

ECONOMIC SCIENCES

ENHANCING E-COMMERCE CUSTOM REGULATION FOR SEAMLESS TRADE IN EAEU: A POLICY PAPER

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Abstract

This policy paper provides a comprehensive analysis of the e-commerce sector within the Eurasian Economic Union (EAEU), highlighting its challenges, opportunities, and potential for driving economic growth. It sets forth a series of well-crafted policy recommendations aimed at establishing a conducive environment for e-commerce development. By implementing these measures, policymakers can fully unleash the potential of e-commerce, fostering economic growth, and advancing digital inclusion. As the e-commerce sector flourishes, it necessitates the establishment of a fair and efficient regulatory framework to facilitate smooth cross-border transactions. Addressing the custom regulation and taxation of e-commerce transactions requires collaborative efforts. Policymakers must strive to develop transparent and equitable customs and taxation systems that prevent tax evasion while easing the burden on small and medium-sized enterprises. One essential consideration is the implementation of destination-based taxation, ensuring that taxes are paid in the countries where products and services are consumed. This approach fosters fairness and discourages tax avoidance strategies.

The policy paper aims to propose specific measures to enhance e-commerce custom regulation, effectively tackling the unique challenges presented by online trade. Leveraging technology and fostering international cooperation are pivotal in designing streamlined customs processes, creating an enabling environment for e-commerce growth. Such endeavors will ensure compliance, minimize illicit activities, and foster a flourishing e-commerce landscape within the EAEU.

Keywords: e-commerce, e-payment, facilitation, regulatory framework, custom regulation.

Introduction

The continual advancement of information technologies and financial instruments has led to an unprecedented proliferation of electronic and mobile methods for ordering services and purchasing goods, catapulting e-commerce into a pervasive global phenomenon. This transformative mode of trade has not only revolutionized how goods are marketed, sold, and purchased but has also profoundly reshaped delivery mechanisms and payment terms. At every stage of e-commerce activity, from browsing and ordering products to making payments and facilitating deliveries, information and communication technologies play a pivotal role, enabling commercial enterprises to explore limitless opportunities within the virtual realm.

Over the past two decades, the e-commerce market has witnessed a staggering growth trajectory, riding on the coattails of the exponential increase in Internet users, the remarkable influence of social networks and interactive online platforms, the dynamic evolution of electronic payment systems, and the seamless transition of market leaders to cutting-edge e-commerce technological platforms. This seismic shift towards e-commerce transcends national borders, constituting a truly global phenomenon that dismantles the traditional sales and procurement systems and propels trade to an interconnected, borderless dimension.

E-commerce has not only permeated domestic markets but has also transcended international boundaries, fortified by the rapid development of Internet, in-

formation, and telecommunications tools and technologies. As a result, it has emerged as an influential conduit for conducting business on a global scale, reshaping the contours of international trade. Against this backdrop, the pressing need arises to meticulously examine and refine custom regulations in the e-commerce sector, forging a path towards an agile, efficient, and transparent global trade environment.

This paper endeavors to navigate an expansive array of strategies aimed at fortifying custom regulations in the e-commerce domain, charting a transformative course towards a world characterized by seamless global trade. As we embark on this journey of exploration, we seek to illuminate the multifaceted challenges confronting policymakers, businesses, and consumers alike, and in doing so, we aspire to carve out a future that harmonizes e-commerce custom regulations, spurring equitable progress and innovation in the realm of international trade.

E-commerce Outpacing Regulatory Frameworks: Unlocking the Trade Potential in EAEU

The exponential growth of digital commerce worldwide has sparked intense discussions on effectively addressing the tax challenges brought about by the rapid digitization. The interplay of digitization's swift proliferation and the liberalization of trade policies has set in motion a continuous wave of structural transformations across economies. As this metamorphic process unfolds, attempting to isolate the digital economy from other sectors proves to be a formidable task.

The e-commerce landscape is evolving at break-neck speed and has already become a significant catalyst for increasing trade potential, particularly within the Eurasian Economic Union (EAEU). Its burgeoning growth has the power to stimulate cross-border economic development, leading to heightened employment opportunities and the creation of new jobs. Recognized as one of the pivotal tools for augmenting the efficiency and scale of foreign trade, cross-border e-commerce has emerged as a prominent revenue source for numerous states. However, the burgeoning success of this sector has also exposed “loopholes” in the existing legislation, allowing some to exploit the high duty-free threshold by circumventing the legal classification of “goods for personal use” and subsequently selling them in the market.

The surge in e-commerce volumes has prompted economic communities and international organizations to initiate research on the legal frameworks governing this domain, encompassing areas such as taxation, consumer protection, and safeguarding private information. Nevertheless, the unprecedented rise of e-commerce has caused an overwhelming influx of small packages crossing borders, rendering traditional customs processes inadequate and inefficient. Customs administration faces challenges in efficiently handling this category of goods, causing complexities for foreign economic activity participants and customs authorities alike. The absence of well-defined legal procedures for collecting customs duties and preventing violations in the e-commerce space exacerbates these issues, leading to “vulnerable problems” that hinder trade facilitation. Custom authorities encounter the pressing need to expedite the formalization of international mail packages, prompting countries to reevaluate their approach to e-commerce, recognizing it as an independent and substantial avenue for importing foreign consumer goods.

As the volume of e-commerce trade soars, it becomes imperative to consider not only its current scale but also the dynamics of its growth, necessitating radical measures to revamp its regulatory landscape. However, the phenomenal surge in online shopping presents a new set of challenges for customs in securing the supply chain, protecting the public, and ensuring effective duty and tax collection.

Currently, EAEU’s focus on expanding trade potential centers around e-commerce. Nevertheless, the rapid expansion of the e-commerce industry has yet to be fully assimilated into existing customs regulations and processes. In light of this, other measures such as those facilitating trade, streamlining customs procedures, and establishing a threshold for duty-free trade have gained increased significance. Hence, the development and enhancement of the e-commerce regulatory toolset by customs authorities become imperative for effectively monitoring transactions in this domain, underscoring the urgency and relevance of this research endeavor.

Balancing the Imbalance: Fostering Cohesive E-commerce Custom Regulation in EAEU

The e-commerce revolution is rapidly outpacing existing regulatory frameworks, presenting a signifi-

cant challenge for policymakers worldwide. The confluence of digitization’s rapid spread and the liberalization of trade policies has resulted in a continuous metamorphosis of the global economy. Within this transformative landscape, e-commerce has emerged as a formidable force, shaping trade potentials within the Eurasian Economic Union (EAEU) and beyond. As this burgeoning sector offers immense opportunities, it is imperative to address the pertinent issue of e-commerce custom regulation and taxation.

1. **Lack of Comprehensive Approaches:** The World Trade Organization and the World Customs Organization are making strides in regulating electronic commerce. However, comprehensive approaches to e-commerce custom regulation and taxation are yet to be fully developed. The primary challenge lies in determining the thresholds at which e-commerce becomes subject to tariff regulation, with no unified international position on this critical matter.

- **Fragmented Rules at EAEU Level:** The lack of harmonized rules for conducting e-commerce and customs regulation on an international level is reflected, to some extent, within the EAEU. While the Union’s Customs legislation has devised legal mechanisms for controlling the flow of goods through international postal parcels, discrepancies persist.

- **Striking the Right Balance:** The discourse on improving customs legislation should extend beyond the EAEU’s boundaries. A delicate balance must be achieved, ensuring that new regulations are effective without burdening entrepreneurs or creating unfavorable disparities compared to other countries. Veronika Nikishina[1], the Minister for Trade of the Eurasian Economic Commission, highlighted the importance of striking an effective and non-restrictive approach in her speech during the panel session on “Digital Transformation of International Trade: E-commerce and Beyond” at the Eastern Economic Forum on September 5, 2019.

- **Avoiding Extremes:** Neither the imposition nor exemption of new taxes can be deemed wholly acceptable. Striking the right balance is crucial, as an ill-conceived approach could lead to underpayment of taxes or stifle the organic growth of e-commerce. Harmonization of duty-free trade limits across EAEU countries is essential to prevent imbalances and ensure fair competition.

- **Cross-border Complexities:** The presence of inconsistent customs rules and regulations across countries hampers the seamless flow of goods and services. High customs duties and complex clearance processes create cost overruns and delays for e-commerce businesses and consumers. Inadequate customs infrastructure and a shortage of trained personnel further exacerbate the challenges.

- **The Rising Menace of Counterfeits:** The surge in e-commerce also brings forth an alarming rise in counterfeit products and illicit trade on digital platforms. Robust regulation and enforcement mechanisms are imperative to safeguard consumers and businesses alike.

In the quest for a cohesive and efficient e-commerce custom regulation framework, the EAEU must

confront these challenges and devise tailored solutions. A unified approach, informed by international best practices, is vital to foster seamless cross-border trade, capitalize on economic development opportunities, and pave the way for a thriving digital future. By streamlining customs procedures, harmonizing standards, and minimizing trade barriers, policymakers can bolster the growth of cross-border e-commerce, fostering a robust and competitive trading environment within the EAEU and beyond.

Conclusion: Navigating the Future of E-commerce Custom Regulation in EAEU

The landscape of global trade is witnessing an unprecedented transformation as e-commerce continues to accelerate, reshaping the way goods and services are exchanged across borders. Within the Eurasian Economic Union (EAEU), the e-commerce sector holds immense potential for driving economic growth, fostering employment opportunities, and enriching the lives of citizens. However, with these opportunities come inherent challenges that necessitate a well-crafted regulatory framework to ensure fairness, efficiency, and compliance in cross-border transactions.

This policy paper has explored the multifaceted dimensions of e-commerce custom regulation in the EAEU, analyzing the opportunities, challenges, and potential strategies for harmonizing customs procedures. Recognizing the need for comprehensive approaches, we have delved into the complexities of tariff regulation, seeking to strike the right balance between effectiveness and non-restrictiveness. As the global community grapples with the digital transformation of international trade, the EAEU finds itself at the crossroads of policy decisions that can shape the trajectory of its e-commerce landscape.

One crucial aspect of fostering cohesive e-commerce custom regulation lies in addressing the fragmented rules at both the international and EAEU levels. Harmonization of customs legislation will ensure a seamless flow of goods and services, bolstering cross-border trade and minimizing complexities for businesses operating within the Union. Additionally, Veronika Nikishina's emphasis on effective regulation that does not hinder entrepreneurial growth serves as a guiding principle for policymakers, driving them to craft innovative solutions that accommodate the dynamic nature of e-commerce.

The challenges of enforcing customs regulations in the digital era cannot be overlooked. From the rise of counterfeit products to the inadequacy of customs infrastructure, these issues demand tailored solutions that embrace technology, international cooperation, and robust enforcement mechanisms. By prioritizing transparency, efficiency, and collaboration, the EAEU can pave the way for a future where e-commerce thrives, fostering a competitive and progressive economic landscape.

To remain at the forefront of global trade, the EAEU must view the development of an agile e-commerce custom regulation framework as an imperative. Facilitating cross-border e-commerce will open new markets for businesses, attract investments, and strengthen international trade relations. Policymakers

must champion measures that streamline customs processes, foster international cooperation, and eliminate trade barriers, propelling the Union into a prosperous digital future.

In conclusion, the EAEU stands on the precipice of an era defined by the digital transformation of global trade. The challenges and opportunities of e-commerce custom regulation underscore the need for a comprehensive, equitable, and forward-looking approach. By embracing technology, collaboration, and innovation, the Union can unlock the full potential of e-commerce, propelling economic growth, fostering digital inclusion, and shaping a future where seamless trade knows no borders.

As policymakers and stakeholders embark on this transformative journey, they must be guided by a shared vision of fostering cohesion in e-commerce custom regulation. Together, they can navigate the challenges, forge new paths, and create a world where the promise of e-commerce is fulfilled, empowering economies, enriching lives, and propelling the Eurasian Economic Union towards a bright and sustainable future.

Policy Recommendations:

1. Harmonization of E-commerce Regulations: The EAEU must prioritize the harmonization of e-commerce regulations across member states to establish a consistent and transparent framework for cross-border trade. Policymakers should align customs procedures, taxation policies, data protection regulations, and consumer rights frameworks to facilitate seamless e-commerce transactions.

2. Destination-Based Taxation: Implementation of destination-based taxation for e-commerce transactions is essential to ensure fair and equitable taxation. By collecting taxes in the countries where products and services are consumed, the EAEU can prevent tax evasion and promote a level playing field for businesses.

3. Enhanced Customs Infrastructure and Training: Policymakers should invest in modernizing customs infrastructure and provide specialized training for customs officials to cope with the challenges posed by the rapid growth of e-commerce. Automated systems for customs value verification and efficient clearance processes will facilitate prompt handling of e-commerce shipments.

4. Combatting Counterfeits and Illicit Trade: Robust mechanisms to combat counterfeit products and illicit trade must be established to protect consumers and legitimate businesses. Policymakers should collaborate with industry stakeholders and international agencies to strengthen intellectual property rights enforcement and enhance monitoring mechanisms.

5. Trade Facilitation and Reducing Trade Barriers: Policymakers should prioritize trade facilitation by reducing bureaucratic complexities and streamlining customs procedures. Mutual recognition of trade documents, simplified customs declarations, and expedited customs clearance for low-value shipments will enhance business efficiency and consumer access to a diverse range of goods and services.

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