RCEP: Managing E-Commerce at Customs

E-commerce lets even the smallest firms in the most remote locations in RCEP find new markets for goods. These opportunities are fantastic, but the growing demand for online shopping and shipping have also created new challenges for customs authorities in the region trying to manage the volume of parcels moving around the region.

Sensible rules embedded in RCEP to increase market access combined with new excellent e-commerce provisions could lead to additional border pressures, absent careful thought on smart customs procedures in RCEP.

E-Commerce Shipments Can Pose Additional Challenges to Customs

As opposed to a traditional Business-to-Business (B2B) import channel, a Business-to-Consumer (B2C) import channel poses new challenges to Customs. The major challenge stems from the much higher volume of e-commerce shipments which are small packages and typically of low value.

The additional numbers of exporters and importers from these shipments increases the complexity for Customs to undertake risk profiling and selective intervention.

In addition, these shipments are usually sent to individuals at residential addresses and/or suburban or remote areas within the country of import.

Potential Solutions

While there is no questioning the challenges Customs faces in controlling e-commerce shipments, there are options available to Customs to ensure the legitimate trade in e-commerce continues unimpeded.

Customs authorities typically have recourse within the context of modern customs techniques to address potential abuse in these channels. What is clear is that adopting a one-size-fit-all approach to addressing abuse within e-commerce channels runs counter to the principles of RCEP.

Instituting unilateral restrictions or barriers to discourage trade in e-commerce is counter-productive and potentially damaging to an economy. RCEP should include modern customs techniques that already exist in various international conventions like the WTO and WCO like:

- Risk profiling shipment data prior to shipment arrival so as to flag them for inspection prior to arrival;
- Right to inspect shipments in addition to random inspections;
- Non-interventionist inspections like x-rays;
- Right to audit importers post importation;
- Electronically link with freight forwarders to ensure seamless transmission of data, and visibility of shipment data; and
- Request mutual assistance from customs administrations of origin countries in case of requirement for additional information on shipments.

Customs to Business Cooperation

E-Commerce Trusted Trader Accreditation: RCEP contracting parties should establish regional compliance standards for shippers who are selling goods across borders online against which they can be audited and accredited. Such standards could include, among others:

- Minimum data and paperwork requirements;
- Minimum standards for data quality;
- Informational requirements on their websites;
- On-boarding procedures for customers; and
- Minimum checking requirements of customers and shipments.
Requirements like these should be created together with key stakeholders in the supply chain including freight forwarders and e-commerce sites.

Accredited traders should be given facilitation benefits that are in addition to the simplified clearance requirements all low value shipments currently enjoy:

- Green lane, expedited clearance treatment, and low risk ratings;
- Simplified procedures for returned shipments and duty refunds; and
- Lower inspection rates.

There should be mutual recognition agreements of accreditation so when one RCEP contracting party accredits a shipper, this is recognized by other RCEP parties.

This proposed program is consistent with both WTO and WCO Authorized Economic Operator\(^1\) concepts for supply chain security, and emphasizes the importance of risk profiling and targeting by Customs authorities to execute control, without impeding legitimate e-commerce trade.

**Joint Targeting with Compliant Freight Forwarder/Express Carriers/Brokers:** Customs authorities could partner with logistics service providers and customs brokers who have high compliance ratings to undertake joint targeting. Arrangements could be instituted where intelligence and targeting criteria can be shared with these parties in the supply chain to intercept shipments for Customs inspections.

Programs like these help facilitate trade for e-commerce and can even reduce the resources currently needed by authorities since they more effectively focus attention on higher risk shipments.

**Customs to Customs Cooperation**

**Augmented Mutual Administrative Assistance (MAA) on E-Commerce:** RCEP should develop procedures for mutual administrative assistance specifically for e-commerce shipments between importing and exporting Customs administrations. As an example, an RCEP contracting party may request for assistance from another Customs Administration for information on shippers for audits, investigations and so forth.

Rather than impose restrictions and additional requirements on shippers/importers, Customs mutual administrative assistance would allow customs authorities in RCEP countries to enhance their risk management, targeting and control without impeding legitimate e-commerce trade and is a modern customs technique consistent with WTO\(^2\) and WCO standards.

These MAA procedures have to be well developed to ensure ease of request, and provision of assistance by the requested authority.

**Engagement is Critical**

E-commerce lets the smallest firms find customers in new markets. Rapid changes in the sector has pressured on officials to effectively manage and facilitate rising growth in trade volumes.

Officials in various agencies and ministries will need to coordinate closely to ensure that the promise of e-commerce is not lost.

Businesses engaged in the sector at all points in the e-commerce supply chain should also be encouraged to participate in ongoing dialogues to create the best environment to meet the needs of RCEP economies now and into the future.

1 Article 7(7) WTO Agreement on Trade Facilitation, and WCO Framework of Standards (SAFE).

2 Article 12 WTO Agreement on Trade Facilitation