Enabling e-commerce exports from India

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Foreword

Mr. Deepak Sood

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The e-commerce industry is a significant and burgeoning component of the Indian economy, with the country being the fastest-growing e-commerce market in the world. The industry holds a universe of opportunities for businesses and consumers alike. For the former, it is a tool for expansion in different categories and across geographies. For the latter, e-commerce offers tailored shopping experiences with a diverse range of options and the best prices, accessible from the comfort of their homes.

Worldwide, countries are focused on amplifying their e-commerce exports. The global business-to-consumer (B2C) market, a significant contributor to the e-commerce industry, boasts a current valuation of US$6 trillion and is projected to scale new heights, reaching beyond US$8 trillion by 2026. At the heart of this expansion is the burgeoning sector of cross-border e-commerce, outpacing domestic trade and reshaping the contours of international markets.

In the Indian context, the domestic e-commerce market stands at US$83 billion as on FY22, which is expected to reach US$150 billion by FY26. The said growth is on account of multiple levers: growing middle class, rising internet penetration, the proliferation of smartphones, and the growing digitization of payments through UPI, to name a few. Herein, recognizing the sector's potential to bolster economic growth, innovation and inclusivity, the Indian government has set a target to achieve e-commerce exports to the tune of US$200 to US$300 billion by FY30 out of the total merchandise export target of US$1 trillion. To realize this ambitious vision, India must embark on a journey of infrastructural development and policy reform, aimed at dismantling the barriers that currently stifle exporter growth. It would also require an in-depth analysis of the infrastructural needs to cater to such export volumes, efficiency and amplification in goods processing capacity at ports, etc.

In an effort to pave a way forward for the industry, it gives me immense pleasure to put forth the present report on behalf of ASSOCHAM and in collaboration with EY. This report delves into the myriad challenges confronting the e-commerce export sector and presents a strategic roadmap for "Enabling e-commerce export from India." The insights and recommendations contained herein are not only crucial for the sector's expansion but are also integral to India's aspiration to attain the status of a developed nation by 2047, as outlined in 'Viksit Bharat@2047'.

Foreword

Mr. Bipin Sapra

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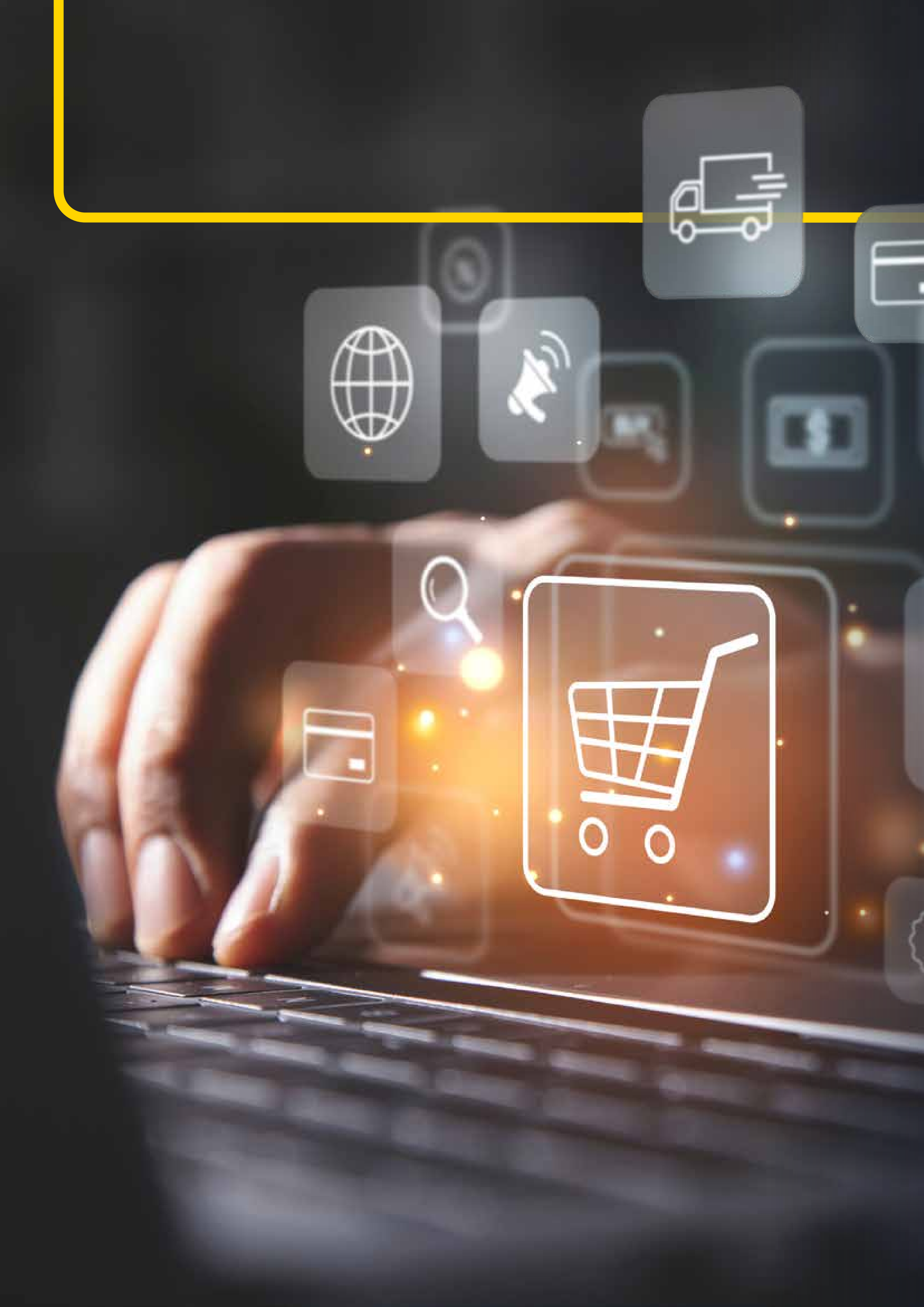
India has emerged as one of the fastest-growing e-commerce markets, with India's e-commerce sector expected to grow at a CAGR of 15.9% to reach US$150 billion by 2026. This growth is driven by rising internet and smartphone penetration, growing consumer base and significant government support. E-commerce exports from India are estimated to be between US$4 and US$5 billion, which is merely 0.9% to 1.1% of India's total merchandise exports as on FY23. As more businesses explore the e-commerce path to reach global markets, processes need to be put in place to enable a seamless and efficient exports mechanism, requiring government support to achieve the vision of US$200 to US$300 billion in e-commerce exports by 2030.

At present, the India e-commerce export ecosystem faces challenges with regulatory frameworks and overarching compliance obligations, limiting its potential, particularly in comparison to one of the major e-commerce exporters viz. China. China, at present, is the leader in global e-commerce exports, with e-commerce contributing 6.4% of its total merchandise exports. Their robust e-commerce policies such as clearly demarcated responsibilities of sellers and e-commerce operators, shorter processing times for shipping bills, robust reverse logistics mechanism, singed e-commerce memorandums, efficient customs procedures and robust payment systems has led the country to become the largest player in the e-commerce exports market.

On the other hand, India's laws and regulations with respect to e-commerce exports require various reforms and policy measures to reach exponential growth. Against this backdrop, this report aims to provide a comprehensive understanding of the measures undertaken by the Chinese Government and draws a comparison with the existing regulations in India. The said comparison would enable policymakers to gain an understanding of the areas where policy interventions are required to promote e-commerce exports. Having deeply studied the e-commerce industry and examining the best practices followed in China, the report provides 17 actionable insights, including easing customs procedure, enabling robust reconciliations and payment settlement mechanisms, and supporting an order-backed inventory model, among others.

The policy recommendations made as a part of the report can steer the country to achieve its target of reaching US$200 to US$300 billion in e-commerce exports by FY30. Additionally, on account of the anticipated export volumes, there is an urgent need to study the infrastructure requirement to facilitate such a scale of exports from India. It may include analysis of entry/ exit points, export clusters, etc.

It has been a pleasure working with ASSOCHAM in preparing this report and putting together a comprehensive analysis between China and India to arrive at the targeted policy measures for the e-commerce industry. We hope that policymakers find these recommendations timely, accurate and easy to implement, keeping in mind the ambitious goal for the e-commerce industry.



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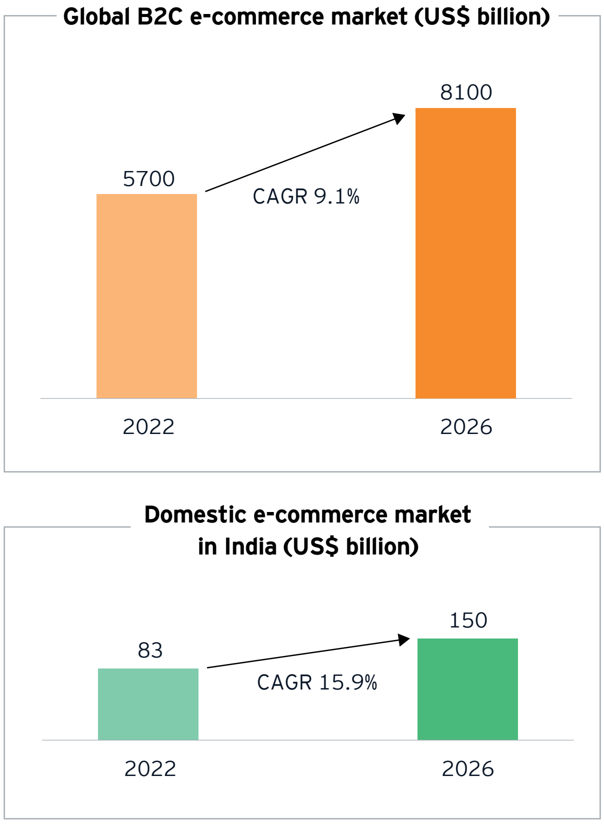
The e-commerce landscape: Booming growth and untapped potential

The e-commerce industry in India has seen rapid growth in recent years due to a number of factors, including the emergence of technology-enabled innovations such as digital payments, hyper-local logistics, analytics-driven customer engagement and digital advertisements[1]. The growth potential of the industry is immense both globally and in India as the facts below indicate.

- The global B2C e-commerce market is expected to grow from US$5.7 trillion in 2022 to US$8.1 trillion by 2026 at a CAGR of 9.1%.[2]
- On the other hand, India's B2C e-commerce market was valued at US$83 billion and is expected to reach US$150 billion by 2026 growing at a CAGR of 15.9%.[3] Assuming the same CAGR continues until 2030, the market size would become US$271 billion in 2030.
- By current market size, India's e-commerce market represents a meagre ~1.5% of the global market size and is expected to remain sub 2% for the foreseeable future.
- Although a meagre market size compared to the global market size, e-commerce exports from India presently account for an estimated US$4 to US$5 billion, and expected to increase to US$200 to US$300 billion by 2030[4].
- On a macro level, merchandise exports from India stood at US$447 billion[5] in 2022-23. With the stated goal of US$1 trillion merchandise exports by 2030[6], an additional US$550 billion per annum of merchandise exports would be required by 2030. With right policy initiatives, if we are able to achieve US$200 to US$300 billion e-commerce exports by 2030, it would help address 36 to 54% of the incremental exports target and contribute significantly to the US$1 trillion merchandise exports vision of India. Therefore, promoting e-commerce exports is the need of the hour.

Figure-1 : Business to Consumer (B2C) e-commerce trade globally vis-a-vis India



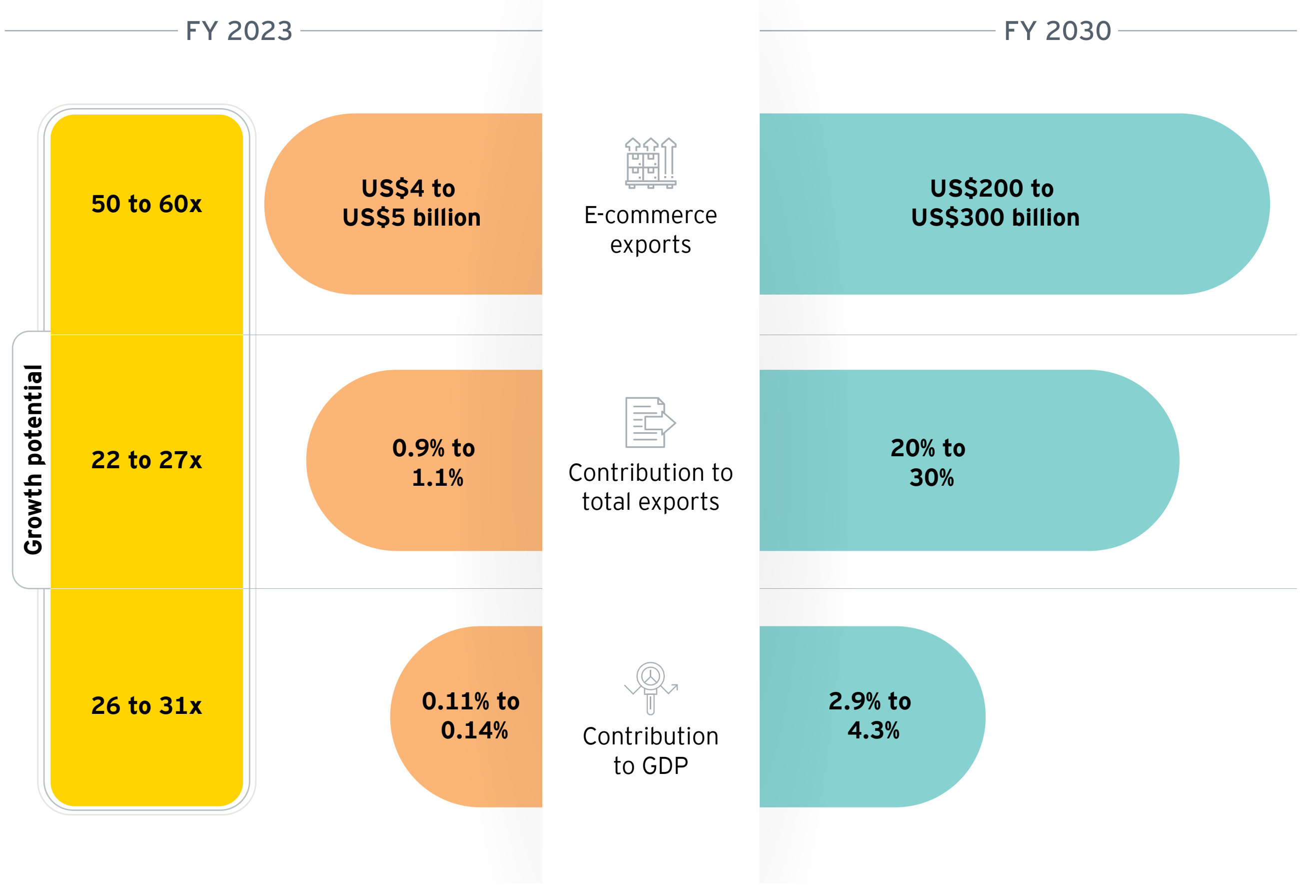
E-commerce exports from India presently account for an estimated

US$4-5 billion

E-commerce exports from India

Currently, in India, e-commerce exports for FY2023 are estimated in the range of US$4 to US$5 billion accounting for approximately 0.9% to 1.1% of India's total merchandise exports to the world.[7] With increasing demand for Indian goods, the number is expected to increase significantly to US$200 to US$300 billion by 2030[8].

Figure-2: Snapshot of e-commerce exports statistics from India[9]



> "Through e-commerce our goal is to bridge the gap and connect Indian MSMEs with global markets"
>
> - Sh. Piyush Goyal
> (Union Minister, Ministry of Commerce)

Factors driving the growth of e-commerce exports in India

E-commerce has become an integral part of business strategy and has opened gates to an international consumer base. As a starting point the Indian government published the first draft National Policy[10] on e-commerce which talked about boosting exports via e-commerce and which is still in progress.

Some of the key factors influencing the exponential growth of the e-commerce export segment in India are as follows:

01

Increase in digital buyers worldwide[11]

As of 2024, the number of digital buyers globally is at 2.71 billion increasing from 2.37 billion in 2020, a 14.3% increase

02

Make in India for the world[12]

Government initiatives like Make in India and Atmanirbhar Bharat support manufacturers, especially MSMEs. Enhanced focus on MSMEs and e-commerce growth in the country are paving the way for more domestic sellers going global

03

Rising adoption of customer centric model[13]

Presence of numerous e-commerce platforms is empowering Indian firms to improve customer experience through data-driven insights on their consumer segments

04

Increased focus on international expansion[14]

A Payoneer survey indicates 91% of Indian businesses plan international expansion, with many eyeing digital channels due to increasing digitization

05

Heritage products and global presence of Indian diaspora[15]

About 60 million individuals of Indian origin live abroad. The Indian diaspora presents itself as a significant market for sale of heritage Indian products globally

06

Continuous cycle of global festivities

Festivals occur throughout the year globally. Domestic sellers of unique and attractive Indian handicrafts and other goods have the potential to profit from such global demand

In a country comprising a labor force of over 500 million people[16] and more than 63 million MSMEs contributing to around 29% of the GDP[17] and about 43% of the exports from the country[18], e-commerce exports may foster an era of new opportunities for the people and the growth of Indian MSMEs. Since its advent the e-commerce industry has empowered over one lakh MSMEs to export goods. These businesses have collectively achieved multi-billion dollar sales on e-commerce platforms, and the industry aims to create more than a million jobs in India by 2025[19]. Hence, e-commerce exports can create a significant multiplier effect and has the potential to contribute towards the overall growth of the economy mandating the need for promoting e-commerce exports.

The e-commerce export ecosystem faces challenges with regulatory frameworks and overarching compliance obligations, limiting its potential, particularly in comparison to other major e-commerce exporters such as China. China at present is dominating the e-commerce export landscape with e-commerce exports reaching US$250 billion, accounting for 6.4% of its total merchandise exports in 2023. The robust e-commerce policies, efficient customs procedures and robust payment systems have led the country to become the largest player in the e-commerce exports market. Thus, to achieve the 2030 target set by the Indian Government, certain policy amendments would be required to compete in the global markets and provide an ease of doing business to Indian exporters.

Against this backdrop, this report aims to provide a comprehensive understanding of the measures undertaken by the Chinese Government and draw a comparison with the regulations being followed in India. The said comparison would enable policymakers to gain an understanding of the areas where requisite policy interventions are required to promote e-commerce exports.

02

Tax and regulatory landscape of e-commerce exports in China

Key takeaways

- China has reached US$250 billion worth of e-commerce exports by FY2023, reflecting a CAGR of 16.04% between 2020-2023
- China does not mandate any variance limit in the realization of export payments with no time limit prescribed by the regulator for realizing such e-commerce export receipts
- China has demarcated the responsibilities of sellers and e-commerce operators to simplify e-commerce export procedures and payment reconciliation
- Shipping bills in China are processed within a minute and US$50,000 worth of goods are allowed to be exported via the courier mode in the country, resulting in faster delivery times
- China boasts of a robust reverse logistics mechanism, which is an outcome of collaboration between the authorities and e-commerce companies
- Introduction of cross-border pilot zones has ushered a new era of growth for e-commerce exports through its policies of release from manifest, consolidated declaration system and favorable tax policies
- To provide a boost to cross-border B2C trade, separate custom supervision codes have been created, simplifying the export and payment processes
- Incentives are provided for the overall development of e-commerce ecosystem in the country in the form of warehouse support, sales-based incentives among others
- The government is proactive in marketing Chinese products on global platforms through exhibitions, collaboration with media houses and budgetary support for other marketing activities
- China is one of the few countries in the world that has initiated the signing of e-commerce memorandums to boost cross-border B2C trade with other countries

China's cross-border e-commerce (CBEC) has maintained strong growth momentum over the years through application of various benefits to market players in the form of zero-tariffs, reduced value-added and consumption taxes and streamlining of the customs procedures[20].

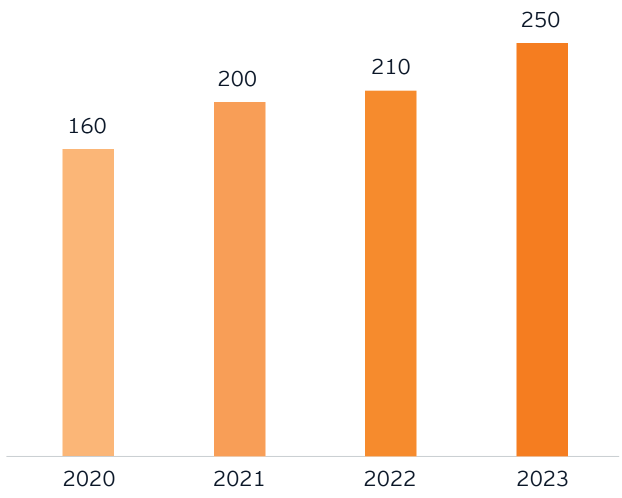
At 6.4%, China has the highest share of e-commerce exports in its total merchandise exports and is witnessing an increasing trend y-o-y[21]. The supportive policies of Chinese government, relative price competitiveness and expansion of overseas logistics capabilities are some of the key drivers of e-commerce exports from China.[22]

In China, laws related to e-commerce exports cover import and export regulations, customs clearance, and tax policies. In e-commerce exports, platforms are required to pay withholding tax on income earned by exporters.[23] Various laws governing e-commerce exports in China are hereby summarized below[24]:

- E-commerce law of the People's Republic of China[25]
- Law of the People's Republic of China on import and export commodity inspection[26]
- Foreign Trade Law of the People's Republic of China[27]
- Customs law of the People's Republic of China[28]

Figure-3: Trends in e-commerce exports from China

Gross merchandise value of B2C e-commerce exports from China (US$ billion)



At

6.4%

China had the highest share of e-commerce exports in its total merchandise exports (2023)

Responsibilities of seller and e-commerce operator

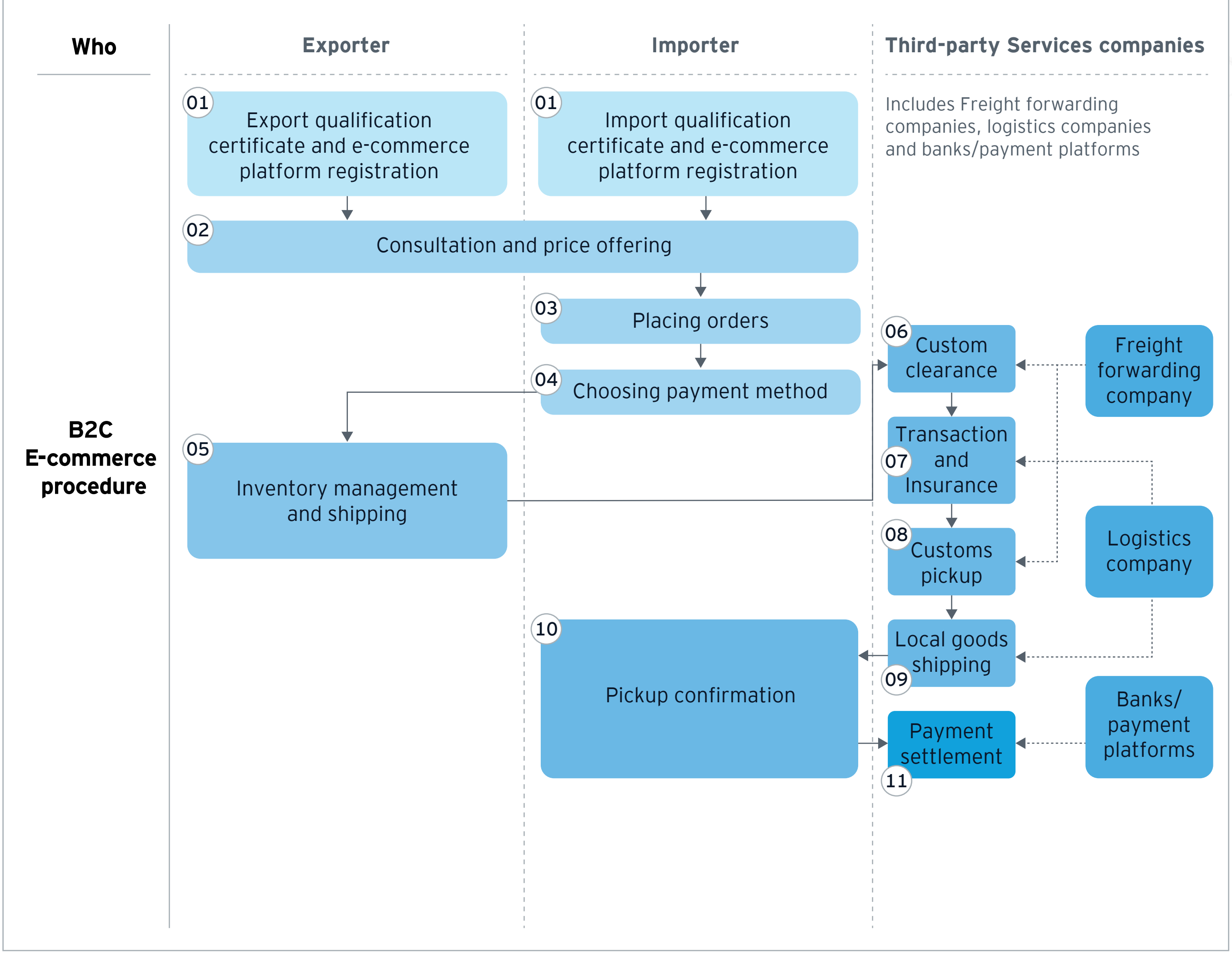
In April 2018, China notified a separate law for governing e-commerce transactions[29] to safeguard and regulate the conduct of e-commerce transactions and associated stakeholders. The law primarily defines the roles and responsibilities of 'e-commerce platform operators' and 'operators on platform' which have been defined to mean an e-commerce platform entity and the seller, respectively. E-commerce platforms have been assigned the following responsibilities in respect of transactions taking place through them:

Information distribution | **Warehousing support** | **Logistics and delivery support** | **Payment settlement** | **Custom clearance support**

Step-by-step procedure of e-commerce exports from China

An overview of the step-by-step procedure for enabling B2C e-commerce exports in China is presented below.

Figure-4: Procedure of e-commerce exports from China



For e-commerce exports, sellers must get export certification and register on an e-commerce platform. Customers order listed products and pay via third-party gateways. The product is then shipped, clears customs, and gets delivered to the importer's doorstep by logistics provider.[30] The current report focuses mainly on the customs procedures (export and re-import) and payment reconciliation process being followed by exporters in China.

Customs clearance

Customs clearance process in China for exports is depicted below[31][32][33]

Electronic customs declaration

- Online declaration of requisite customs documents such as shipping bills, invoice, trade contract
- Processing of shipping bill within a minute
- Consignment value allowed up to US$50,000

Customs station

- Audit of documents, commodity classification and valuation
- Release upon manifest and consolidated monthly declaration for export shipments in pilot zones

Export

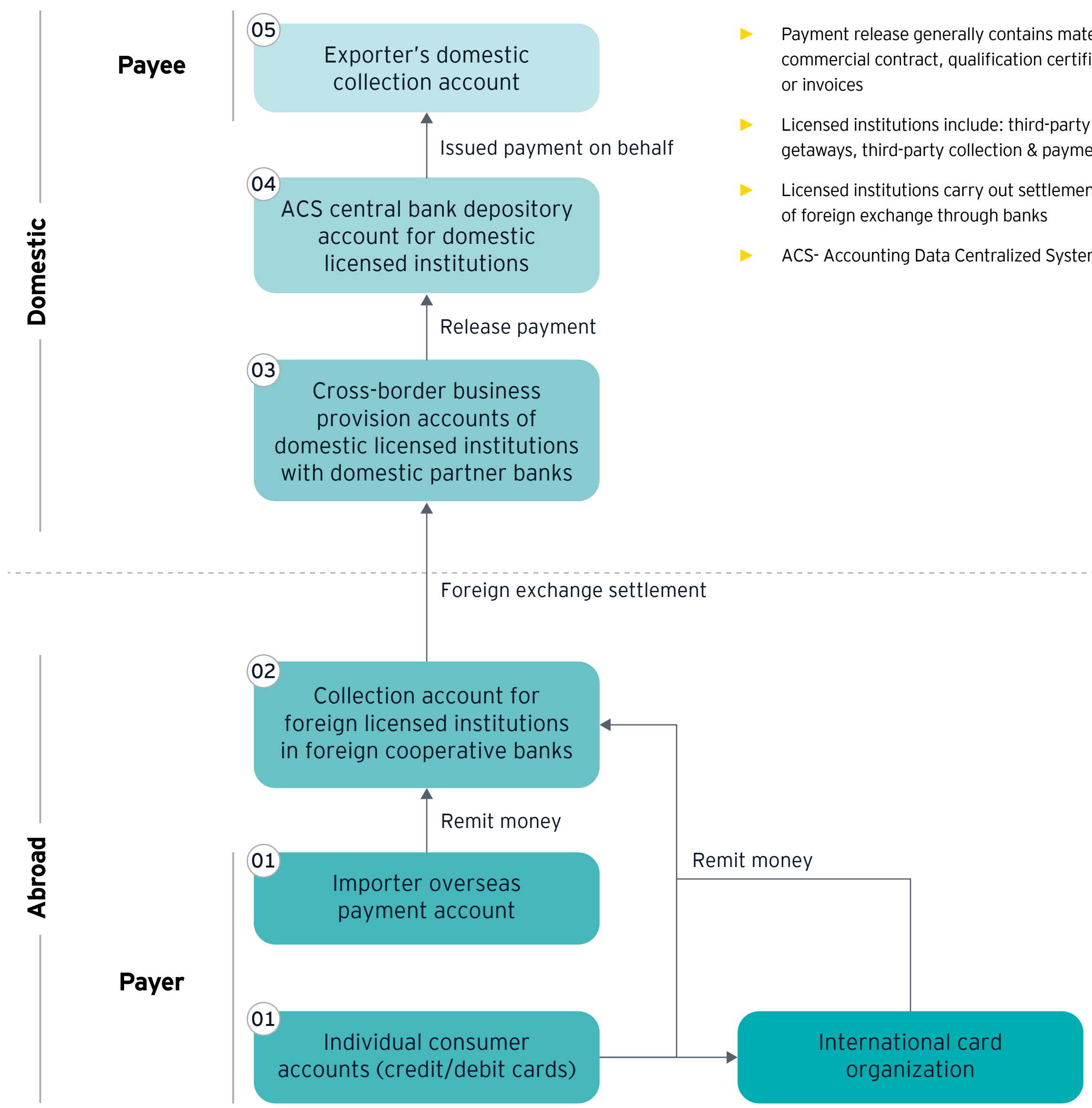
- Freight forwarder picks up the goods
- Delivery of the goods to the importer/ customer

China's e-commerce exports have a preferential zero-rate tax policy, nullifying export-related VAT or consumption taxes, with partial or full pre-export VAT payments refunded depending on the product type[34]. Certain goods, like food, pharmaceuticals, cosmetics, and electronics, must pass specific inspection and quarantine procedures for compliance with applicable standards.

Payment settlement

Payment reconciliation can take place through e-commerce platform's self-operated payment service or third-party payment platforms.

Figure-5: Payment settlement mechanism for e-commerce

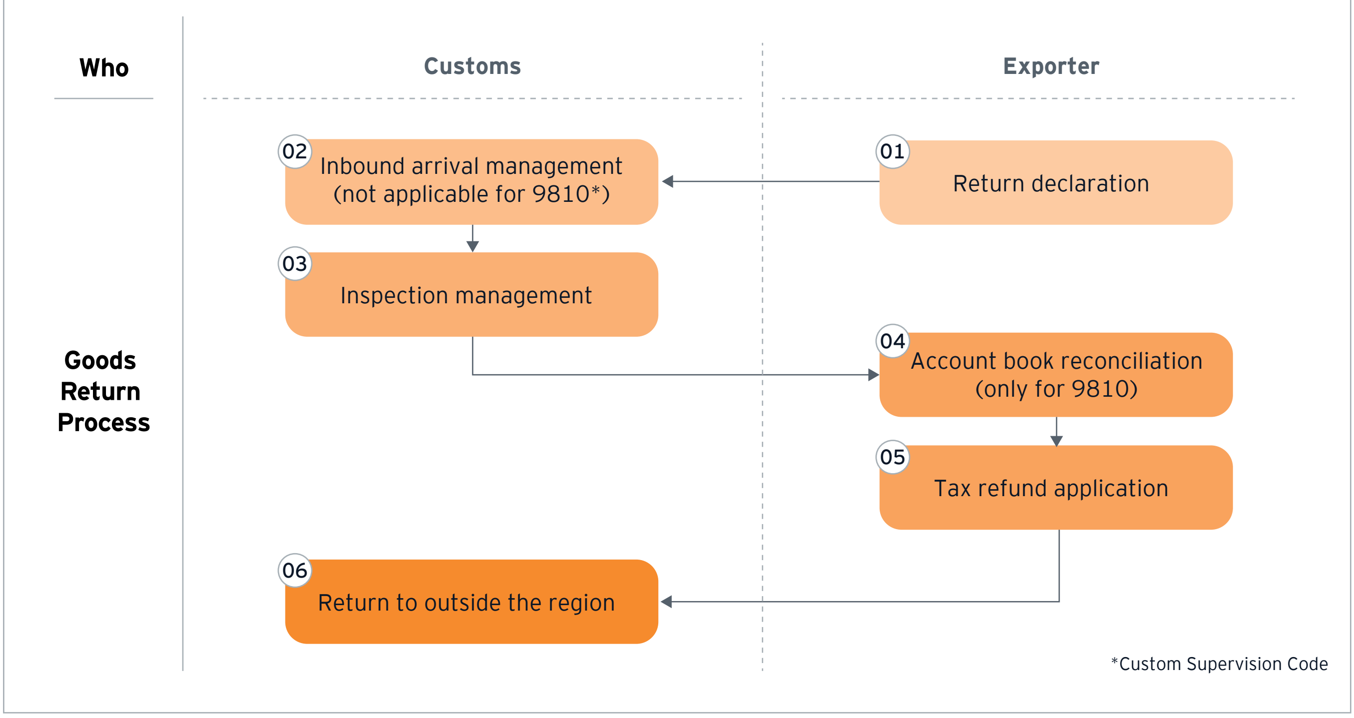


- Payment release generally contains materials such as commercial contract, qualification certificate, receipts or invoices
- Licensed institutions include: third-party payment getaways, third-party collection & payment agents
- Licensed institutions carry out settlement and purchase of foreign exchange through banks
- ACS- Accounting Data Centralized System

The reconciliation process begins when importer remits payment for purchases. The funds flow to foreign cooperative banks' collection accounts. Once transferred to China's cross-border business provision account, foreign exchange settles, and payment is released to the ACS central bank account. After the importer confirms receipt of goods, payment goes to seller's domestic collection account. There is no time limit to realize payments against exports and sellers and buyers in China bear the profit or loss in case of foreign exchange rate fluctuations. The seller reconciles payment through order center of e-commerce platform with the settlement system, and reconciliation information includes order number, transaction amount and transaction time.

Reverse logistics mechanism

Figure-6: The flowchart depicts the reverse logistics mechanism



Reverse logistics mechanism takes place when the goods are returned by the consumer. In China, the reverse logistics mechanism commences when the importer applies for return of goods. Then, the e-commerce operator is required to submit a goods return application form to customs which specifies the type of goods, quantity, and other details matching the original export list.

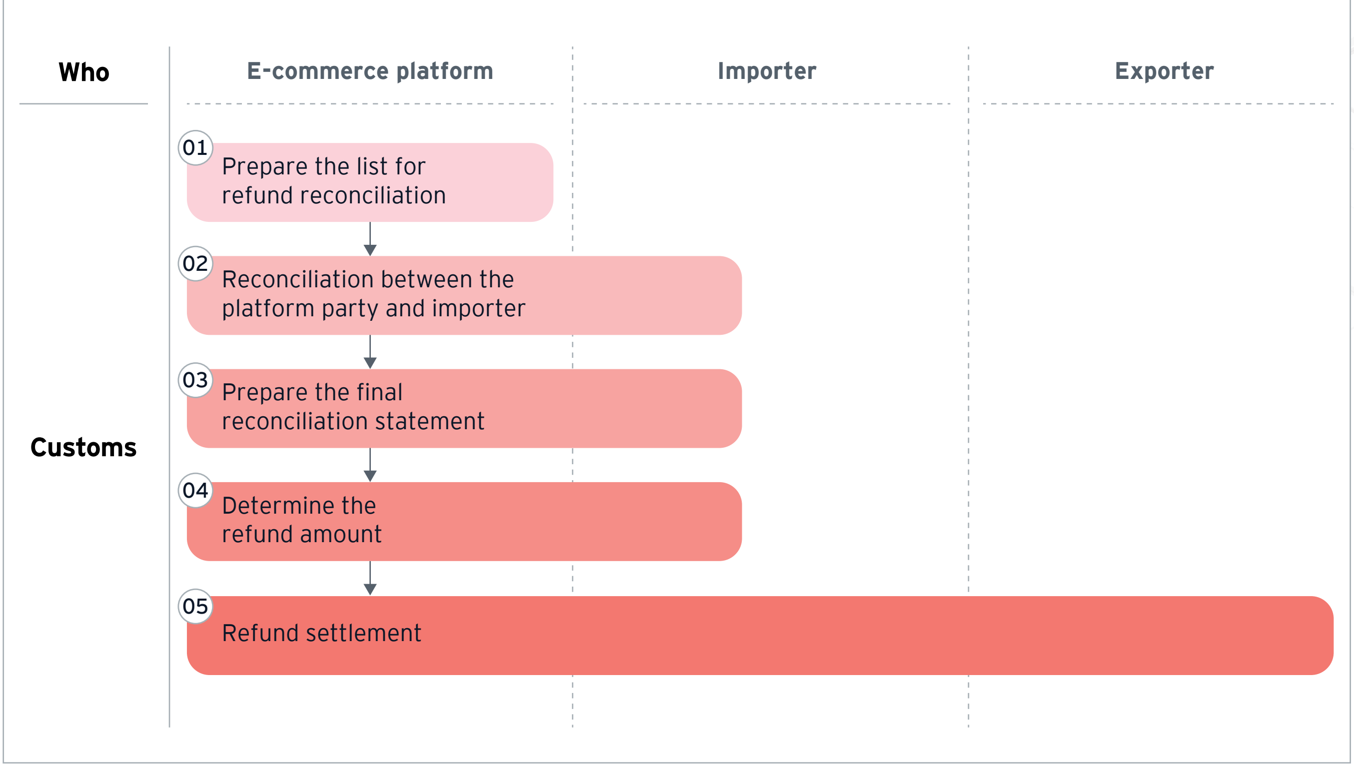
Before customs release, the inbound goods are stored in the returned goods handling area. The operator of the supervisory operation site collects the goods and notifies customs about their arrival. The goods are released when they are compliant with the customs supervision requirements i.e., whether they match the original export goods and they have been returned within one year from the date of export release. After release, the goods are shipped back to the warehouses in the special bonded area. Meanwhile, the export ledger is added back with the returned amount accordingly. **The whole process is completed within 15 days.**[35]

Process of refund reconciliation

When the goods are returned, the platform and seller match their refund list, and the final refund reconciliation statement is determined by the e-commerce platform. After reconciliation, a refund reconciliation agreement is signed to prove that both parties have completed the reconciliation following which the settlement process is completed within 24 hours in the following manner[36]:

- Direct payment: When the importer provides refund statement, refund order is debited from the seller's available balance at the time of initiation and payment is settled and returned to importer's bank account.
- Third-party platform payment: In this case, the amount of the refund order is debited from the exporter's virtual account in the third-party payment platform. The seller is then notified by the platform to pay the equivalent amount.

Figure-7: The flowchart depicts the process of refund reconciliation



Policy measures and incentives provided by the Chinese government

Over the years, the Chinese government has undertaken several initiatives to provide the much-needed policy impetus to the sector in the form of pilot zones and customs benefits among other policy initiatives that are discussed in detail below.

1 Comprehensive pilot zones

In China, an e-commerce pilot zone is a special designated economic area aimed at boosting cross border e-commerce exports by offering the benefits discussed below[37][38][39].

Customs clearance

Release upon manifest and month-end consolidated declaration reducing the clearance time from hours to minutes

Green channel

National integration of customs by allowing declaration at one port (Hangzhou) and export from another port

Warehousing facilities
allowing import of unsold goods from overseas

Delivery of goods
in two to three days upon order placement due to simplified procedures and facilities provided

Tax benefits
E-commerce enterprises operating within pilot zone enjoy income tax levy at 4% as against 25% levied on firms operating outside these pilot zones

Integration
of customs, taxation, finance and warehousing functions into an online comprehensive platform facilitating information sharing and risk management

2 Customs Supervision Codes

The Chinese government has differentiated different types of foreign trade by assigning Customs supervision codes (CSC). This coding aimed to meet the regulatory and statistical needs, speed up customs clearance, and solve the issues and challenges in export tax refunds.[40]

Exhibit-1: Customs supervision codes in China[41]

Type	E-commerce B2B export		E-commerce B2C export	
Export mode	Direct export	Overseas warehouse	Direct export	Bonded e-commerce
Code	9710	9810	9610	1210
Definition	Direct export to foreign enterprises through e-commerce platform	Export of goods to overseas warehouse through cross border logistics and delivery from overseas warehouse to overseas purchaser	Direct export to the customer after processing through customs	Storage of goods in a bonded warehouse from where export is done once they are cleared from customs
Significance	Allow SMEs to find buyers throughout the world using services of e-commerce platform	Allows cross-border e-commerce enterprises to sell goods through overseas warehouses, resulting in faster deliveries	Uploading of "three lists of information" (commodity information, logistics information, payment information) for speedy custom clearance	For goods with a high return rate (such as household goods), it is more efficient to use code 1210 instead of 9610 for customs clearance, as this saves time on logistics as the goods returned are stored back in the bonded warehouse for re-export

3 Financial subsidies

To encourage enterprises to expand markets, reduce costs and create brands through e-commerce exports, the Chinese government provides the following financial subsidies.

Exhibit-2: Financial subsidies provided by government at local level for e-commerce export enterprises (Indicative)[42]

Launch year	Geography	Benefit	Condition
2023	Tianjin free trade pilot zone	Recurring subsidy support ranging from US$690-US$41,800 (5,000 to 300,000 Renminbi; RMB) for self-built or rented overseas warehouses of enterprises	Up to US$140,000 is provided (one million RMB)
	Yantian district	Incentive for enterprise settling: US$1.39 million-US$8.35 million (10 million to 60 million RMB) to newly settled "Fortune 500" or "China Top 500" enterprise headquarters or industry-leading enterprises that meet certain revenue scale	-
		Enterprise loan funding for e-commerce exports by SME at 40% of the actual comprehensive financing costs incurred	On actual financing costs
		E-commerce export professional services (supply chain services, marketing and promotion and operations) support to firms	For firms incurring expenditure of more than US$140,000 (one million RMB)
2022	Ningbo	Subsidy of up to US$140,000 (one million RMB) for declared orders exceeding US$140,000 (one million RMB) under Custom Supervision Code (CSC) 1210 or over US$28,000 (200,000 RMB) under CSC 9610	
		Financial support for one-time construction input cost of not more than 30% of total cost for new e-commerce exports offline integrated platform	Support no more than 30% of the cost up to US$69,500 (500,000 RMB)
	Guangzhou	▶ About US$1.67 million (12 million RMB) of warehouse rental subsidies issued to enterprises conducting cross-border e-commerce business, and 50 warehouse projects covering 499,200 square meters, and about 21 enterprises were supported. ▶ Disbursement of US$770,000 (5.5 million RMB) to support optimization and upgrading of Guangzhou's e-commerce exports public service platform.	

4 Promotional measures[43]

The government also provides budgetary support to e-commerce sellers to solve overseas promotion challenges and strengthen the brand image

The Chinese government collaborates with both domestic and international media channels to promote its trade and build brand value

The Chinese government organizes e-commerce exhibitions and events each year to attract domestic and international customers, boosting investment and sales

5 Fulfillment and training[44]

Legal assistance center

Each local bar association regularly holds seminars on cross-border e-commerce compliance and risk prevention (Tripartite joint establishment of Hong Kong and Macau led by Guangzhou government agencies).

Pilot zone training center

Training centers focus on development of e-commerce exports as well as imparting knowledge on customs clearance, export tax rebates, payment collection, and settlement of foreign exchange, and other dimensions.

Customs consultation window

A comprehensive service platform for receiving business inquiries, customs clearance helps requests, complaints and reports, letters and proposals from citizens, legal persons, and other organizations.

Industry association

It serves local cross-border e-commerce enterprises, involving cross-border e-commerce platforms, trade, logistics, financial payments, third-party services, and other cross-border e-commerce industry chains in each link.

National Training Center

Provides training and support to sellers in supply chain management, new media marketing, platform operation strategy, and other aspects of knowledge related to e-commerce.

6 E-commerce memorandums

China has signed e-commerce memorandums with 15 countries[45] to promote cooperation in e-commerce, trade, and other areas. These agreements cover coordination, mutual promotion, expert lectures, and technology exchange, aiming to enhance trust, policy sharing, and the development of small and medium-sized enterprises.[46]

Basis the above information, it is evident that over the years, the Chinese government has taken several regulatory and policy steps to develop a robust e-commerce export ecosystem. Along similar lines, the succeeding chapter, deciphers the regulatory and policy practices followed in India in terms of e-commerce exports.

03

Tax and regulatory landscape of e-commerce exports in India

Key takeaways

- India has set a target of US$200-300 billion in e-commerce exports by FY2030. To get there, e-commerce exports need a massive 50-60x increase compared to today's levels. This would propel India to match China's current dominance in e-commerce exports. However, achieving this ambitious goal requires India to adopt the same key factors that fuelled China's explosive growth
- The new Foreign Trade Policy 2023 provides several benefits for e-commerce exports players in the form of Dak Niryat Kendra, extension of export benefits to e-commerce exports among others
- E-commerce exports are zero-rated supplies and are eligible for GST refund
- In India, no separate law or regulation exists for e-commerce exports
- No demarcation in the responsibilities of sellers and e-commerce operator mandating seller to participate at every stage of the complex export and payment procedures
- The exports in the country happen via two modes: courier and cargo modes with a value limit of US$12,000 (INR10 lakh) on courier exports
- Payment realization and repatriation is governed by the RBI and FEMA which mandates a 9-month period for realization and repatriation of the proceeds along with a 25% variance limit
- The EDPMS charges for payment reconciliation are as high as US$18 to US$36 (INR1,500 to INR3,000)
- Re-import of e-commerce refunds / rejects are exempted from duty only in a case where it can be proven that the re-imported goods are the same as exported which is currently a cumbersome process

Overview

When it comes to e-commerce exports, India's regulatory framework does not differentiate between traditional and e-commerce exports. Additionally, e-commerce exports are unable to realise the benefits which are currently been offered to traditional exports. However, the Foreign Trade Policy (FTP) 2023 acknowledges the significance of the e-commerce export sector with a chapter dedicated to fostering cross-border digital trade and promoting e-commerce and other emerging export channels. Besides the new FTP 2023, various laws/policies have been formulated to deal with the value chain of e-commerce in India[47] that includes:

- Foreign Trade Policy, 2023
- Goods and Services Tax Act, 2017
- Foreign Exchange & Management Act, 1999
- Courier Import and Export Regulations, 2010
- Foreign Direct Investment Rules
- The Customs Act, 1962

This chapter deciphers the process of e-commerce exports in India, the related laws, regulations, and challenges faced by the industry. It also discusses various government initiatives to incentivize and enhance e-commerce exports.

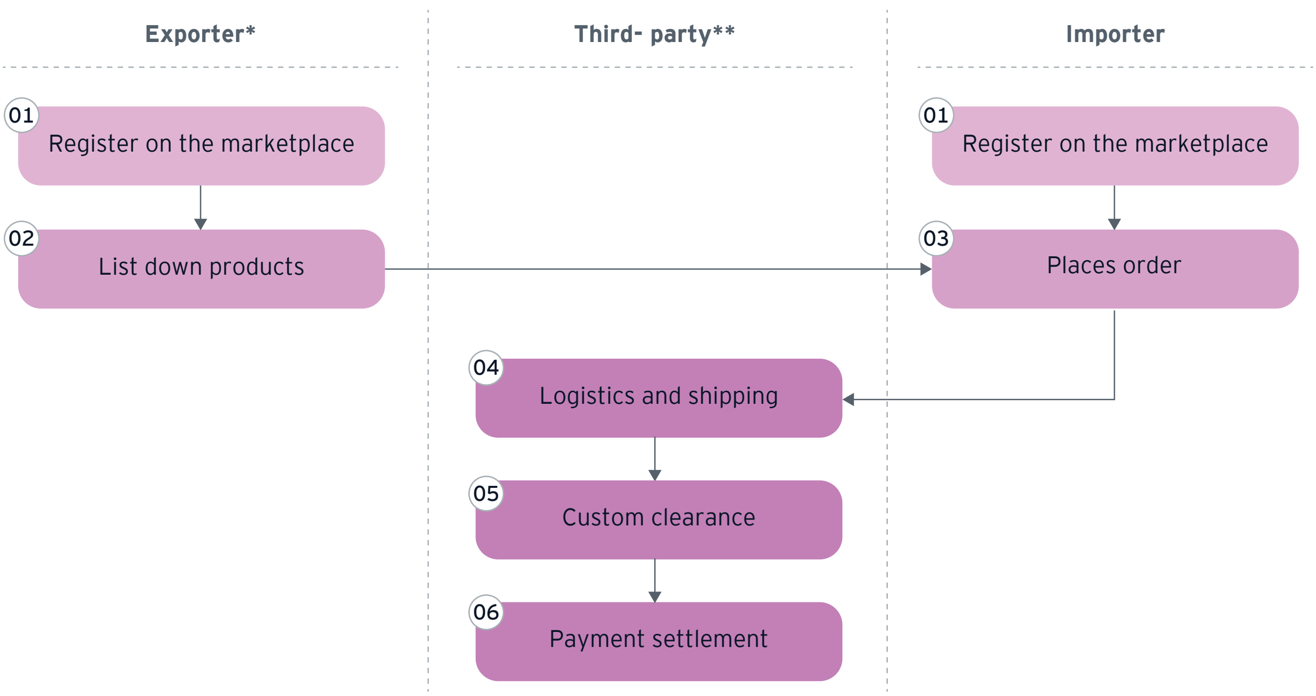
Responsibilities of the seller and e-commerce operator

The current regulatory ecosystem is inclined towards B2B exports and there is no specific law particularly for governing e-commerce transactions in India which clearly defines the roles and responsibilities of the sellers, e-commerce platforms, logistics services provider or the government.

Step-by-step procedure for e-commerce exports

Overview of the step-by-step procedure for enabling e-commerce exports.

Figure-8: Procedure of e-commerce exports from India[48]



*Exporter is the product owner
**Third party can be an e-commerce operator/payment gateway (Paypal, Payoneer etc.)

To register on the marketplace of e-commerce, the seller first needs to obtain the following documents:

- **Personal and business identity proofs** such as Aadhar card, business address proof
- **Authorized dealer (AD) code** obtained manually from the bank
- **Import-Export code (IEC)** obtained from DGFT
- **GST letter of undertaking (LUT)** from the GST portal

Once the seller registers and lists its products on the marketplace, they can receive orders against their products from both domestic and international customers.

Domestics logistics – pick up from the sellers' location

For international customers, once the order is placed the seller has the option to choose its delivery method either in the form of e-commerce fulfillment or merchant fulfillment[49].

Merchant delivery partners

private agencies assisting sellers with export logistics and customs after receiving compliance documents.

They do not offer post-delivery services like customer care or re-import for defective goods.

E-commerce platform as its delivery partner

platform assumes responsibility of logistics, compliance, and necessary clearances after obtaining details like the Courier Shipping Bill (CSB) from the seller.

It also provides customer care and re-import facilities.

Custom clearance

An exporter has an option to export the goods via two modes – courier mode and cargo mode.

Exhibit-3: Modes of transportation[50]

Particulars	Cargo	Courier (CSB V)
Documents	Multiple documents such as export value declaration, shipping letter of instruction, etc.	Airway bill and invoice
Transit time	Four to six days	One to two days
GST compliance	Compliant to avail GST Input Credit	Compliant to avail GST Input Credit
Value limit	No limit	US$12,000 (INR10 lakh)
System	Indian Customs Electronics System (ICEGATE)	Express Cargo Clearance System (ECCS)
EDPMS integration	Direct	Through ICEGATE*

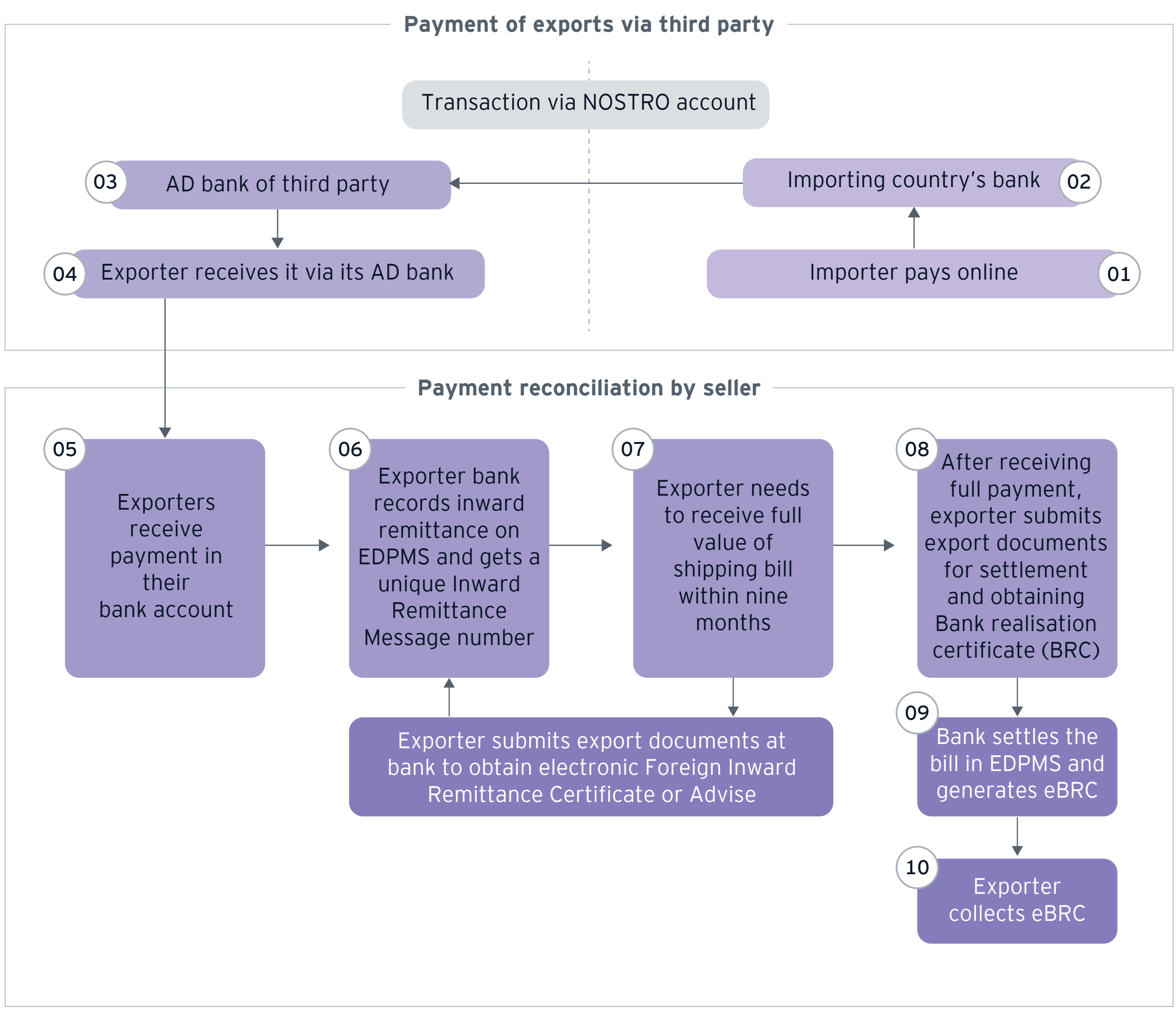
*Indian Customs Electronic Gateway

In India, the customs clearance process involves either a manual (non-Electronic Data Interchange (EDI);[51]) or the EDI process with most of the customs stations equipped with the EDI process. In the EDI process, all the declarations [52] are to be uploaded in the online system ICEGATE/ ECCS by the authorized courier as per the Courier Import and Export Regulations (2010) [53]. After uploading of the documents and subsequent passing through the risk management system, the goods are bought in to the exporting terminal for customs examination after which the let-export order is passed and shipping bill is generated [54]. In a recent development, the CBIC allowed for an advance assessment of shipping bills to reduce the dwell time [55].

Payment settlement

The ECCS portal is integrated with RBI's Export Data Processing and Monitoring System (EDPMS) / Import Data Processing and Monitoring System (IDPMS) portal where data with respect to commercial imports or exports is shared with RBI on a daily basis provided that the exporter correctly registers its AD code and bank account details on the platform[56]. Payments in case of e-commerce exports happen through the third-party payment method which is regulated by the Reserve Bank of India (RBI) and Foreign Exchange Management Act (FEMA) that stipulates rules and regulations to be followed for remittance payment reconciliation.

Figure-9: Payment mechanism for e-commerce exports with reconciliation procedure[57]



Once the importer selects the products on the e-commerce marketplace, payment is facilitated through online payment modes which is settled in the NOSTRO account[58] of the importing country's bank held by the AD bank[59] from the exporting country. The balance held in the NOSTRO collection account shall be sent to the e-commerce operator's collection account in India and then credited to the respective seller's account on receipt of confirmation of the order from the e-commerce operator and in no case later than seven days from the date of credit to the NOSTRO collection account.

The amount representing the full export value needs to be realized and repatriated to India within nine months or within such period maintained by RBI and in case when a reduction in the value of export proceeds is sought, the same has to be approved by the AD bank given that the reduction value is not more than 25% of the original value[60].

After the seller receives the remittance in his bank account, the payment reconciliation happens on Export Data Processing and Monitoring System (EDPMS) for every shipping bill[61]. It should also be noted that the bank charges for EDPMS closure and e-BRC generation are as high as US$18 to US$36 (INR1,500 to INR3,000)[62] per transaction.

Reverse logistics

Re-imports in India are regulated by the Customs Act, 1962[63], which requires payment of customs duty unless exempted. In e-commerce, defective or poor-quality goods may need to be re-imported, necessitating the e-commerce operator to file a bill of entry with relevant invoice and shipping details.

Re-import of goods is subject to fulfillment of certain conditions as laid down in the Custom Notifications number 45/2017 and 46/2017[64 65].

- Re-import takes place within one/ three years of the export, or an extended period as allowed by the relevant authorized personnel
- Amount of export benefits availed during export such as duty drawback, Integrated Goods and Services tax (IGST) exemption/ refund is paid back
- The goods are the same which were exported

Incentives and benefits available to e-commerce exports

Until 2022, there was no distinction between the export benefits available to traditional exports vis-à-vis e-commerce exports. Several export schemes were not available to e-commerce exports since these are pre-dominantly exported via the courier mode and Regulation 2(b) of the Courier Import and Export (Electronic Declaration and Processing), Regulations, 2010 specifically debars export of goods through courier mode to claim any export promotion schemes[66].

However, in December 2023, for the first time, the government announced extending the benefits of the Remission of Duties and Taxes on Export Products (RoDTEP) scheme for e-commerce exports which is to be incorporated after putting the necessary IT enablers in place[67]. Additionally, the government also published a draft e-commerce policy in 2019[68]. Other incentives and benefits available to e-commerce exports are listed below.

1 Foreign Trade Policy 2023

01

Niryat Bandhu Scheme (NBS)

Handholding and outreach programs, capacity building and skill development building to boost e-commerce exports from the country.

02

E-commerce Export Hubs (ECEH)

Through a Public Private Partnership (PPP) model, it aims to centralize facilities (storage, packaging, labelling, certification, testing etc.) and infrastructure for cross-border e-commerce activities.
(Yet to be implemented)

03

Financial assistance under Market Access Initiative (MAI) Scheme

Financial assistance for e-commerce export promotion projects for marketing, capacity building and technological services such as imaging, cataloguing, product video creation.

04

Dak Niryat Kendra

Scheme for promoting e-commerce exports through postal route to work as a hub and spoke model in collaboration with Foreign Post Offices to enhance e-commerce exports through postal route.

05

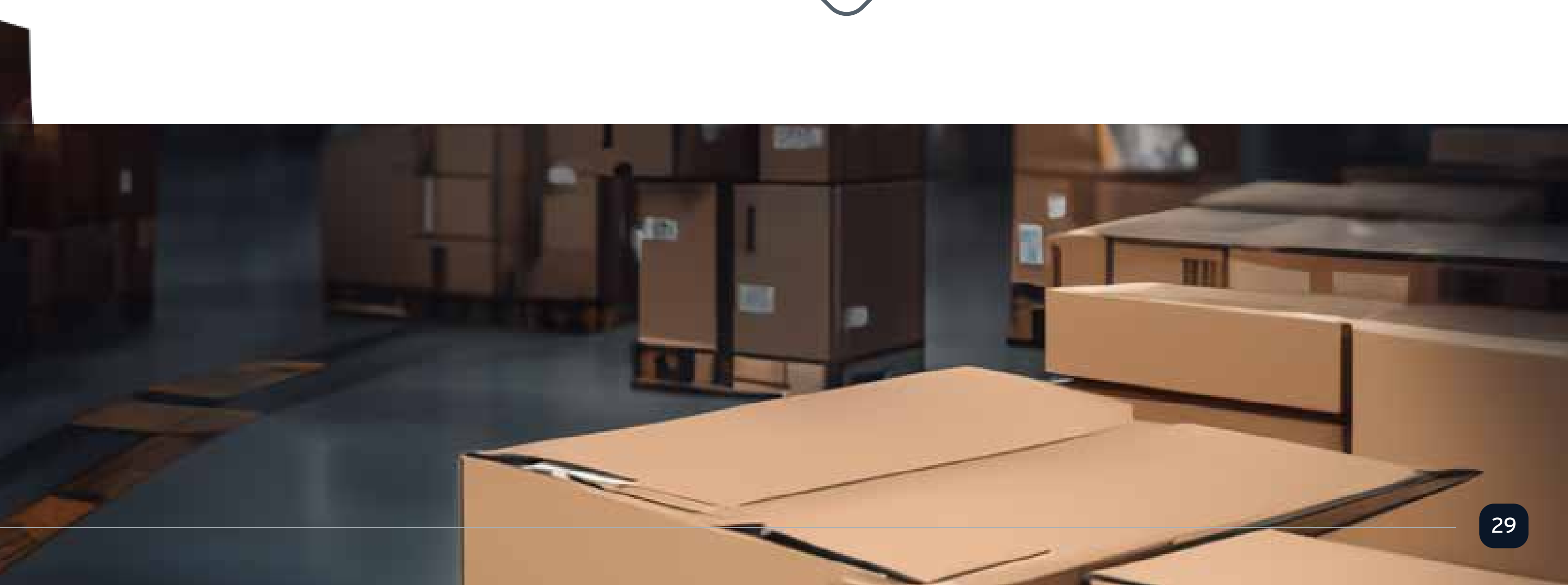
Export and packing credit[69]

Offering collateral-free, low-interest financing for both pre- and post-shipment stages to improve cash flow and aid manufacturing costs.

06

Electronic BRC[70]

Pilot of enhanced electronic bank realization certificate (e-BRC) system basis which the exporters can self-certify their eBRCs.



2 GST benefits

Export of goods is treated as a zero-rated supply under the GST law. A person making a zero-rated supply can claim a refund of tax paid on such supplies and refund of unutilized input tax credit (ITC) under Letter of Undertaking (LUT) as per the provisions of GST[71] (subject to satisfaction of certain conditions).

3 State level initiatives

The state governments across the country are actively engaging with e-commerce market players to boost exports from the state. For instance:

Collaboration between West Bengal Industrial Development Corporation (WBIDC) and FICCI[72]

An e-export Haat was organized with an aim to empower small businesses and entrepreneurs from West Bengal to expand globally. Over 200 potential exporters and MSMEs from across the state participated in the event.

Collaboration with the Government of Karnataka[73]

A Memorandum of Understanding (MoU) was signed by a leading e-commerce player with the Department of Industries and Commerce, Government of Karnataka to drive e-commerce exports by imparting training and onboarding MSMEs to enable them to sell their unique Made in India products globally.

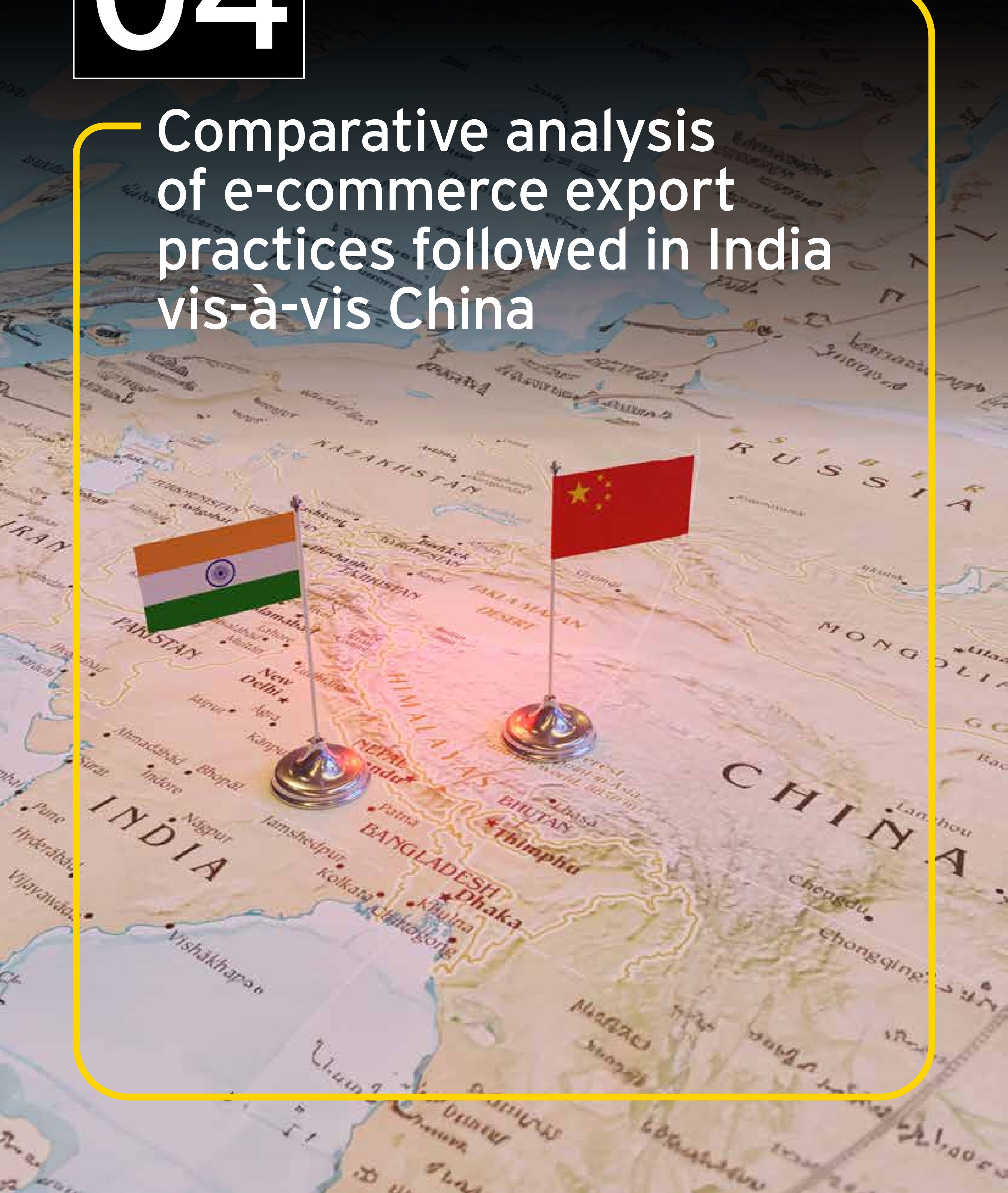
Several other states such as Telangana[74], Gujarat[75], Uttar Pradesh[76] etc., have also signed MoU's with other marketplaces to initiate capacity building of the MSMEs in their respective states and provide a boost to e-commerce exports from the country.

While there has been a growing thrust on promotion of exports from the country both by action of the regulator and the legislator, a lot needs to be done in terms of promoting e-commerce exports from India that holds a lot of potential for India to scale up its volume of international trade.

Basis the discussions in the previous chapters on the e-commerce exports practices in both India and China, the next chapter provides a comparative analysis of the e-commerce exports practices in India vis-à-vis China to identify the gaps that remain in the development of the e-commerce exports eco-system and lay the ground for building recommendations for the policymakers to take steps for the growth of this sector in the country.

04

Comparative analysis of e-commerce export practices followed in India vis-à-vis China



While the potential for e-commerce exports has been recognized in India's FTP 2023 chapter, there is further work needed in terms of customs and payment procedures. This chapter compares best practices in China with those in India, highlighting key issues faced by sellers and operators in terms of current laws and procedures.

01 Customs procedure

02 Reverse logistics procedure

03 Payment settlement

04 Development of e-commerce export ecosystem

Customs procedure

	China	India
Customs clearance	The customs clearance process starts with an online electronic customs declaration and the entire process of clearance is complete within 24 hours.	Indian customs houses use Electronic Data Interchange (EDI) system, facilitating e-declarations and processing within one to two days for air cargo and four to six days for sea cargo.
Shipment value	The consignment limit for e-commerce exports is US$50,000	Consignments are sent via courier mode with a value limit of ~US$12000 (INR10,00,000)
Comprehensive pilot zones	Cross-border e-commerce pilot zones established to expedite customs clearances through a 'green channel' and allow simplified export procedures like release-from-manifest and consolidated declaration. The government offers preferential policies, warehouse facilities, and benefits including lower income tax in these zones.	Foreign Trade Policy 2023 acknowledges the need for specialized e-commerce export hubs similar to China's pilot zones, which is yet to be implemented.
Customs supervision codes	Separate Customs supervision codes for e-commerce exports (9610 and 1210). These specific codes expedite customs clearances, aid statistical data collection, and facilitate e-commerce export policy and incentive formulation.	No separate customs supervision codes to distinguish between traditional and e-commerce exports - leading to delays during customs verification and hinders data collection for future policy interventions.
Defining responsibilities	Seller is only mandated to obtain company or product specific licenses, create marketplace account and list products. E-commerce operator takes charge of export, custom clearance and payment reconciliation.	No segregation in responsibilities of seller and e-commerce operator necessitating seller to participate intensively in the entire process of custom clearance, payment reconciliation, obtaining licenses leading to increased focus on compliances and impacting ease of doing business.

Reverse logistics procedure

- A uniform procedure is laid down for the return of goods in the case of e-commerce exports. Returned goods are handled through online China International Trade ‘Single Window’ and are exempted from import duties, import VAT, and consumption tax.
- Export duties are also refunded if paid at the time of export

- E-commerce re-imports are exempt from import duty, provided goods are the same as the original ones. This necessitates physical verification, causing delays in returning goods and payment reconciliation.
- E-commerce operators face difficulties in substantiating if the returned goods are the same as the original, leading to tax payment and impact on cash flow.

Payment realization and repatriation

In terms of payment realization and repatriation, both India and China have considerable differences in terms of the regulatory ecosystem, as shown below:

		
Timeline of payment reconciliation	No time limit for realizing payments against e-commerce exports	RBI guidelines mandate foreign exchange receipt within nine months of shipment, creating challenges for e-commerce operators, as some shipments are sold over 12 to 18 months, making the stipulated reconciliation timeframe infeasible
Variation limit on receipt of export proceeds	No variance limit on realized payment against exports. Sellers in China bear the profit or loss generated through foreign exchange	Forex received must not vary more than 25% of the value stated in the export document. Given price uncertainty due to discounting and potential returns (a prominent feature of e-commerce sales), a 25% cap is restraining
Payment Reconciliation	Reconciled once a month	Reconciliation happens for every shipping bill leading to significant burden on the e-commerce operators in terms of documents and compliance
Delayed bank processes	NA*	The paperwork submission for AD code is done manually leading to delays
Payment Reconciliation charges	Charges are 1% to 2.5% of the value. The same forms part of the service fee charged by the platform from the seller	The cost for EDPMS closure ranges from US$18 to US$36 (INR1,500 to INR3,000) which becomes cost prohibitive for small-value shipments

* No information found for delayed bank processes

Development of e-commerce export ecosystem

China	India
Financial incentive	
Offers financial subsidies and incentives to cover construction costs, support sales, and subsidize warehouses This also extends to e-commerce operators for website domain creation, international exhibitors' expenses.	E-commerce exports are eligible to claim existing export schemes, such as the RoDTEP, and packing credit and GST refunds on zero-rated supplies.
Promotional measures	
Measures taken in the form of organizing e-commerce exhibitions, formation of e-commerce associations and using media for promotion to promote its e-commerce exports.	"Niryat Bandhu Scheme" was devised for collaborating with customs and the Department of Posts. The FTP 2023 also plans to expand the Market Access Initiative for e-commerce exports, covering projects related to marketing, capacity building, and cataloguing.
Training support	
Established fulfillment and training centers to offer legal assistance, consultation, and supply chain management.	"Niryat Bandhu" scheme to mentor sellers to use e-commerce platform for exports and create electronic content to build awareness on e-commerce rules and skill development for export promotion.
Bilateral agreements	
Signed e-commerce memorandums with 15 countries to boost its e-commerce export trade, which includes knowledge and technology transfer, share best practices and strengthen logistics and promote cooperation.	India does not have any memorandums for e-commerce exports in its bilateral dealing with other countries.

Evidently, China has done a lot to promote its e-commerce exports market and has developed the entire ecosystem to become the largest e-commerce export economy in the world. India is also slowly moving towards creating an environment which will help e-commerce exports to grow, but a lot needs to be done in terms of changes streamlining the entire customs clearance procedure as well as payment settlement system. The same would require alignment of various laws and regulations by amending them to suit the requirement of an e-commerce ecosystem.

With the current chapter conveying the differences in the overall regulatory and compliance from India, the next chapter list down various recommendations that may be considered by the policymakers to foster the growth of e-commerce exports from India.

05

Recommendations for promoting e-commerce exports from India

Key takeaways

Customs procedure

- Increase the consignment limit of courier exports to US$50,000 (INR41 lakh)
- Create separate custom supervision codes for cross-border e-commerce trade to ensure speedy custom clearance, simplify payment procedures and enable data collection for policymaking
- Reduce the time for custom clearance of courier shipments by enabling certain functionalities and effective collaboration with the e-commerce marketplace for verification
- Simplify the procedure related to re-imports

Payment realization and repatriation

- Reduce the cost burden of payment reconciliation by levying it as a percentage of value of shipment or reimbursing sellers for the same
- Remove the 25% variation clause for receipt of export proceeds
- Allow more time for payment realization and repatriation by increasing the current period from 9 months to 18 months
- Define the responsibilities of sellers and e-commerce operators such that the sellers only focus on the production side while compliances related to payment reconciliation can be undertaken by the e-commerce operator
- Implement an aggregate model of reconciliation which can take place for a certain period instead of one-to-one matching

Policy intervention

- Extend all export promotion schemes to e-commerce exports
- Implement and expand the scope of E-commerce Export Hubs (ECEH) to include customs, logistical and training support
- Allow International order backed purchase and sale model
- Develop a national e-commerce export policy and focused state wise e-commerce export policy
- Incorporate e-commerce exports in bilateral agreements

India's e-commerce exports have the potential to grow manifold and be a major contributor in country's GDP. The said growth can be achieved with the correct policy measures in place. This chapter suggests amendments to laws and regulations to alleviate issues in the e-commerce export sector in the form of:

01 Customs procedure

02 Payment reconciliation

03 Policy interventions

Customs procedure

1 Increase the consignment limit to US$50,000

Current status

For exporting goods through e-commerce via courier mode, the consignment limit is currently US$12,000 (INR10 lakh; initially capped at INR25,000 per consignment by the Courier Imports and Exports Regulations, 2010). However, due to increasing e-commerce operations, this limit is now insufficient. E-commerce exports exceeding US$12,000 are mandated to follow the cargo mode, leading to longer clearance and delivery times due to increased scrutiny.

Practice in China

The consignment limit assigned for export of goods through e-commerce is US$50,000, which results into faster delivery across the globe.

Recommendation

Consignment limit of a courier export should be increased to US$50,000 (~INR41 lakh) by amending Courier Imports and Exports (Electronic Declaration and Processing) Regulations, 2010.

2 Create custom supervision codes for e-commerce exports

Current status

No separate supervision codes are prescribed for identifying goods being exported through e-commerce. This restricts data collection for e-commerce exports, limiting policy decisions for sector improvements.

Practice in China

Separate custom supervision codes 9610 and 1210 are prescribed for cross border B2C exports, which has improved the overall operational efficiency.

Recommendation

Creation of separate "Custom Supervision Codes" for e-commerce exports in conjunction with swift clearance guidelines to ensure faster consignment clearance and comprehensive data collection for regulatory purposes.

3 Reduce custom clearance time for CSB-V shipment

Current status

In India, it takes about three to four hours for custom clearance post submission of requisite details by the seller on the ECCS portal, resulting in increased transit time for shipments.

Practice in China

The process starts with an electronic customs declaration and is approved within a minute of the declaration submission, basis the CSC mentioned on the consignment.

Recommendation

Certain amendments shall be made in the CSB-V to ensure seamless clearance experience, namely:

- Current CSB-V allows seller to declare that the products are being sold through an e-commerce platform. The said selection should be made mandatory to declare in case goods are exported through e-commerce.
- Certain functionalities should also be enabled while filing CSB-V to ensure speedy customs clearances and prevent requests for ad-hoc details by the custom officials:
    - Name of marketplace, details of order ID (date and Number), payment transaction number
    - Enable uploading of certain documents, namely:
        - Invoice-cum-packing list containing product description and SKU number
        - Photos of the export item and its product package, identification number of the product

The approval period for a CSB-V shipment shall be reduced to a minute instead of the three to four hours taken presently.

4 Facilitate re-imports

Current status

Zero-duty re-imports are allowed, provided that:

- The goods are the same which were exported
- Re-import takes place within one/ three years of the export
- Amount of export benefits availed during export such as duty drawback, IGST exemption/ refund are paid back

Herein, lack of clear guidelines to identify whether the goods are the original products that were exported, customs officials misidentify re-imports as new imports, forcing e-commerce sellers to pay import duties and making export returns more costly.

Practice in China

China follows a simplified model of returns/ re-imports where the buyer files for the return of goods, which is simultaneously verified by the e-commerce operator by submitting a goods return application form to customs to match the original exports list.

Recommendation

Clear guidelines to be prescribed for classifying re-import transactions. Additionally, the burden of proof should lie with customs officials to determine if a transaction is an import or re-import. Without proof that returned goods differ from the exported items, they should be allowed to re-enter the country duty-free.

The guidelines to classify a re-import transaction should provide the following:

- Allow duty-free import of e-commerce re-import consignments up to US$600 (INR50,000) akin to the limit prescribed in baggage rules
- For consignments with value above US$600, an SOP should be formulated for recognizing returns as re-imports akin to what has been prescribed for gems and jewelry (CBIC circular number 09/2022):
    - Courier Bill of Entry for re-import is filed under the same IEC code and international courier terminal
    - While filing the courier BoE for re-import, the image of return confirmation initiated by the same consignee on e-commerce platform, along with a reason for return, should also be uploaded. This should be accompanied by verification through the e-commerce operator to match the return request with the original export list

Payment reconciliation

1 Reduce the cost burden of payment reconciliation

Current status

The bank charges for EDPMS closure and e-BRC generation in India can reach up to as high as US$18 to US$36 (INR1,500 to INR3,000) per consignment, posing a significant cost burden on small sellers.

Practice in China

The charges for payment reconciliation are levied as a percentage (typically 1%-2.5%) of transaction value.

Recommendation

EDPMS closure charges should either be waived-off/ reimbursed or levied as a percentage of the value of consignment instead of a per transaction fee. Alternatively, EDPMS closure charges can also be waived off or reimbursed by the regulatory authority to reduce the cost burden on small sellers.

2 Remove the 25% variance cap on realized payments

Current status

The RBI's Master circular requires that foreign exchange received by sellers should not vary more than 25% from the stated value. However, e-commerce exporters often face significant variation between declared and realized values due to discounts or returns and the deduction of platform fees. Regulators demand explanations for this price fluctuation, which leads to additional bank charges and compliance burden on e-commerce exporters.

Practice in China

No such cap has been prescribed w.r.t variation in the payment of exports and sellers bear any profit or loss that is generated in the e-commerce transaction.

Recommendation

The 25% variation clause to be removed for e-commerce exports and flexibility be provided to seller to decide the commercial aspects for selling through e-commerce platforms. This can be done by amending the Master Circular on Export of goods and Services to remove this 25% cap on realized payments for e-commerce exports to reduce the cost burden on small sellers.

3 Allow more time for payment realization and repatriation

Current status

RBI guidelines in India mandate that the seller receive export proceeds in convertible foreign exchange within nine months of the export shipment. However, this may not always be feasible for exports made through e-commerce platforms in certain situations, especially where shipments are sold beyond a period of nine months, and this makes it practically impossible to follow the guidelines. Failure to comply with the same results in paying back any export benefits claimed by the sellers, along with applicable interest.

Practice in China

The regulatory environment in China does not mandate a specific time for payment realization and repatriation, providing flexibility to the e-commerce operators.

Recommendation

Flexibility to be provided by either removing the said time limit or extending the same up to 18 months for exports made through e-commerce mode. This will involve relevant amendments in the 'Master Circular on Export of Goods and Services'.

4 Redefine the responsibility of the seller and e-commerce operator

Current status

Currently, the regulations surrounding e-commerce exports sector do not define the responsibilities of seller or e-commerce operator, which increases the compliance burden on sellers.

Practice in China

China's e-commerce law defines roles for the e-commerce platform and seller in e-commerce transactions. It necessitates sellers to register in the marketplace and acquire relevant licenses, largely relieving the compliance and logistics burden which is handled by the e-commerce operator.

Recommendation

To bring out the full potential of e-commerce exports, sellers should concentrate on production of the goods for export purposes and the entire responsibility of regulatory compliances and payment reconciliation should be shifted to e-commerce operators, who are much more geared up to undertake the said task. In a nutshell, the seller should only be mandated to obtain company and product licenses, create marketplace account and list products thereof while compliances related to payment reconciliation are undertaken by the e-commerce operator.

5 Implement an aggregate model of reconciliation

Current status

E-commerce exports require individual shipping bill and payment reconciliation per consignment, increasing reconciliation workload for small-value shipments. Non-compliance results in lengthy, time-consuming and costly rectification procedures for payment settlement on the EDPMS system.

Practice in China

China allows for bulk payment reconciliation that happens periodically (once a month) saving time and resources.

Recommendation

An aggregate model for the declaration of shipping goods and inward remittances for payment reconciliation at banks should be implemented, which should be done periodically – monthly/ quarterly/ annually.

Policy interventions

1 Extend export promotion schemes to e-commerce exports

Current status

The government of India vide FTP has introduced several export promotion schemes, but these are currently not applicable to e-commerce exports on account of specific exclusion in Regulation 2(b) of the Courier Import and Export (Electronic Declaration and Processing), Regulations, 2010, which debars the export of goods through courier mode where any export promotion scheme is being availed.

Moving forward, all export promotion schemes shall be made available to e-commerce exports.

Recommendation

The said provision needs to be amended within the Courier Import and Export Regulations, 2010 to allow courier exports to claim all the export promotion incentives

2 Expand the scope of e-commerce export hubs

The FTP 2023 proposes creating E-commerce Export Hubs (ECEH) across the country to boost e-commerce exports. These hubs, established via public-private partnerships, aim to provide centralized infrastructure for cross-border e-commerce activities, including storage, packaging, labeling, certification, and testing facilities, along with dedicated logistics infrastructure. The scope of such measure can be further enhanced/ maximized by making the below-mentioned changes in the entire customs clearance procedure:

Customs support

The export hubs must have a custom official stationed to clear the shipments for exports with no further clearance required anywhere else in the country. The customs setup can also ensure that the goods exported can also be received at the hub without being treated as a re-import for the purpose of any import duty.

Logistical support

ECEHs should be developed in or near air cargo terminals for cost-effective, timely deliveries. Government incentives for public-private partnerships can optimize ECEHs' benefits

Training support

Integrated training centres within ECEH to provide
- Export-related information and requirements to enable sellers to become e-commerce exporters
- Training and awareness to increase seller's knowledge about e-commerce exports

3 Allow International order backed purchase and sale model

Current status

As per Press Note 2 (2018 series) by DPIIT, MoC, the current FDI norms in India provides that a FDI funded e-commerce entity cannot sell its products on the marketplace it runs for Indian customers. However, there is no clarification on whether an FDI funded e-commerce entity can hold inventory for sale in international marketplaces run by the parent or related entity for customers in overseas markets.

Practice in China

"International order backed purchase and sale model of exports" is allowed which enables the sellers to collaborate with e-commerce marketplaces to export goods even if sellers aren't registered exporters.

Recommendation

Introduce a clarification vide insertion of a new paragraph in FDI policy to allow for FDI funded e-commerce entities to hold inventory for sale in international marketplaces run by parent or related entity for customers in overseas market. For example, if an e-commerce operator has Indian MSMEs listed on its domestic marketplace, it would enable e-commerce sale in India. However, if the e-commerce operator has a global reach, it could list the products of its Indian MSMEs in international marketplaces. In the case of MSMEs who are not registered as exporters receiving orders from international customers, the e-commerce operator's domestic entity could purchase the goods from a domestic seller on the back of an international order and export it to international customers.

This model would enable a great number of MSMEs to successfully export globally and test the demand for their goods before becoming full-fledged exporters. The same will increase the e-commerce exports from India, thereby moving towards the vision of US$200 to US$300 billion e-commerce exports by 2030.

4 Introduce a regulatory sandbox approach for e-commerce exports

A "regulatory sandbox" is a safe space where FinTech companies and startups can test innovative products, services, and business models in a controlled environment under the supervision of regulatory authorities. This allows for the development of new ideas while ensuring compliance with laws and regulations. This initiative helps foster innovation, supports economic growth, and ensures regulatory compliance.

Recommendation

- Establish a dedicated regulatory sandbox program for e-commerce exports, providing a controlled environment for businesses to test new products, services, and business models.
- Nominate a regulatory body to oversee the program, set guardrails, and monitor progress.
- Encourage open communication between the government, regulatory authorities, and the e-commerce industry to address challenges and opportunities.
- Regularly review and update the program to ensure it remains relevant and effective in promoting innovation and growth innovation and growth
- Encourage collaboration between industry players, regulatory authorities, and research institutions to share knowledge, best practices and insights.
- Implement a phased approach, allowing businesses to gradually scale up their operations as they demonstrate compliance with regulations.
- Provide support and resources for participating businesses, such as workshops, mentoring, and networking opportunities.

By implementing a regulatory sandbox approach in e-commerce exports, a thriving ecosystem can be created that supports businesses, fosters innovation, and contributes to achieving the e-commerce export target of US$200 to US$300 million.

5 Provide fiscal incentives for exports, and cheaper financing via priority sector lending

To enhance the global competitiveness of the exporters and offset the cost disabilities, the government of India should introduce a special credit package with fiscal incentives for the e-commerce export sector.
Moreover, access to cheaper finance should also be enabled by including e-commerce exports under the priority sector lending category of the Reserve Bank of India (RBI).

6 Develop focused state wise e-commerce export policies

Currently, states lack export-focused policies for the e-commerce market. A national e-commerce export policy could promote state-level approaches, boosting exports through e-commerce. With the objectives and vision laid down in the National e-commerce export policy, it is recommended that states also come up with a policy that can focus on the following:

- **Identify the districts**

E-Commerce Export Hub (ECEH) is to be developed for the growth of e-commerce exports. The states should:

01 Identify districts for creation of ECEH

02 Undertake PPP model to develop infrastructure

03 Provide incentives such as subsidized land and subvention support

- **Identify the products**

In line with the districts as exports hub program and One District One Product (ODOP) scheme, the states should:

01 Identify products to create manufacturing clusters

02 Provide financial support such as capex incentive, SGST reimbursement for these clusters

03 Additional support in terms of utility, licensing, packaging etc., along with reimbursements

The above measures should not only be a stepping-stone towards the development of the eco-system for the growth the e-commerce exports but will also generate huge employment opportunities.

7 Grant Authorized Economic Operator T3 (AEO) status to e-commerce export marketplaces

Current status

AEO status is an internationally recognized quality mark that indicates the secure role of businesses in international supply chain through efficient custom procedures and compliance with laws. AEO-T3 status grants the following benefits to the businesses:

- Accessibility to client relation manager
- Waiver of seal verification
- Priority on scanning/assessment
- Direct port delivery/Direct port entry benefits
- Email on arrival/ departure
- On request assistance 24/7 at all seaports and airports
- Expedited investigation-dispute resolution
- No requirement of bank guarantee
- On-site post clearance audits every three years
- Reliance on self-certified documents
- Refund/rebate in 30 days
- Scanning only on intelligence
- Deferred duty payment
- Mutual recognition in other countries

India also allows businesses involved in the international supply chain to access the AEO status. However, the status is currently not accorded to e-commerce marketplaces and the sellers affiliated to them.

Practice in China

Till date, China has developed over 165 comprehensive e-commerce pilot zones spread across regions providing the much-needed impetus to cross-border e-commerce in the country. Within these pilot zones, e-commerce exporters can avail faster and simplified custom processes, green channel which allows declaration at any port through a nationally integrated system and simultaneous export from any other pilot zone, warehousing facilities and tax benefits etc. similar to the benefits envisaged by the AEO programme.

Recommendation

World Customs Organization (WCO) has recognized the contribution of e-commerce in cross-border trade and has also advocated for expanding the AEO framework to e-commerce stakeholders[78].

Given the host of privileges available to AEOs and to boost the exports through e-commerce, government should consider providing AEO-T3 status to e-commerce marketplaces in India. To further enhance the ease of doing business and promote onboarding of more and more e-commerce exporters, Initially, the AEO-T3 benefits may be extended to only those marketplaces and sellers which will operate through E-commerce Export Hubs (ECEH), as and when ECEHs become operational. Based on the objective outcomes, the AEO-T3 benefit can be expanded to cover all e-commerce exporters gradually.

8 Incorporate e-commerce exports in bilateral agreements

Current status
Currently, India does not include provisions related to e-commerce exports in its bilateral dealings with other countries.

Practice in China
Chinese government has signed several e-commerce memorandums with 15 countries such as Thailand, Singapore, Italy, Argentina, etc., to enhance cooperation and coordination for boosting of cross border e-commerce trade and also lead to the inclusion of emerging technology within the supply chain for enhanced efficiency.

Recommendation
Moving forward, the government should endeavor to include cross-border e-commerce trade as a separate provision in all bilateral dealings with other countries to boost India's e-commerce exports.

Further, the government should allocate a certain budget for organizing trade fairs abroad, initiate periodic marketing campaigns for Indian products and collaborate with media houses to market Indian sellers and heritage products.

Thus, these measures, if undertaken in a time-bound manner, may allow India to grab the opportunity of becoming a US$7 trillion economy and make India a true global hub of exports both in the B2B and B2C space. It may also allow its 1.4 billion people, millions of MSMEs, and its status as a technologically advancing country to showcase its talent to the world and restore its old glory of being a country of artisans and specialized products such as textiles, handlooms, etc., in the world and achieve the vision that has been set for 2030 i.e., achieving the e-commerce export target of US$200 to US$300 million.

Methodology

This report has been prepared by conducting extensive secondary research to sync the industry view with that of the knowledge available in the public domain. Additionally, to understand the practices followed in China, the EY counterpart office in China was onboarded to deliver research and insights.

The market share of e-commerce exports out of the total merchandise exports of India has been estimated basis EY's internal analysis through collation of secondary data on e-commerce exports of certain global economies. These comparable global countries were selected based on the following factors:

- Countries with comparable merchandise export value when compared to India
- Major BRICS Countries
- Countries within the Indo-Pacific region
- Countries belonging to the Lower Middle Income (LMI) segment
- Other Asian countries
- Other countries where data was available

Data for e-commerce exports for the selected countries for three financial years (2020, 2021 and 2022) were collated from different sources, including the UNCTAD report and country-wise announcements. In cases wherein data was not available for any of the financial year, the e-commerce export percentage of the total merchandise export has been assumed to be constant. Country wise average was calculated to arrive at a percentage of e-commerce exports out of total merchandise exports. Thereafter, the countries were segregated into two sub-groups based on the e-commerce export value falling on the lower or the higher end to estimate the minimum and maximum value. Post calculations, the range was estimated to be 0.9% to 1.1%.

For estimating the size of e-commerce exports from India, the above range was assumed to be applicable as a proportion of merchandise exports. For the forecast of 2030, secondary data from the PIB and other country reports was used to estimate contribution of e-commerce exports to the GDP of the country assuming India achieves US$200 to US$300 billion e-commerce export target and US$1 trillion merchandise exports target by 2030 at US$7 trillion GDP.

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