

*Zvonov N. N. Cross-border E-commerce: Challenges for Customs Administrations and Private Sector*

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In today's global trading environment with widely spreading user-friendly technologies and the Internet, e-commerce is witnessing exponential growth: the global online retail market averaging 1 trillion US dollars per year, is going to double within next 4-5 years. The Internet provides market participants who were formerly conducting their business on a local or regional level with easy access to global markets.

Under the traditional 'brick and mortar' trading system, goods are imported in bulk by an intermediary and any increase will not cause any customs control difficulties. With cross-border e-commerce however, private/individual purchasers order goods for their own use via computer networks directly, thereby bypassing intermediaries – a phenomenon which leads to the fragmentation of traffic with large number of small shipments, and places additional pressures on Customs resources<sup>25</sup>.

That's why governments throughout the world are recognizing the value of e-commerce and adopting policies that will facilitate e-commerce while ensuring compliance with relevant laws and regulations.

The main challenge for businesses in this respect is that the legislation related to e-commerce is complicated, that's why the flow of goods from e-commerce trade across borders is facing increasing challenges in terms of the indirect costs. The main problems at the border are regulatory ones, which are slowing down the movement of goods. By the estimation of World Economic Forum 'Enabling Trade Report 2013' lowering regulatory barriers could increase e-commerce cross-border trade by at least 60%.

Inefficient and complex border procedures are an issue for all international trade, but they can be an even greater obstacle for businesses, involved in e-commerce trade. The high cost of determining import requirements and completing excessive paperwork slow down e-commerce.

For e-commerce to be successful, the costs related to Customs procedures must be as low as possible. The Organisation for Economic Co-operation and Development (OECD) has estimated that Customs procedures and barriers can add up to a 24% premium onto the price

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<sup>25</sup> Facilitating e-commerce [Electronic resource] : WCO News 78. – Mode of access: <http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/activities-and-programmes/ecommerce/wco-news/facilitating-ecommerce-wco-news-78-october-2106.pdf?db=web>. – Date of access: 04.03.2018.

of goods sold<sup>26</sup>. Simplified, standardized and harmonized Customs procedures across the world are the engine of sustainable development and competitiveness, because they have a positive effect on the costs beared by business community.

Governments all over the world are interested in safeguarding their own borders, that's why rapidly growing e-commerce, especially small shipments, raises new challenges for Customs authorities:

- ✓ Fraud and evasion of duties and taxes have become even a more acute problem due to e-commerce. The constantly growing import of low-value e-commerce consignments is having a harmful effect on revenue collection. Some Customs administrations are facing the problem of growing misuse of the de minimis value, mainly because senders are splitting or under-valuing consignments for tax evasion purposes.
- ✓ The problems of drugs and prohibited items' smuggling, intellectual property rights (IPR) violation through low-value shipments in the postal, express streams will continue to rise as a result of e-commerce considerable increase.

Nevertheless, reduction of de minimis value and increase in the number of inspections and border procedures is going to have opposite, adverse effects. They all will discourage the growth of legitimate e-commerce and will increase costs for businesses, while their impact on illicit e-commerce will be much less significant.

Instead Customs agencies should keep pace with the changes caused by e-commerce, and provide new innovative and advance solutions to deal with them effectively and efficiently. To manage e-commerce transactions, Customs administrations need to engage with all relevant stakeholders with a view to collectively defining the appropriate approach to adopt both from a trade facilitation and enforcement perspective<sup>27</sup>. But, on the other hand, businesses have to cooperate with Customs authorities as trustworthy partners to collectively solve raising issues.

There are some key measures that Customs administrations through the world should take to support cross-border e-commerce to cope with the challenges as effective and efficient as it's possible:

#### 1. Introduction of the WCO Instruments and Tools facilitating e-commerce

WCO Recommendation on Dematerialization of supporting documents, which establishes to accept an electronic form of supporting documents for Customs clearance, if

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<sup>26</sup> Moïse Evd. and Le Bris Fl. Trade Costs: What have we learned?/ Evdokia Moïse and Florian Le Bris. – France; OECD : Trade Policy Paper No. 150, 2013. – 40 p.

<sup>27</sup> Cross-Border e-Commerce [Electronic resource] : WCO. – Mode of access: <http://www.wcoomd.org/en/topics/facilitation/activities-and-programmes/ecommerce.aspx> – Date of access: 04.03.2018.

already available, or completely eliminate them. Impelment WCO Immediate Release Guidelines, which sets up the recommendation for expeditious clearance of small or negligible value shipments

2. Creation of equal and fair border treatment conditions for both public and private delivery service providers

Introduction of this measure will provide more opportunities and facilities for businesses while increasing revenue collection and competitiveness on the market. This also will provide employment opportunities for national labour force;

3. Developing an e-environment for trustworthy economic operators

Creation of paperless and seamless environment, preferably on the basis of Single Window, for periodic payment of taxes and duties, “one filing, one processing and one release” will significantly accelerate and facilitate e-commerce trade by reduction of time and financial costs;

4. Establishing a simplified and standardized process for returned shipments for further facilitation of trade for businesses

Growing volumes in small packets and parcels calls for consideration of streamlined functions like simplified and efficient returns in bona fide cases, and duty cancellation/refunds on such items to reduce administrative burdens and costs.

5. Introduction, if possible, pre-loading advance cargo information (PLACI) for air and postal shipments

The standards on PLACI for air and postal shipments which aims at strengthening air cargo security were developed and included in the WCO SAFE Framework of Standards 2015 edition. Some ongoing PLACI pilots for security risk analysis are also engaging postal operators. This measure will further strengthen the security of the air cargo supply chain by having more time on risk analysis and assessment and will have a great influence on preventing, detecting and intercepting of illicit trade;

6. Providing of 24/7 border clearance, where it is possible and when it is required by business.

Some of the WCO Members have already introduced this facility for specified categories of shipments at designated places of entry and exit to meet the needs of rapidly growing e-commerce market, which has no speed limitation.

The e-commerce is growing and will continue to evolve. E-Commerce is a powerful economic instrument that can support small and medium sized businesses and enterprises (SME) and make economies, especially developing, more competitive in the global scale<sup>28</sup>.

But at the same time e-commerce arises many challenges and concerns for both Customs authorities and businesses. That's why there is a need for governments and private sector to work collaboratively to come up with practical solutions to re-examine the way they operate in case of cross-border e-commerce trade to enable fast, simple and smooth cross-border movement of legitimate e-commerce without compromising the collection of revenue or the protection of the community from illegal cross-border e-commerce.

*Звонов Н. Трансграничная электронная торговля: вызовы для таможенных органов и частного сектора*  
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В современной глобальной торговой среде с широким распространением удобных для потребителя технологий и Интернета, электронная торговля переживает экспоненциальный рост: глобальный рынок розничной онлайн торговли в среднем достигает 1 триллион долларов в год, и увеличится в два раза в течение ближайших 4-5 лет. Интернет предоставляет участникам рынка, которые раньше осуществляли свой бизнес на местном или региональном уровне, легкий доступ к международным рынкам.

В традиционной «несетевой» торговой системы товары ввозятся оптом через посредника и любое увеличение не вызовет каких-либо трудностей для таможенного контроля. С трансграничной электронной торговлей, однако, индивидуальные покупатели заказывают товаров для личного пользования через компьютерные сети напрямую, таким образом, минуя посредников - явление, которое приводит к фрагментации поставок с большим количеством небольших партий грузов, а также возлагает дополнительное давление на ресурсы, находящиеся в распоряжении таможенных органов<sup>29</sup>.

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<sup>28</sup> E-Commerce - What's in a name? [Electronic resource] : WCO. – Mode of access: [http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/activities-and-programmes/ecommerce/experts-corner/ecommerce\\_whats\\_in\\_a\\_name.pdf?db=web](http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/activities-and-programmes/ecommerce/experts-corner/ecommerce_whats_in_a_name.pdf?db=web) – Date of access: 04.03.2018.

<sup>29</sup> Facilitating e-commerce [Electronic resource] : WCO News 78. – Mode of access: <http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/activities-and-programmes/ecommerce/wco-news/facilitating-ecommerce-wco-news-78-october-2106.pdf?db=web>. – Date of access: 04.03.2018.