



Trade in the time of parcels

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- ▶ Growing parcel trade has given rise to new opportunities, particularly for individuals and SMEs to engage more directly in trade.
- ▶ From click to doorstep, the parcels supply chain involves a network of actors and processes influenced by different policies on goods and services: *behind the border* (internet access, e-payments, consumer protection); *during transit* (postal, courier and transport services); *at-the-border* (administrative processes, risk management, standards, revenue collection); and *throughout the supply chain* (access to digital infrastructure and cross-border data flows).
- ▶ Enabling benefits from trade in parcels and addressing challenges requires a comprehensive policy approach targeting digital connectivity, trade facilitation, services liberalisation in logistics, courier and transportation, and robust international frameworks for digital trade.

Parcel trade had been growing and took off during the COVID-19 pandemic

The wider use of digital platforms and websites to sell goods across borders has reduced information constraints, contributing to a significant increase in the number of parcels crossing borders. Prior to the COVID-19 pandemic, an 103 billion small packages crossed borders in one year; this represents two parcels arriving at a consumer's doorstep each month. This trend accelerated with the COVID-19 pandemic. During the first two quarters of 2020, in Asia-Pacific, Europe and North America, online orders grew between 50-120%. Consumer surveys suggest that these trends will outlast the pandemic even as brick-and-mortar stores reopen. This means that parcel trade can serve as an important avenue for an inclusive economic recovery, supporting both businesses of all sizes and consumers in engaging more directly in international trade.

Parcels, or goods delivered in individual or small consignments, can be defined using a variety of parameters, including weight and size, time sensitivity, or mode of delivery (whether postal, express carrier, truck transport, air cargo, cargo ships etc.). While not new, the increasing adoption of digital technologies has enabled more firms and individuals to engage more directly in trade than ever before, and growing trade in digitally ordered goods. Indeed, a 10% increase in bilateral digital connectivity between two countries can raise parcel trade

exports by over 4%, compared to 2% for 'traditional' trade. Trade in parcels has played a critical role during the COVID-19 pandemic, enabling many firms to stay afloat and helping customers obtain goods they needed during lockdowns.

However, identifying the nature and value of parcel trade is difficult. This is, in part, because parcels often fall below certain value thresholds, meaning that they clear Customs through simplified and expedited procedures, often without being recorded in official statistics. That said, existing data on cross-border postal or express delivery dispatches for European countries suggests that parcel trade - especially during recent lockdowns - largely involved electrical machinery, such as ICT goods; medical products; appliances; and items of leisure such as games and toys.

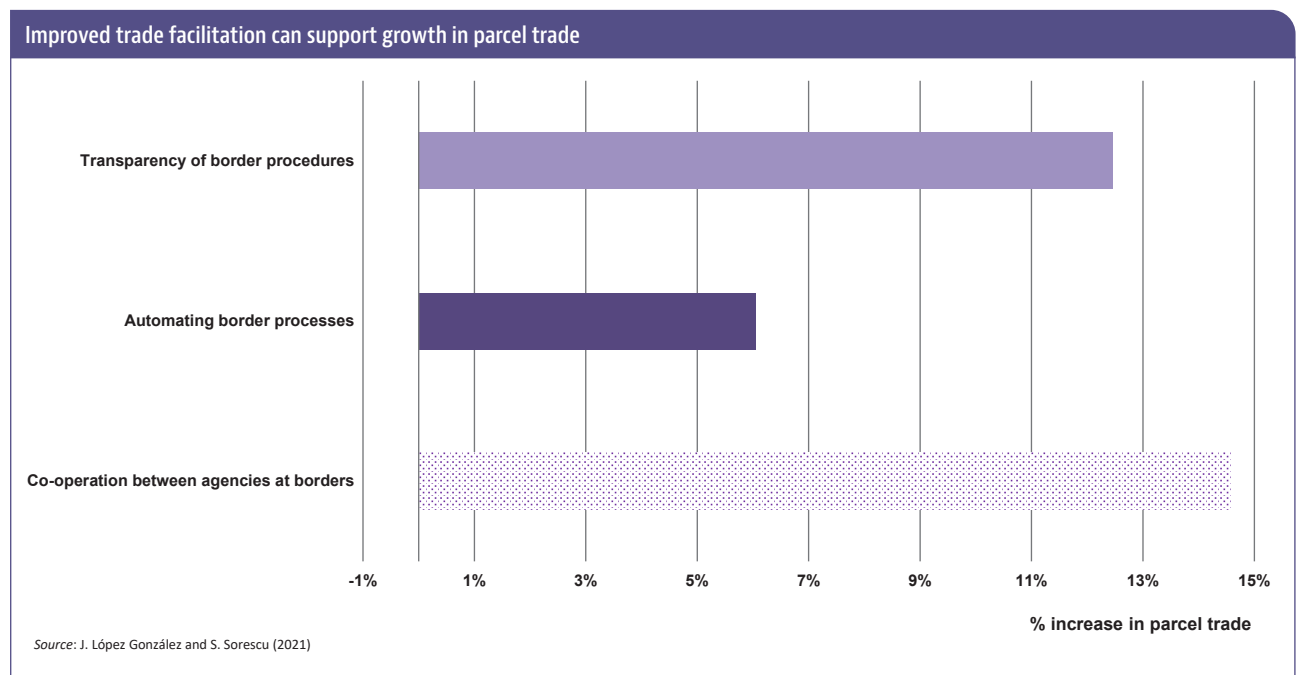
Getting parcels to where they are needed requires coordinated action across policy areas

Clicking the purchase button on an item sets in train a complex network of actors and processes, involving individual consumers, digital platforms, firms of different sizes, e-payment solutions, postal and courier operators, multi-modal transport networks, fulfilment





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centres, last mile delivery and border authorities. From click to doorstep, and from a trade policy perspective, there are broadly four segments to a cross-border parcel transaction, each touching on a range of policy areas:

1. **Behind the border:** issues such as access to the Internet, e-payments or consumer protection determine the interest and ability of individuals and firms to engage in trade in parcels.
2. **During transit:** the conditions under which postal or courier services operate, and issues related to transport services determine how, and at what cost, products move to and from the border.
3. **At-the-border:** administrative processes, risk management, standards and issues around revenue collection affect the cost and length of time that items spend at Customs.
4. **Throughout the supply chain:** a range of cross-cutting elements, such as access to digital infrastructure and cross-border data flows, affect the connections between the many different actors involved in the parcels supply chain, including in the context of returns.

What can policymakers do to enable trade in parcels and face forthcoming challenges?

Enabling benefits from trade in parcels for businesses and consumers requires a comprehensive approach to the parcel supply chain by:

- **Providing greater attention to enabling the services that support parcel trade**, such as through appropriate frameworks for e-payments and reducing restrictions on logistics, courier and transportation services such as air transport that can hinder trade in parcels.

- **At the border, digitising processes, streamlining procedures and identifying new ways to better collect import and other taxes** to help Customs and other border agencies deal with rising workloads as a result of growing trade in parcels and enable them to focus on risk management. Indeed, continued improvements in trade facilitation policies such as transparency, automation and streamlining of processes at borders, as well as border agency co-operation can enhance parcel exports by between 6% and 14% (Figure).
- **Continuing international discussions to create robust digital trade frameworks** that include more transparent and interoperable regulations on consumer protection, data flows and parcel returns. Continued discussions on these issues, including at the WTO and in trade agreements, will enable greater predictability, transparency and interoperability of regulations.

Trade in parcels offers a number of new opportunities, especially for smaller firms and individuals, and can be leveraged to support a more inclusive recovery. However, making the most out of parcel trade requires a holistic, whole-of-the-parcel-supply-chain, approach, focusing on issues that enable different actors to better connect with each other and on facilitating the movement of goods, services and data.



- J. López González and S. Sorescu (2021), "Trade in the Time of Parcels", *OECD Trade Policy Papers*, No. 248, OECD Publishing, Paris. (forthcoming)

