

Thank you for the opportunity to comment on the Investigation into Digital Trade in the U.S. and Global Economies. The Federal Register notice related to this investigation stated that the Commission’s report would “examine how other industries, such as financial services and retailing, make use of digital products and services for production and trade.” It also added, “present... if possible, the impact of digital trade on small and medium-sized enterprises.” My testimony will describe why the ITC’s work is important for eBay Inc., and the hundreds of thousands of small business retailers across the United States that utilize eBay Inc.’s suite of services to reach global markets.

Founded in 1995 and headquartered in San Jose, California, eBay Inc. is enabling the future of commerce through its leading global commerce and payments platforms as well as mobile applications. We are focused on delivering innovative commerce solutions for sellers of all sizes, from entrepreneurs and small business to well-known brands and retailers, and helping consumers shop anytime, anywhere.

Among those that use the eBay Marketplaces platform are hundreds of thousands of U.S. small businesses and entrepreneurs located across the country. The Internet provides these small businesses and entrepreneurs with low-cost access to customers far outside the limits of their traditional geographic footprint. eBay Inc. supports global platforms that enable small businesses to engage in exporting. With one-click, our sellers – which range from an individual trying to clean out his garage to a small business with “Main Street” stores and employees – can utilize our platform and services to market their goods to the global marketplace. eBay is able to convert English-language listings of small businesses into several other languages in order to better access foreign buyers. Moreover PayPal allows a small business to accept payments in 24 different currencies from from anyone with an email address in the 190 countries and regions that accept PayPal. Altogether, eBay Inc. also offers a host of services, from website design to fulfilment, which enable small businesses to establish their own website and engage in global trade. Pierre Omidyar, eBay’s founder, measures success by positively impacting hundreds of millions of people’s lives around the world and connecting them through trade.

At eBay, cross-border trade is accelerating; in 2012, half of new active users came from international markets. Globally, about 20 percent of the gross merchandise volume on the eBay Marketplaces platform involves cross-border trade. And, about 25 percent of PayPal’s global net payment volume involves a cross border transaction. Yet, it is not merely the volume of trade that is notable, but rather it is the story

of the traders that is truly exciting. Small businesses that have traditionally had little to no opportunity to engage in global trade can now utilize technology to access customers around the world.

A recent economic study commissioned by eBay Inc. demonstrates just how transformational the Internet has been in enabling cross-border trade. The study authored by Professor Marcelo Olarreaga of Geneva University analysed data on US commercial sellers (those selling \$10,000 USD or more) over the eBay Marketplaces platform. These are truly small businesses. The study looked at international trade flows and exporting behavior and compared offline channels with eBay. A few statistics from the study are particularly notable:

- Over 95 percent of “commercial sellers” on eBay engage in exporting. That is a staggering number when compared with offline small business exporting, which comes in under 5 percent.
- On average, technology-enabled “commercial sellers” selling abroad reach 19 different countries.
- A remarkable 81 percent sell to five or more foreign countries.

A recent World Economic Forum report entitled “Enabling Trade Valuing Growth Opportunities” contains a section focused on eBay entitled “unlocking SME trade,” which describes how small businesses using eBay are able to truly engage in the global marketplace. The World Economic Forum report found that the use of technology platforms can reduce the burdens small businesses face when selling overseas, increasing cross-border small business sales by 60-80 percent.

The benefits that technology-enabled global platforms can provide to consumers should not be overlooked. It is often said that smartphone-enabled consumers “have a store in their pocket,” but it is actually more accurate to say that they can be walking around with an entire world of stores in their pocket. The mobile device provides an instant connection to products and services from around the world. The eBay Inc. commissioned study found that consumers transacting on eBay Marketplaces experience 42% higher welfare gains in the form of increased real income when compared to offline channels. Moreover, if consumers worldwide conducted all their international transactions on a platform

such as eBay instead of offline, the average increase in real GDP would be 15.6%. The World Economic Forum’s report also highlights the benefits of a global marketplace for consumers stating: “The small merchants that do business through eBay Marketplaces, for instance, enable customers to enjoy niche products and experience the best of many cultures.”

The idea that a small business can engage in global trade is now a reality thanks to the Internet and technology-enabled platforms, and it is small businesses and consumers that are the real winners in this story. This should fundamentally change the way we think about global trade, and how to improve the global trade regime. Opening new markets and reducing barriers to trade can now make meaningful improvements in the bottom line of small businesses. The potential is really there for the global trade regime to be truly inclusive and eventually empower every small business everywhere.

There are steps that government can start to take right now to make easier for technology-enabled small businesses to grow and thrive in the future. The challenges are both digital and non-digital in nature. eBay’s Inc. CEO John Donahoe has stated, “Mobile devices are blurring the line between being online and offline.” When a consumer on his/her smartphone in Singapore can order a brand new Dell computer from a small business in Topeka, Kansas, there are both digital or online and non-digital or offline hurdles that the small business will face. The following are five specific policy recommendations, three non-digital and two digital, aimed at facilitating trade by technology-enabled small businesses:

- **Improving Delivery Services** – The eBay commissioned economic study found that the vast majority of commercial sellers on eBay export, but the trade volumes are far below their potential. This is in part due to costs, administration and uncertainty when shipping across borders. Using technology to amplify efficiencies, harmonizing shipping platforms between different countries, and creating interoperable systems that both the public and private sectors could utilize would improve the efficiency of technology-enabled small merchants.
- **Reduce Customs Complexity** - Small businesses face challenges navigating modern customs procedures. Increasing the de minimis threshold in the US, and around the world through trade negotiations, would be a straightforward method through which government could facilitate technology-enabled small business trade. The de minimis level is the level below which import

goods are not subject to customs duties. The US de minimis threshold currently sits at \$200, while other nations have de minimis thresholds as low as 30 cents.

- **Innovative Trusted Trader Programs** - Trusted trader programs such as the Customs-Trade Partnership against Terrorism (CTPAT) & the Simplified Entry Initiative reduce logistical barriers for selected traders; namely big businesses. Small merchants should have access to these programs. Moreover, trusted trader programs in different countries should be harmonized so that signing up for a trusted trader program in the US means that a business can enjoy the benefits of being a trusted trader in other countries.
- **Free Flow of Data and No Server Requirements for all Actors in the Digital Ecosystem** – The ability to move information across borders, without the need to establish physical infrastructure, is essential to the global Internet framework. Commitments on these issues must be robust enough to permit the kinds of innovative services and emerging technologies that enable food trucks to accept credit cards, online merchants to utilize electronic payments, e-commerce platforms to facilitate transactions between international buyers and sellers, and organizations and individuals to accept gifts, remittances and donations from abroad.
- **Protect Innovative Digital Intermediaries** - There is significant complexity in how the actors in the technology-enabled marketplace interact. Government should encourage voluntary cooperation between the actors in the technology-enabled commerce ecosystem. Moreover, governments should provide certainty to intermediaries that they will not be held liable for the actions of their users.

The World Economic Forum’s report finds that improvements in border administration – like some of the non-digital issues mention above – as well as transport & telecommunications infrastructure and services could trigger as much as a 4.7% increase in global GDP, far outweighing potential income gains from complete elimination of import tariffs. Bernard Hoekman, Chair of the World Economic Forum’s Global Agenda Council on Logistics & Supply Chains, and Director of the World Bank’s International Trade Department stated, “Lowering these barriers will reduce costs for businesses, and help generate more jobs and economic opportunities for people.”

We believe this to be true and we hope that the ITC's work will help to identify how important technology-enabled small business trade is to the US economy and suggest how the US government can make policy changes that will improve the regime. The eBay Inc. commissioned study found that international trade agreements have less of an impact on technology-enabled small business trade than they have on offline trade. Now is the time to focus trade policy on technology-enabled trade to ensure that the small businesses using technology to access the global market continue to grow and thrive.

I will be submitting the eBay Inc. commissioned study and the World Economic Forum's report along with a copy of my testimony for your reference. I am happy to answer any questions you might have and I thank you again for the opportunity to talk about the exciting world of technology enabled small business trade.