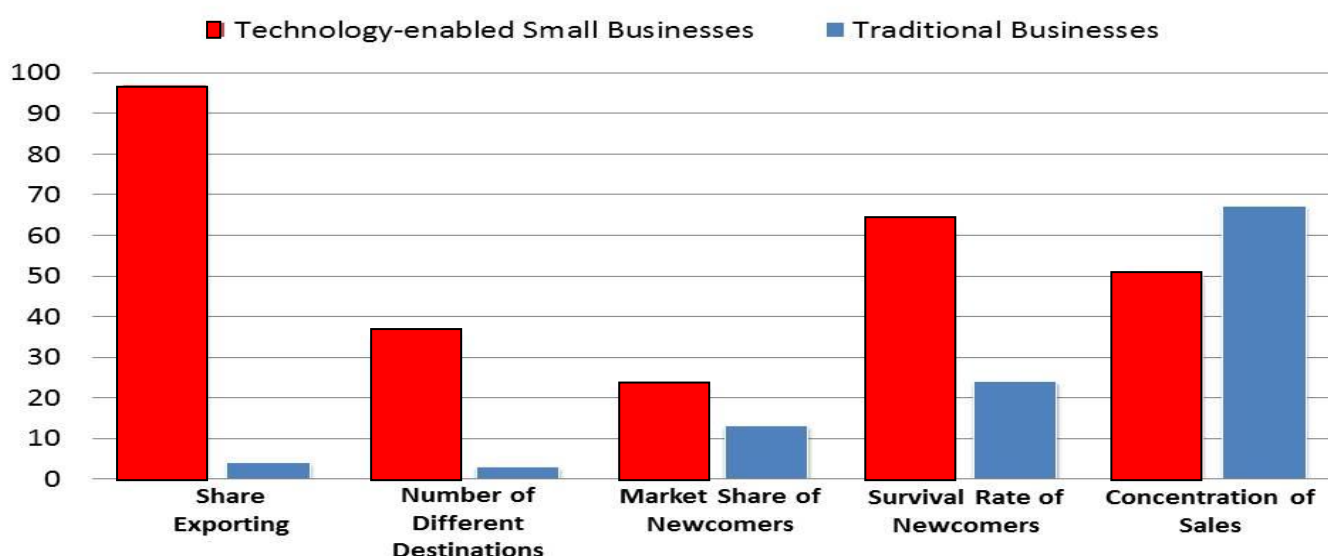
Technological innovation and entrepreneurship are at the heart of what the US economy does well, so it is no surprise that technology-enabled traders in the US are so successful. Main Street businesses in the US have been squeezed by the proliferation of larger entities across America. But, technology is enabling these Main Street businesses to reach as many consumers and countries as any large entity. Overseas markets are providing new healthy robust revenue streams to small technology-enabled traders.

The truly exciting part about eBay Marketplaces' experience is that a significant percentage of the technology-enabled businesses we work with are small businesses. Our research looking at commercial sellers (those selling \$10,000 on the eBay Marketplaces) demonstrates the tremendous success that small and micro enterprises are finding when they sell online. The findings from our research stand in stark contrast to the experience of traditional US small businesses.

Statistics from the Department of Commerce provide insights into the difficulties that traditional businesses have had trading. Less than 4% of businesses in the US export.⁵ Of the small businesses that do trade, 59% of them only trade with one foreign market.⁶

Our experience on the eBay Marketplace stands in stark contrast to the figures described above. Over 95% of technology-enabled businesses export and they export to over 30 markets. Technology-enabled businesses also survive longer than their offline counterparts. Not only is technology-enabled trade more robust than traditional trade, it is also more inclusive. New technology-enabled businesses are able to scale quickly and have a market share of over 20% after five years. Finally, the largest technology-enabled businesses do not dominate the marketplace as they do in traditional markets. The largest 5% of US technology-enabled traders on eBay only account for about 50% of total sales; compared with 67% for traditional businesses in the US.

Figure 3. Comparing US Technology-Enabled Small Businesses to Traditional Businesses

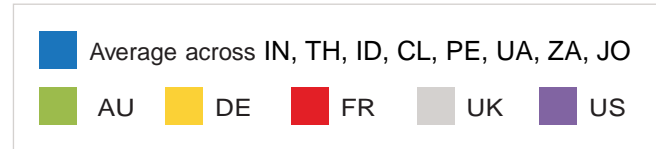
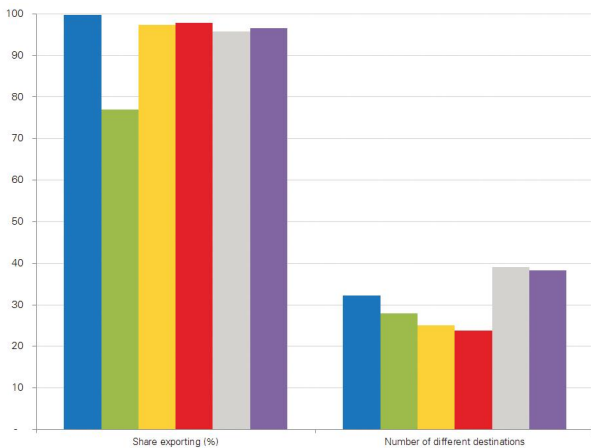


⁵ Andrew B. Bernard & J. Bradford Jensen & Stephen J. Redding & Peter K. Schott, 2007. "Firms in International Trade," *Journal of Economic Perspectives*, American Economic Association, vol. 21(3), pages 105-130, Summer.

⁶ U.S. Exporters in 2011: A Statistical Overview http://www.trade.gov/mas/ian/smeoutlook/tg_ian_001925.asp

The charts below illustrate findings from economic studies looking at businesses from different countries using the eBay Marketplace. It compares eight emerging and developing countries (Chile, Peru, Ukraine, Jordan, South Africa, India, Indonesia and Thailand) with Australia, Germany, France, the UK and the US.⁷

Figure 4. Technology-Enabled Traders are Successful Around the World



Share of sellers exporting

Almost all businesses on eBay export, which stands in stark contrast to the situation for traditional firms. In India, for example, less than 15% of traditional businesses export.

Number of different destinations reached

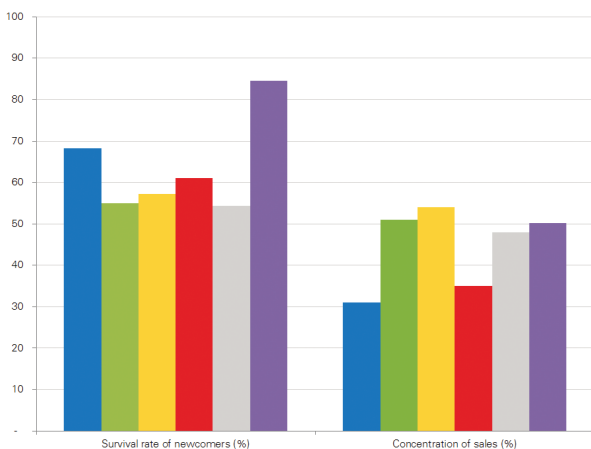
On average between 24 and 39 foreign markets are reached. For instance, South African sellers using eBay reach on average 30 markets, whereas traditional South African firms reach less than five.

Survival rate of newcomers

68% of newcomers in the eight selected markets remain active the second year, which can be compared with 30% for traditional Chilean businesses.

Concentration of sales to the largest 5% of sellers as

A comparison, 91% of Peru's total traditional exports are conducted by the largest 5% of all exporters, and on eBay the equivalent figure is only 16%.



The reality is that technology-enabled small businesses anywhere can maintain a local presence while providing goods and services on a global scale.

⁷ Commerce 3.0 for Development: http://www.ebaymainstreet.com/sites/default/files/eBay_Commerce-3.0-Development.pdf

Global Trade for All: The Nuts and Bolts

A 2013 master's thesis from Lund University, Sweden, finds that online trade is supporting economic opportunities for small businesses, enabling them to benefit the local economy, adding to entrepreneurial prospects, diversification of income sources and increased competitiveness in markets.⁸ This is important as a company's investment in a local community can spur local economic growth by way of creating jobs, safeguarding local supply, and incentivizing the development of new skills locally. Moreover, access to global markets enables business to offset fluctuations in sales during the off-season in their local, home market.

This local-global small business is a new phenomenon in the global trade world. Traditionally, small businesses could only access a global customer by plugging into a large multi-nationals supply chain. Now small businesses can benefit from the Internet and the network of global services providers that sit on top of the Internet. This is a parallel model for trade we call **The Global Empowerment Network**.

The Global Empowerment Network brings together a set of services and conditions that contribute to an emerging borderless system, which enables economic activity in new shapes and forms.

These services and solutions need to be matched with the right legal and administrative conditions for full effect.

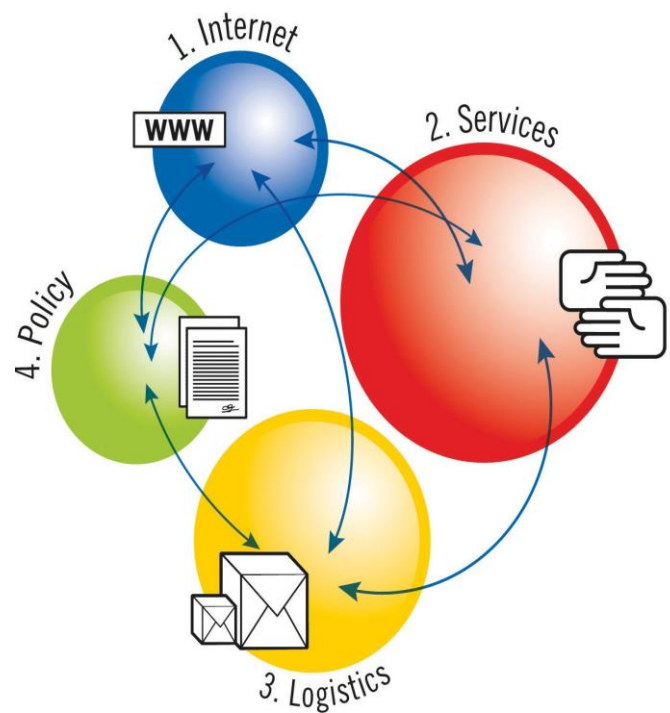
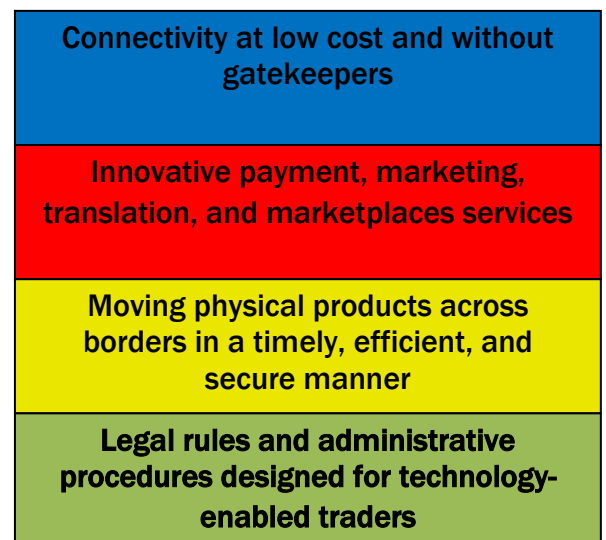


Figure 5. The Building Blocks of Technology-enabled Trade



The Internet, the services that sit on top of the Internet, logistics providers, and policymakers are helping to create a new parallel model for commerce

⁸ Summary available here: http://www.ebaymainstreet.com/sites/default/files/ebay-eu_Sustainability-Within-Online-Commerce_0.pdf

Worldwide footprint through a combination of technology and business acumen



Where else but on the Internet could a retail small business with no inventory and no capital surpass 2 million dollars in annual revenue, with sales into 100 countries around the world? Headquartered in Phoenix Arizona, Nationwide Surplus is a global business focused on computers, peripherals and surplus items. Chris Ko (pictured on the left) is the owner of the company and is a serial entrepreneur and investor focused on small businesses. Chris was able to build his business with virtually no capital because he sources his products from electronic recycling centers.

- Over 80% of Nationwide Surplus' sales come from online channels including its own website, the eBay Marketplace, and other websites.
- Nationwide Surplus has experienced 30% or more year-over-year growth for the past several years

“Like many modern small businesses, we think that our success is also tied to our Internet presence.”



Employees

The company employs 25 people and operates out of a 32,000 square foot facility in Phoenix.



Global Trade

30% of the company's sales are outside of the United States. 50% of those customers come from the European Union, with the UK being Nationwide Surplus' largest international market. Chris finds that the international markets have stronger demand than domestic markets for unique devices.

Nation Wide Surplus has had issues with customs processes and postal systems when shipping overseas. Tariff rates on electronic products can make trading products across border prohibitive. A lack of interoperability between divergent international postal systems also creates problems for small businesses like Nationwide Surplus.

Case Study #2

Worldwide footprint through a combination of technology and business acumen



Ferit Göksen was born and raised in Kayseri, Turkey. He moved to Istanbul to obtain his MBA, where he became interested in the world of international trade and development. In 2001, after obtaining his degree he remained in Istanbul where he and his partner began selling online. In 2004, he combined his technology skills with his partner's traditional business skills and together they founded GSC Tekstil. "After a few years, we wanted to focus on a specific product. We noticed there was a market for yarn, and we decided to give it a try." Today, the business successfully utilizes the power and reach of the Internet to sell yarn products worldwide. yarn paradise has two websites – www.yarn-paradise.com and www.iceyarns.com - and also sells on ebay.com.

"We noticed there was a market for yarn, and we decided to give it a try."



Employees

The company employs between 15 and 20. It's great to be able to give 20 different families in my community a job



Global Trade

98% of the company's sales are outside of Turkey. While that was not the original intention, the Internet organically allowed Ferit to reach customers all over the world. "Yarn paradise has sold to almost every country in the world including Norway, France, Germany, the UK, Denmark, New Zealand, Thailand, Trinidad, Ecuador, Egypt, Haiti and many more. Yarn Paradise uses companies like DHL and UPS to help with shipping and logistics. While most transactions are quick and seamless, there are some problems in countries where online commerce is still new, such as Eastern Europe.

The biggest issue for yarn paradise is customs and customs duties; buyers are often surprised by them and this creates a bad customer experience.

III. Contours of a New Trade Regime

“Digital trade—commerce in products and services delivered via the Internet—is increasing as a direct result of the widespread use of the Internet and Internet-based technologies. The increase in digital trade is having a significant impact on the U.S. and global economies.”

US International Trade Commission, Digital Trade in the U.S. and Global Economies, Part 1

A recent research paper by Lendle and Vézina (2013) applies the “balls-and-bins” economic model to technology-enabled international trade. Using data from transactions on the eBay Marketplace, they find that the distribution of export destinations across eBay traders is well approximated by the “balls-and-bins” model of frictionless trade, in contrast to that of traditional trade.⁹ This indicates that fixed costs to enter a market or enter into a buyer-seller relationship are lower on online marketplaces.

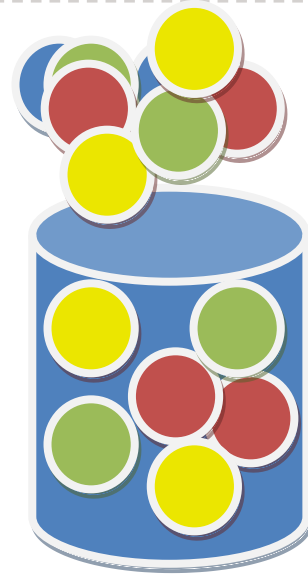
From a trade policy perspective, this research raises two pertinent questions:

1. *What does it mean for trade policy formulation where the Internet and technology are capable of having effects similar to trade liberalization? Where they are capable of reducing export costs down to the variable part (e.g. shipping and contract enforcement)?*
2. *What does it mean for trade policy formulation where the number of markets a trader reaches is the result of action by consumers?*

These questions show the challenges that the current trade regime runs into when faced with international, technology-enabled small business traders.

In Armenter & Koren's (2010) “balls-and-bins” model, trade transactions can be thought of as balls that are randomly thrown into bins, and the width of bins is proportional to the size of the market. For eBay, one should intuitively think of buyers picking sellers randomly – the buyers are “throwing balls” at them.

(Lendle and Vézina, 2013)



“The fast pace of innovation is at odds with the outdated trade disciplines that still govern us.”

- Roberto Azevêdo, Director-General, WTO

⁹ Andreas Lendle and Pierre-Louis Vézina, “emerging market e-multinationals”, October 2013, available: http://pierreloisvezina.weebly.com/uploads/2/3/4/2/2342194/ebay_degit.pdf

III. Contours of a New Trade Regime

Fundamental Shifts in the Trading Regime

Technology is lowering both fixed and variable trade costs.

The 2013 World Economic Forum (WEF) *Enabling Trade* report found that the use of technology platforms can reduce the burdens small businesses face when selling overseas, increasing cross-border small business sales by 60-80%.¹⁰

Businesses are experiencing strong income benefits

Geneva University professor of economics Marcelo Olarreaga's published a piece with the World Bank *There Goes Gravity* estimating that, on average, real income would increase by 29% from a shift.¹³

Micro and small businesses are engaging in trade for the first time.

The Brookings Institutes *Supporting the Internet* report finds that a website and the use of trusted online services gives SMEs an instant international precedence and legitimacy in the eyes of potential distance suppliers or customers.¹¹

Consumers are now a part of the world trading system.

A European Commission report found that 12% of consumers had made purchase from another EU country in the prior 12 months.¹⁴

Small package shipments become a large portion of overall trade

The Progressive Economy *Lines of Light* report finds that low-value or "micro" US exports increased by 103% between 2005 and 2010, more than twice the increase for all exports.¹²

Consumers are deriving tremendous benefits from the shift to technology-enabled trade

Goolsbee and Klenow found that consumer gains from residential Internet usage were more than \$3,000 per year for the median person in 2005.¹⁵

These developments will continue and expand

OC&C estimated the value of cross-border online trade in the US, Britain, Germany, the Nordics, the Netherlands, and France at \$25 billion for 2013 and estimates the value of exports from these markets will grow to \$130 billion by 2020.¹⁶

¹⁰ World Economic Forum, *Enabling Trade* (2013)

¹¹ Joshua Meltzer, *Supporting the Internet as a Platform for International Trade* (2014)

¹² Gresser, Edward. "Lines of Light: Data Flows as a Trade Policy Concept." (2012).

¹³ *There Goes Gravity* World Bank Working Paper (2012)

¹⁴ European Commission, *Consumers' Attitudes Towards Cross Border Trade and Consumer Protection* (2012)

¹⁵ Goolsbee, Austan, and Peter J. Klenow. "Valuing Consumer Products by the Time Spent Using Them: An Application to the Internet." *American Economic Review* 96, no. 2 (2006): 108–13.

¹⁶ OC&C, *The Global Retail E-mpire* (2014)

IV. 21st Century Trade Facilitation

“Trade facilitation, at its core, is about connecting countries — their farmers and businesses — to the global economy. and this is most important for small and medium-sized businesses that have the drive to succeed but lack the resources to maneuver through red tape. That’s why an action like making trade documents available on the internet is such a vital step — such a vital innovation.”

Michael Froman, US Trade Representative

Technology-enabled traders have a different “trade profile” to the types of companies traditionally engaged in exporting. Our research shows that technology-enabled traders export to several countries; they trade in several product categories; and they utilize small shipments. Lendle and Vézina found that trade agreements have less of a positive effect on technology-enabled trade than they do on traditional trade. Trade agreements were designed for a landscape dominated by traditional traders so it is not surprising that technology-enabled traders see little benefit from trade agreements, and face proportionately more barriers.

Technology-enabled traders’ report that the largest burden they face comes in the form of customs and shipping regimes. These enterprises struggle to take advantage of trusted trader customs regimes or discounts on aggregated shipping rates because they are not able to present the scale that traditional businesses can present.

A lack of transparency in customs requirements around the world is a major burden for technology-enabled traders.¹⁷ Complex border procedures raise the cost of sales and often confuse the consumers that are on the other side of these transactions. Finally, when cross-border delivery services are not harmonized or interoperable business and consumers are left in the dark about the location of a product once it has crossed its first border. This can lead to a very poor commercial experience.

The World Trade Organization’s Trade Facilitation agreement represents an important first step towards reducing those costs through measures such as increased transparency, improved border agency cooperation, and the introduction of single windows for export / import requirements. But, there is much more work that needs to be done to ensure the free flow of technology-enabled trade.

“the costs of putting in place and maintaining trade facilitation measures are not particularly large and are far smaller than the benefits gained from implementing these measures”

- *Organization for Economic Cooperation and Development (OECD)*

¹⁷ See for example: ‘Making Global Trade Frictionless’, available: <http://www.ebaymainstreet.com/news-events/ebay-report-world-trade-organisation-making-global-trade-frictionless>; and the World Bank’s ‘Doing business 2014’, available: <http://www.doingbusiness.org/~media/GIaWb/Doing%20business/Documents/annual-Reports/english/Db14-Full-Report.pdf>

IV. 21st Century Trade Facilitation

Improving Postal and Shipping Services

In the Internet age, it is necessary to fill the middle ground between (i) cheap, relatively slow, untracked postal services and (ii) fast, tracked but relatively expensive courier services. Businesses want access to affordable but also fast, and ideally tracked, services, which will deliver the product in a matter of days rather than weeks. Businesses and consumers want a service that is comparable to domestic services.

International cooperation to address the postal and shipping needs of smaller business is vital. Private solutions where companies partner with postal and delivery operators to develop services for specific trade corridors are trail blazers. For example, a partnership between eBay and DHL has enabled guaranteed two-week delivery from Europe to Russia, with all deliveries customs cleared in advance.

The postal network is a vital tool for technology-enabled commerce, especially in the developing world. In poorer countries, post offices can be a force for digital and e-commerce inclusion, particularly for rural and remote communities; they can ensure that web platforms are in place to facilitate transactions; they can enable payment solutions such as cash on delivery. Throughout the world, the postal network has the capability to act as a physical link between small business and consumers.

Creative Policy Solutions

- The widespread availability of cost-effective tracked international shipping
- Raised and harmonized de minimis level, the level below which goods are exempt from customs duties and paperwork
- 100% electronic customs
- Public Application Programming Interfaces [APIs] for both postal and customs systems
- International standardization of box sizes, label formats, tracking data, and terminology
- Investments in stable Information Technology [IT] environments and in carriers' technology to read digital labels and barcodes
- Better balance between domestic and international shipping prices
- Review requirements for importer of record to meet the need of technology enabled small shipments

Removing only half of the supply chain barriers currently in place would increase worldwide global domestic product by close to 3%, with much of the gain materializing at the SME level.

- Arancha Gonzalez, Executive Director, International Trade Centre

Spreading Creativity and Artisanship Around the World



High Spirits
HS
Flutes

Odell Mulski Borg has been an artisan his entire life. In 1990, Odell began making hand-crafted flutes out of his garage and selling them at street fairs. Odell created High Spirits Flutes and began selling his products online and wholesale into retail stores.

High Spirits sells its products all over the world, but Odell is also very focused on development in his hometown community of Patagonia, Arizona. Odell employs local residents, manufactures a local product, supports local charities, and has even created an educational donation program to provide free instruments to local schools. High Spirits also makes regular donations to supporting Native Americans attending local schools.

90% of High Spirits sales are outside of Arizona, yet High Spirits continues to contribute heavily to its local economy.

High Spirits has grown steadily, despite the recent recession, averaging 8-9% growth year over year. Odell has made 4 recent hires and is rapidly expanding High Spirits' product lines.



Employees

High Spirits employs 23 full-time staff that are focused on crafting high quality Native American flutes and flute accessories



Global Trade

High Spirits unique hand-crafted products have found success in markets around the world. These flutes can be tuned to scales that are common for cultures across the world including Diatonic, Pentatonic, and Japanese scales.

High Spirits.com easily translates into multiple languages and offers delivery to over 100 countries around the world. The business has sold flutes to Japan, Australia, China, and across the European Continent.

Around 15-20% of High Spirits' customers come from outside the US.

Spreading Creativity and Artisanship Around the World



The Internet has been a blessing for people like me. I have been able to bring my creativity, along with the Indian art of jewel making and spread it around the world.

Thanks to the Internet and new technology, Parul Arora has become a successful entrepreneur with an online jewelry boutique out of New Delhi, India.

Parul put their first few pieces of jewelry up for sale online and sold out in only a week. “We gradually started listing more items.” The business was so successful, when Parul finished school, she decided not to take a job and make the business her full time career. “After college when I refused a ‘real’ job for the online business I now run, I knew I was taking a big risk. All I had was an idea and a handful of experience, but there is not one day that I have regretted the decision.”

In the beginning Indiatrend would buy its jewelry from local artisans. “Our business has given these artists a steady income and in return they have given us the finest art of jewelry making India has to offer.” Recently, Indiatrend started offering their own line of handcrafted jewels, exclusively employing a local artisan for its production.



Employees

Indiatrend has grown from 2 employees operating in a home to 9 in an office space.



Global Trade

At first, Parul hesitated to sell to far away countries, but she kept getting inquiries from all over the world. Today, Indiatrend has sold to over 40 countries and shipped to places as far away as Poland, Japan, Kuwait, US, UK and Canada.

“It makes me immensely happy that someone in Germany loves their Indiatrend jewelry, which is affordable, genuine, handcrafted and customized to their needs.”

Parul has a lot of repeat customers, new people keep pouring in from all corners of the globe. “you have people appreciating your work as far as Finland or somewhere in a village in Tamil Nadu, where there is no post office, but an Internet connection and a willing customer, who now wants to buy online.”

When Parul first started her business she experienced some traditional hurdles that come with cross border trade. But, as the digital economy in India has developed, both the government and the logistics providers have helped improve the environment in India through improved policies.

VI. Shaping the Future of Trade

“I have always been fascinated by the role of technology in human history and in the future.

Bill Clinton, Founder, Clinton Global Initiative, Former US President

Technology-enabled commerce has created a new and important dimension to international trade; one that results in greater – **more inclusive** – economic growth. Businesses of all sizes are now trading directly with consumers from all over the world. These empowered consumers are benefiting in terms of choice, price, standards, and quality.

While the combination of the Internet, technology services, and logistical services are reducing trade costs and making the world flatter, some trade barriers remain (and others arise) that require creative new policy solutions in order to address.

Off the shelf policy responses will not do. The proliferation of actors in world trade have different and varying needs; business models, structures and behaviors change as new technologies and services are brought to market.

During the 2013 World Trade Organization Public Forum Director General Roberto Azevedo questioned whether the Internet had rendered the trade disciplines of the WTO outdated. Michael Froman, US Trade Representative, asked whether trade negotiations can evolve quickly enough to facilitate or even drive international trade in view of innovation, technology and even the concept of trade changing so quickly.

One path forward would be for policymakers to “get out of the way” of technology-enabled trade. This is not the right path forward, however, because many

of the obstacles in the path of this new type of trade are related to governments. Thus, rather than avoid the problems, policymakers must delve into the problems and look for solutions.

The current trade landscape contains a number of interesting and exciting trade negotiations including the Trade in Services Agreement [TISA], the Regional Comprehensive Economic Partnership [RCEP], the TransAtlantic Partnership [TPP], the TransAtlantic Trade and Investment Partnership [TTIP], and of course the Doha Round of the World Trade Organization. Technology-enabled traders care less about the negotiating venue itself and more about achieving meaningful outcomes.

Technology is fast changing, no doubt. But, policymakers do have a role to play in ensuring that technology can continue to deliver on the promise of a more inclusive and beneficial global economic system.

VI. Shaping the Future of Trade

“It is in fact technology which is really changing the conditions under which we live.”

Jagdish Bhagwati, Professor of Economics, Columbia University

This report concludes with four high-level recommendations for policymakers to consider when looking to shape the future of trade:

Recognize the Unique Aspects of, and Barriers to, Technology-enabled Trade

Technology-enabled trade is a gamechanger. It is enabling businesses that were traditionally left out of globalization to reach out and grab customers from around the world. The small Main Street shop can now benefit its local community with jobs and investment, but also secure the benefits of global trade.

Technology-enabled traders face unique barriers. They do not have the physical scale of traditional traders. They utilize individual small shipments to deliver their products. Moreover, they often use national postal services for product delivery. Barriers can be erected across each of these unique delivery points.

Address the Needs of the Global Consumer

Consumer empowerment and enhancing consumer trust are essential to the success of technology-enabled trade. Consumers should be given full transparency about rights and obligations in other countries. A mechanism enabling consumers rate and perhaps negotiate to improve conditions would be a novel approach to enhance transparency and accountability in the system.

Moreover, efficient and just dispute resolution systems are also of paramount concern to global consumers. Private parties have developed effective online dispute resolution systems that could serve as models for international systems designed for technology-enabled trade.

Trade Facilitation, Trade Facilitation, Trade Facilitation

The biggest gains, from the policy arena, to be made for technology-enabled traders are in the arena of removing the red tape and friction associated with trading physical products across national borders. When the frictions are removed cross border inclusive commerce grows, jobs grow, and prosperity grows.

Raising and harmonizing de minimis levels (the level below which customs duties and paperwork are exempted) would be the most straightforward method for facilitating technology enabled trade.

Inclusive Growth for All

The Internet is agnostic to where in the world the user is located. That is why the trends and case studies present in the developed world can also be found in the developing world. This does not mean that classical differences between the developed and developing world have been completely overcome.

The Internet is, however, creating an equality of opportunity. The smallest business in India is able to access the same 2 billion users that the largest business in Europe is. This is a new vision for global development, one that is driven by the entrepreneurial spirit and innovation in technology. This is happening now, and the possibilities for the future are very exciting.

