

LESSONS FROM COVID-19

FOR E-COMMERCE

THE CRITICAL ROLE OF DIGITALLY-ENABLED TRADE IN PROMOTING SMALL BUSINESS RESILIENCE AND ECONOMIC RECOVERY

Introduction

During the COVID-19 pandemic, the world has relied on digital tools to an unprecedented extent to enable commerce and trade. Amid the crisis, countries with existing, robust digital infrastructures to support the shift to digitally-enabled commerce are faring better and expected to recover more quickly. For many small businesses, digitally-enabled commerce completely replaced traditional retail transactions. Digitally-enabled trade helped households and businesses obtain essential supplies and kept companies operating that, in previous eras, would have slowed down dramatically or halted activities altogether.

In this context, the work of the World Trade Organization's Joint Statement Initiative on e-Commerce has taken on a new urgency. Countries must act with a newfound sense of purpose to create an enabling framework for global e-commerce by finalizing an ambitious WTO agreement.

Such an agreement must support the entire ecosystem of digital tools and services that facilitate e-commerce. This initiative is especially critical to enable micro, small and medium-sized enterprises (MSMEs) to participate effectively in the global marketplace and assist their economic recovery.

Below are specific sets of "lessons learned" from six enablers of e-commerce, which are accompanied by takeaways for trade negotiators. The pandemic has demonstrated that these services and tools are essential to enable MSMEs' effective use of e-commerce ecosystem.

Members of the WTO JSI on e-commerce should keep these lessons in mind as they work to finalize an agreement that unlocks the benefits of cross-border e-commerce and supports the recovery and resilience of small businesses.



Customs & Trade Facilitation



E-Commerce Platforms



Financial Services



Research & Development



Communications



Additive Manufacturing

LESSONS LEARNED

FOR E-COMMERCE

Customs & Trade Facilitation

- The COVID-19 crisis has demonstrated that medical supplies and other essential goods must be released expeditiously to allow immediate access where they are urgently needed. Paper-based procedures, onerous documentary requirements and physical verifications that are enforced for the purpose of revenue generation present a severe disruption of this life-saving global supply chain. Delays can be especially detrimental to small businesses who are forced to manage uncertainty with fewer resources.
- Paperless procedures, automated systems, electronic data, e-payment and risk management processes reduce physical contacts to a minimum and appropriately focus controls on high-risk goods. These measures also alleviate staffing shortages of customs officials due to the unavailability of transport to and from numerous ports, airports and border stations.
- The decline in global trade, travel and tourism coupled with significant financial support is placing government revenues under severe pressure in many countries. To the extent that countries install non-resident tax mechanisms, such as a value-added tax (VAT), goods and services tax (GST) or other duty collection or tax protocols, they must be nondiscriminatory, and implemented in accordance with OECD guidelines and in a trade-facilitative manner to reduce border bottlenecks.

Takeaway for WTO Negotiators

The COVID-19 crisis creates additional urgency for WTO JSI officials to agree on new, TFA-plus commitments to simplify, digitize and streamline border processes including documentation and collection of taxes and duties on low-value shipments. Policies should facilitate the digitization and separation from the border of processes to the greatest extent possible to reduce administrative burdens, minimize physical interactions and expedite clearance of goods.



Financial Services & Electronic Payments

- Throughout the pandemic, contactless and digital payments have kept economies running and reduced opportunities for contact with the COVID-19 virus. Government shutdowns and social distancing have accelerated the migration to e-commerce and the use of contactless financial services including digital payments. It is estimated that, by 2025, [digital payments adoption could increase 10 percent](#), double the pre-COVID growth estimate of 5 percent.
- Out of necessity, consumers globally are making payments online for the first time and becoming familiar with experiences such as food delivery and site-to-store transactions, ordering and paying online prior to picking up at a local store. [A recent study](#) found that 71 percent of surveyed consumers in Kenya have purchased groceries online for the first time. These experiences will shape preferences and behaviors even as the crisis subsides.
- To manage uncertainty, compete and meet the demands of the “new normal,” micro and small businesses around the world are being challenged to develop a professional online presence, accept trusted digital payments and pay suppliers digitally. Access to secure, reliable payments technology is paramount for these micro and small businesses, who are at greater risk of cyberattack by criminals targeting new points of entry to the digital ecosystems.

Takeaway

WTO JSI officials must ensure economies are “digital ready” by supporting the international functionality of payment systems, including through full market access and national treatment commitments and robust digital trade commitments.



Communications, Marketing & Productivity

- The COVID-19 pandemic has accelerated the adoption of technologies that enable remote work and communication. Technology providers have witnessed [years' worth of digital transformations in two months](#) of widespread shutdowns and social distancing, including the dramatic increase in adoption of digital conferencing, collaboration, productivity and storage platforms. Digital tools are no longer complements to productive work environments — they are essential.
- Digital tools that enable commerce, productivity, and communication have served as remote-work and learning lifelines. For instance, governments are negotiating trade agreements virtually and are reaching businesses through apps; small businesses are [staying connected with their customers through social media, video, search and other online channels](#); and the broader public is accessing tools, solutions and information digitally.
- Nondiscriminatory access to global productivity technologies benefits companies of all sizes, across all sectors, including in lifesaving settings such as health care and emergency response.

Takeaway

Through the WTO e-commerce negotiations, officials must create an enabling environment to foster the ability of businesses to access the entire suite of digital tools they are relying on to manage uncertainty and operate their businesses on a global basis. A meaningful agreement must include market access commitments on sectors relevant to e-commerce, including computer, telecommunications, payments, advertising, logistics and distribution services, as well as digital trade commitments that enable cross-border communication and exchange.



E-Commerce Platforms, Marketplaces and Omnichannel Retail

- Companies and individuals relied on e-commerce and app platforms and services to an unprecedented extent during the pandemic. Small businesses utilized website and e-commerce services to power sales over their own website. Many also utilized e-commerce and app marketplaces to increase their global visibility and reach.
- App stores have been essential in enabling access to distance learning, telemedicine, e-commerce, and work and personal communication. It is [estimated that](#) first-time app downloads will rise more than 20 percent in 2020 and that, by 2024, app sales will be nearly 10 percent higher because of the lasting impact of changes in behavior due to COVID-19.
- Social distancing and lockdown orders resulted in unprecedented growth in e-commerce. Sales of [digital native brands soared 200 percent](#) in late April compared to a year earlier, while [email capture, email conversion and online shopping cart activity rates jumped dramatically](#) for retailers.
- Many micro and small businesses [turned exclusively to digital tools and global e-commerce](#) to generate sales and, in some cases, to pivot to produce and distribute personal protective equipment, cleaning products, nonmedical grade face masks, and work-from-home essentials to address needs during the pandemic. Fifty-one percent of small businesses reported increasing online interactions with their clients, while 36 percent of personal businesses that use online tools indicated that they are conducting all their sales online [in response to the crisis](#). A [separate survey found that](#), for 55 percent of small businesses in Canada who had an existing online presence, their sales rose or stayed the same during the pandemic.

Takeaway

The pandemic has created new urgency to guarantee nondiscriminatory market access for computer and related services and the broader suite of services that enable e-commerce including financial, distribution, telecommunications and logistics as well as high-standard digital trade commitments. These experiences also argue strongly in favor of ensuring widespread adoption by countries of the Information Technology Agreement (ITA) to reduce costs of technology essential to businesses, for agreement on a permanent ban on customs duties on electronic transmissions, and for new Trade Facilitation measures that reduce administrative burdens for physical e-commerce businesses.



Life Sciences R&D and Telemedicine

- Life science research by small and medium-sized biotech companies is leading the way to find treatments and vaccines for COVID-19. As of June 15, small companies are pursuing 235 of the 290 COVID-19 therapies being developed by companies headquartered in the United States.
- The immense global impact of COVID-19 demands that this research be conducted as efficiently, effectively and quickly as possible. In addition, unprecedented cooperation is needed between companies, governments and academia around the world. As a result, the ability to effortlessly share research data across borders is critical to stopping COVID-19.
- For example, identifying potentially beneficial existing compounds and medicines requires access to previous research portfolios and clinical trial data for analysis. Artificial intelligence (AI) is accelerating the identification of new and existing compounds by drawing on massive data sets. Data must be shared to optimize clinical trial design and patient recruitment. Further, the resulting data from clinical trials must be available to researchers. Life science companies also draw on externally generated data and rely on partnering entities to collect and share clinical trial data from around the world. Each of these circumstances often requires the transfer of data across borders.
- Accordingly, restrictions on firms' ability to obtain and use data across borders impact ongoing research and development efforts to combat COVID-19. Moreover, a patchwork legal framework of data flow rules internationally may ultimately raise transaction costs and compromise needed scientific advances and telemedicine services. Therefore, the exchange of life sciences research and development data, free of unreasonable data flow or data localization restrictions, is [SVI] essential to expedite success. Countries should also ensure their regulations permit innovative global telemedicine services to address critical needs.

Takeaway

WTO JSI officials should ensure that life sciences research and development data are covered by obligations against unreasonable data flow or data localization requirements and include research and development in market access commitments.



Additive Manufacturing

- During the COVID-19 crisis, additive manufacturing – the commercial application of smart technologies including 3D printing – has been a flexible solution in the face of shortages and supply chain interruptions.
- Additive manufacturing technologies helped address shortages by 3D printing essential goods including face masks, face shields, ventilators, parts for medical equipment, and nasal swabs. These efforts were an important supplement to traditional manufacturing, which helped to bridge supply chain gaps and accelerate the delivery of essential items.
- In some cases, the journey from conceptualization to production at scale was transformed from months or years to weeks. For example, companies collaborated to address the shortage of nasal swabs, producing a product that advanced from design to delivery in 35 days.

Takeaway

It is essential for WTO negotiators to craft facilitative e-commerce frameworks that permit nondiscriminatory access to new technologies including additive manufacturing, Artificial Intelligence and blockchain. Experiences with additive manufacturing strengthen the rationale for countries to join the ITA and for negotiators to agree to a permanent ban on customs duties on electronic transmissions.



MICRO, SMALL AND MEDIUM-SIZED ENTERPRISES

HIGHLIGHTS

Micro, small and medium-sized enterprises (MSMEs) have turned to digital tools and strategies as a lifeline for their businesses. Economic shutdowns, social distancing and travel restrictions have exponentially increased the global need for online marketing, communication, team-building, customer acquisition, payment and order fulfilment solutions.

MSMEs fundamentally rely on access to global services and data flows to survive. As the WTO writes new rules aimed at facilitating the use of e-commerce, it is crucial to recognize the importance of clarity and improvements to the existing framework of trade rules and market access commitments in the success of small businesses like those profiled below.



Josefina Urzaiz
Co-Founder

CIELO HAMMOCKS

Using E-Commerce to Continue Operations

Cielo Hammocks is a Mexico-based social impact enterprise that seeks to alleviate poverty and promote gender equality through manufacturing and distributing hammocks worldwide. The pandemic immediately impacted wholesale deals, production capacity and access to profitable trade shows. Access to e-commerce platforms, like Amazon Mexico, and distribution providers, like FedEx and UPS, enabled Cielo Hammocks to continue operations through uncertain times. The team also devoted resources to grow their social media presence on Instagram and increase online marketing with platforms such as Facebook and Google Ads to expand their global reach.

“The silver lining has been an increase in online sales as people spend more time home,” explained Co-Founder Josefina Urzaiz.

Urzaiz and the Cielo Hammocks team have discovered that staff work more efficiently from home and plan to explore a “work from home” schedule in the future. This is only possible with access to the global technologies that enable the entire e-commerce ecosystem, Urzaiz notes.



MEXICO

ANAONO

Engaging Digital Platforms to Stay Connected

AnaOno is a U.S.-based lingerie brand that designs and sells innovative, post-surgery bras for those affected by breast cancer, surgery or discomfort. The company sells directly to customers around the world via its website as well as through distribution relationships with specialty stores and boutiques.

When COVID hit, their distribution sales halted as businesses were forced to close. AnaOno's direct-to-consumer e-commerce channel was a lifeline for the business.

AnaOno is taking to Instagram, Facebook and Twitter to remind its community that they are not alone, offer tips and spread positivity. "We are leveraging our email list and social platforms to keep our community up to date on important information that can impact their lives due to COVID-19."

In response to the pandemic, Founder Dana Donofree observes that, "we need to ask, 'how do we cross borders through commerce? Products are being made around the world, so they need to be accessible in a global commerce strategy instead of thinking country-specific.'"



Dana Donofree
Founder & CEO



UNITED STATES



Rafael Figueroa
CEO

PORTAL TELEMEDICINA

Utilizing Telemedicine & AI to Detect COVID-19

Portal Telemedicina, a Brazilian healthcare startup, is providing reliable, fast and low-cost healthcare to over 30 million patients using internet-of-things-enabled telemetry and an AI-assisted diagnosis platform that runs in the Google Cloud.

"We had to adapt really fast. We saw an amazing openness from healthcare players to adopt new telemedicine technologies to keep helping patients and maintain social distance whenever possible," explained Maíra Flores, Portal Telemedicina's Head of Communications.

Before the pandemic, they partnered with Google to build out a diagnostics service. Today, they are using algorithms to detect signs of COVID-19. Portal Telemedicina utilizes digital messaging applications, social media and their SEO-optimized website to stay connected with over 500 hospitals and clinics in more than 300 cities in Latin America and Africa that they serve.

CEO Rafael Figueroa notes with frustration that some countries' services restrictions or regulatory policies prohibit his company from delivering their services remotely -- though those same countries permit organizations like Doctors Without Borders to provide comparable in-person services.



BRAZIL

EARTH HEIR

Employing Digital Tools to Respond & Pivot

Earth Heir, a Malaysian ethical lifestyle brand, sells handcrafted heritage pieces made by women, refugees and indigenous people to customers around the world.

“[The pandemic has been] a real challenge as companies and clients cannot buy physically from us,” Founder Sasibai Kimis shared. “A lot of events have been cancelled, including speaking engagements.”

Kimis and her team shifted from in-person interactions and leaned heavily on digital marketing, social media, YouTube videos to spotlight their refugee artisans, WhatsApp to communicate internally, and direct-to-consumer e-commerce sales via Earth Heir's website.

Earth Heir also pivoted to design and sell a "Fair Trade Reusable Mask" sewn by refugee tailors in Malaysia.

Kimis leveraged platforms like Facebook and Instagram for promotion, and e-commerce sales platforms including Shopify, express delivery services including FedEx and DHL, and Google Forms and PayPal to enable sales and donations of their masks.



Sasibai Kimis
Founder



MALAYSIA

ABOUT GIF

The Global Innovation Forum (GIF) is a nonprofit effort to connect entrepreneur, small business, development, and university communities with policymakers and select corporations to explore the opportunities and challenges of engaging in the global marketplace. GIF serves as a hub for business, university and development communities around the world to communicate with officials and corporations, discover public and private resources to help them succeed, and improve the public policy landscape to enable global innovation. GIF is a project of the 501(c)(3) National Foreign Trade Council Foundation.

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