

eBay Inc. Response: EU and US Call for Input on Regulatory Issues for Possible Future Trade Agreement

eBay Inc. welcomes the establishment of the EU-US High Level Group for Growth and Jobs and appreciates its focus on eliminating non-tariff barriers to enhance transatlantic trade. In our view, the emphasis the recent Interim Report placed on small-and medium-sized businesses (SMEs) is particularly important, as this is the area in which the High Level Group stands to bring the greatest benefit to the transatlantic economy. This paper will set out specific recommendations for the EU and US governments to enhance trade opportunities for small businesses.

Over the last two decades, some citizens, policymakers and small businesses have begun to see globalization as a threat to jobs and economic security. While this view does not take into account the benefits global trade in its traditional form has brought, it also fails to take into consideration that we have entered a new era of globalization, in which the Internet allows even the smallest companies to access the global market. Solutions including secure payment systems, trust-building tools, and mobile technology have led to the rise of **Commerce 3.0** – the third iteration of commerce, following traditional trade and basic e-commerce.

It is important to realize just how transformational **Commerce 3.0** can be. A recent economic study commissioned by eBay quantifies the benefits of online trade, including:

- **For consumers:** 1) the welfare increase (e.g. better access to products, lower prices, more variety) in countries that moved from a “closed economy” to an economy open to cross-border online trade would be 77%, on average. (2) Real income currently spent online would increase by on average of 42% by transacting on eBay instead of offline.
- **For the broader economy:** if consumers worldwide conducted all their international transactions on eBay instead of offline, the average increase in real GDP would be 15.6%.
- **For small businesses:** SMEs that trade online are able to grow more quickly and survive longer than their offline counterparts. The costs of international trade, which were traditionally prohibitive for the smallest companies, are more than 60% lower online than offline. As a result, 96% to 98% of US, French, UK and German sellers on eBay with annual sales of above \$10,000 export. A remarkable 70% - 80% of eBay sellers trade to five or more foreign countries.¹ By contrast, less than 1% of all US companies export, according to the US Department of Commerce.²

However, the participation of small businesses in the global economy is currently nowhere near its full potential. Policymakers can play a key role in consolidating the benefits of globalization by developing trade agreements designed for the 21st Century – agreements which include measures to remove obstacles which disproportionately affect SMEs. We call on the EU and US governments to

¹ Sidley Austin LLP; Olarreaga, Marcelo. The Story of an Online Marketplace: Enabling Traders to Enter and Grow on the Global Stage. eBay Inc., 2012, see also: <http://www.ebaymainstreet.com/news-events/drilling-deeper-new-data-findings-confirms-ebay-enables-commerce>

² ‘Exporting is Good for Your Bottom Line’, US Department of Commerce, <http://www.trade.gov/cs/factsheet.asp>

lead the way by developing a **'Transatlantic Trade Agreement for the 21st Century'**, to be emulated across the globe. Such a trade agreement should aim to:

1. **Break new ground on customs duty thresholds:** under the so-called 'de minimis' rule in the US and the 'customs relief' thresholds in the EU, products less than \$200 and €150 respectively are exempt from customs duties. By raising that threshold to \$1,000 dollar/€800, trade generated by SMEs would receive a significant boost, as the cost of more products traded across the Atlantic would not be increased by duties, and paperwork would be reduced for exporting SMEs.
2. **Support improved shipping services:** the EU-US trade relationship must support partnerships between postal operators and express carriers for the development of the type of delivery services small businesses and their customers demand (e.g. end-to-end tracking; standardized return solutions; affordable, sufficiently fast and reliable services).
3. **Enable trusted SME and intermediary trader programmes:** the EU's Authorized Economic Operator (AEO) programme significantly reduces red tape and uncertainty associated with exporting for participants. However, for many SMEs, joining such a program involves a prohibitive amount of paperwork. In theory, the EU's AEO programme covers the whole of the supply chain, and should therefore be available to intermediaries. The Commission should ensure that the AEO program is tailored to the needs of both exporting and importing small businesses and should allow the use of intermediary services. The US should then have a reciprocal arrangement.
4. **Support a more efficient mobile payments system:** each operator and country utilizes different rules and regulations for governing mobile payments, which affects whether or not a particular good can be purchased using those payment systems. Future free trade agreements should seek to unify the divergent rules and regulations governing direct operators in order to facilitate a more efficient mobile payments system. Moreover, mobile payments rules must be technology-neutral.
5. **Provide simple online processes for solving disputes between individuals and companies:** bilateral trade relationships could provide for online "one-stop-shops" consisting of i) a single contact point in each signatory's territory and ii) processes for filing complaints and solving disputes. This could take the form of the Commission's proposed Online Dispute Resolution platform, on which mutually recognised Alternative Dispute Resolution schemes of the signatory parties could be registered.

We welcome the stated objectives of the EU-US High Level Group for Growth and Jobs and believe that, if met, those objectives will support the emergence of a more inclusive global economy which offers equal opportunity to companies of all sizes. However, achieving this will require a clear commitment from governments to move beyond traditional trade agreements focused solely on enhancing market access for large multinationals, to '21st Century Trade Agreements', which give equal weight to the elimination of barriers affecting small businesses. The EU and the US can lead the way through a **'Transatlantic Trade Agreement for the 21st Century'**, which addresses the five points outlined above.

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