



E-Commerce Exports

This editorial is based on [Policy for e-commerce exports](#) which was published in The Hindu Businessline on 26/06/2023. It talks about e-commerce export policy and associated issues.

For Prelims: [e-Commerce](#), [Foreign Direct Investment](#), [Consumer Protection](#), [Data Privacy](#), [Intellectual Property](#), [The Information Technology Act](#), [Information Technology \(Intermediary Guidelines and Digital Media Ethics Code\) Rules 2021](#), [The Consumer Protection Act 2019](#), [Consumer Protection \(E-Commerce\) Rules 2020](#), [The Foreign Exchange Management Act 1999](#), [Foreign Direct Investment Policy](#), [GST](#), [Equalization levy](#)

For Mains: Need of E-Commerce export policy, Comparison of Indian E-Commerce Export Policy with Other Countries

India has a **huge potential to increase its e-commerce exports**, which are **currently only \$2 billion**, or less than **0.5 per cent of its total exports** of \$447.46 billion in 2022-23. By 2025, the global e-commerce **exports are expected to reach \$2 trillion**, and India **can tap into this opportunity** by aiming for \$200 billion to \$250 billion by 2030.

To achieve this, **India needs to formulate an e-Commerce Export policy** that addresses the challenges faced by SME (Small and Medium enterprises) exporters.

What are the Challenges Faced by SMEs in E-Commerce Exports?

- **Shipping and Clearance Costs:**
 - SMEs have to bear **high shipping costs** for transport and custom clearance of their products, which **can reduce their profit margins** and competitiveness.
- **Payment Collection and Regularisation:**
 - SMEs **have to pay high charges to payment gateways** or aggregators for collecting sales realisation from foreign customers.
 - They also have to **submit physical documents at Authorized dealers Banks** for regularisation of their export bills, which can be cumbersome and costly.
- **Trade Barriers and Regulatory Hurdles:**
 - SMEs have to **deal with various trade barriers and regulatory hurdles** in foreign markets, such as **tariffs, quotas, standards, certifications, licenses, etc.**
 - These can **increase the time and cost** of exporting and affect the quality and quantity of products.
- **Knowledge and Financing Gap:**
 - SMEs often **lack the necessary knowledge and financing** to access and compete in international markets.
 - They may **not have adequate information** about market opportunities, customer

preferences, cultural differences, legal requirements, etc.

- They may **also face difficulties in obtaining credit, insurance, or other financial services** to support their export activities.
- **E-commerce Adoption Issues:**
 - SMEs may face various **issues related to e-commerce adoption, such as technical infrastructure, online payment security, cyber scams, customer service, etc.**
 - They may also **need to adapt their products or services** to suit the online platform and the global market.

What is the Need for Comprehensive E-commerce Policy?

- **Providing a Level Playing Field:**
 - It involves **addressing issues such as market access, [foreign direct investment](#), taxation, [consumer protection](#), [data privacy](#), [intellectual property](#), etc. to ensure fair competition and equal opportunities for domestic and foreign e-commerce players**, as well as for online and offline retailers.
- **Facilitating Negotiations at WTO and Other Regional Trade Agreements:**
 - It involves **articulating India's interests and positions on e-commerce issues**, such as **cross-border data flows**, digital trade facilitation, **digital taxation**, etc. to enable India to participate and benefit from the global rules and frameworks on e-commerce.
- **Saving the Policy Space for Future Developments and Innovations**
 - Adopting a flexible and forward-looking approach that balances the objectives of **facilitation and regulation** to allow the **e-commerce sector to evolve and innovate in response** to the changing dynamics and trends of the digital economy.
- **Promoting the Competitiveness and Inclusiveness of E-commerce Exports**
 - Providing **financial, technical, and legal support**, simplifying customs procedures, **harmonizing standards and certifications**, etc. to enable e-commerce exporters, especially SMEs, to access and compete in international markets.
- **Protecting the Data Sovereignty and Security of India**
 - Adopting a data protection law that regulates the **collection, processing, storage, transfer, disclosure**, and deletion of personal data by e-commerce entities to ensure the privacy and security of Indian citizens and businesses.

What is the Regulatory Framework for E-commerce in India?

- India does not have a specific law or regulation that exclusively governs e-commerce activities.
 - Instead, various ministries and departments of the Indian government deal with different aspects of e-commerce, such as information technology, consumer protection, foreign direct investment, taxation, competition, data privacy, intellectual property, etc.
- **[The Information Technology Act, 2000 and the Information Technology \(Intermediary Guidelines and Digital Media Ethics Code\) Rules, 2021:](#)**
 - These **provide the legal recognition and framework** for electronic transactions, electronic signatures, electronic contracts, cyber security, cybercrimes, intermediary liability, etc.
 - They also regulate the **content and conduct of digital media platforms**, including e-commerce platforms.
- **[The Consumer Protection Act, 2019 and the Consumer Protection \(E-Commerce\) Rules, 2020:](#)**
 - These aim to protect the rights and interests of consumers in e-commerce transactions, such as fair-trade practices, disclosure of information, grievance redressal, etc.
 - They also impose obligations and liabilities on e-commerce entities, such as registration, verification, refund policy, etc.
- **[The Foreign Exchange Management Act, 1999 and the Foreign Direct Investment Policy:](#)**
 - These regulate the inflow and outflow of foreign exchange and foreign investment in India.
 - They also prescribe the sector-specific guidelines and restrictions for foreign direct investment in e-commerce activities, such as inventory-based model, marketplace model, single-brand retail trading, multi-brand retail trading, etc.
- **Comparison with Other Countries:**
 - **Scope and definition of e-commerce:**
 - India does **not have a clear and uniform definition** of e-commerce, and

different laws and regulations may apply to different types of e-commerce activities, such as B2B, B2C, C2C, inventory-based, marketplace-based, etc.

- Other countries, such as the **US, the EU, China**, etc., have adopted **more comprehensive and consistent definitions** of e-commerce that cover various aspects and modes of online transactions.
- **Foreign Direct Investment:**
 - India has imposed restrictions and conditions on foreign direct investment in e-commerce activities, such as **allowing only [marketplace-based model](#)** and not inventory-based model, prohibiting exclusive deals and predatory pricing, mandating local sourcing and storage of data, etc.
 - Other countries like the United States **have more liberal and flexible policies on foreign direct investment in e-commerce activities**, allowing both inventory-based and marketplace-based models, encouraging innovation and competition, and adopting data protection and privacy laws.
- **Consumer Protection:**
 - India has recently enacted the Consumer Protection Act, 2019 and the Consumer Protection (E-Commerce) Rules, 2020 to protect the rights and interests of consumers in e-commerce transactions.
 - These laws and rules impose **various obligations and liabilities** on e-commerce entities, such as registration, verification, disclosure of **information, grievance redressal, refund policy, etc.**
 - Other countries such as China have also enacted similar laws and rules to protect consumers in e-commerce transactions.
- **Taxation of e-commerce:**
 - India has levied **[goods and services tax \(GST\)](#)** on the supply of goods and services in e-commerce transactions.
 - It has also **imposed [equalization levy](#) on the online advertising** services provided by foreign e-commerce operators to Indian customers.
 - Other countries such as the EU **have also levied various taxes on e-commerce** transactions, such as digital services tax (DST), etc.
 - However, there is no global consensus or coordination on the taxation of e-commerce transactions.

What are the Recommendations for a Comprehensive E-commerce Export Policy?

- **Developing a National Trade Ecosystem:**
 - Integrating various stakeholders, such as **RBI**, Customs, DGFT, GSTN (GST Network), India Post, couriers, e-commerce platforms, and exporters, **to provide a single window system** for e-commerce exports, with simplified documentation and customs clearance procedures.
- **Providing Financial, Technical, and Legal Support:**
 - Offering subsidies, grants, loans, insurance, training, consultancy, etc. to e-commerce exporters, especially SMEs, **to help them access and compete in international markets.**
- **Harmonizing the Standards and Certifications:**
 - Ensuring **quality and safety of products and services** by aligning the standards and certifications for e-commerce **exports with international norms and best practices.**
 - **Promote cross-border e-trade** by making it easier for them to do business with overseas buyers.
- **Streamlining the Taxation Regime:**
 - Adopting a **uniform GST rate for all types of e-commerce** transactions and providing tax incentives and exemptions for e-commerce exporters.
- **Protecting the Data Privacy and Security:**
 - Adopting a **data protection law** that regulates the collection, processing, storage, transfer, disclosure, and deletion of personal data by e-commerce entities.
 - Providing SMEs with information on how to identify and avoid scams, as well as by providing them with resources to help them recover from cyberattacks.
- **Promoting Innovation and Competition:**

- Creating incubators, accelerators, hubs, networks, etc. to **foster digital entrepreneurship** and research and development in the e-commerce sector.
- Engagement with Districts Industries Centres (DICs) to establish Export Facilitation Cells (EFCs) which will help SMEs identify products and markets that are in demand overseas.
- **Strengthening Regional and International Cooperation and Dialogue:**
 - Engaging in forums, agreements, negotiations, etc. to share best practices, exchange data, harmonize standards, resolve disputes, and build trust on e-commerce export policies.
 - The e-commerce export policy should be jointly formulated by the customs and the directorate general of foreign trade (DGFT) and the RBI after necessary changes in their regulations, including redefining the responsibilities of sellers and simplifying payment facilitation, accounts and procedures.

Drishiti Mains Question:

E-commerce exports have emerged as a potential source of growth and employment for Indian MSMEs. Discuss the challenges and opportunities of e-commerce exports and suggest measures to enhance their competitiveness and market access.

UPSC Civil Services Examination Previous Year's Question (PYQs)

Prelims:

Q. With reference to India's decision to levy an equalization tax of 6% on online advertisement services offered by non-resident entities, which of the following statements is/are correct? (2018)

1. It is introduced as a part of the Income Tax Act.
2. Non-resident entities that offer advertisement services in India can claim a tax credit in their home country under the "Double Taxation Avoidance Agreements".

Select the correct answer using the code given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

Ans: (d)