

Before the
United States International Trade Commission
Washington, D.C.

In re:

Global Digital Trade I:
Market Opportunities and
Key Foreign Trade Restrictions

Investigation no. 332-561

ETSY
STATEMENT

Chairman, Vice-Chairman, and fellow Commissioners, thank you for holding today's public hearing. My name is Julie Stitzel and I am the Senior Manager for Federal Advocacy and Policy at Etsy.

Etsy is a global creative commerce platform with more than 1000 employees and ten offices located in eight countries throughout the world. We build markets, services and economic opportunity for creative entrepreneurs. Within our markets, millions of people around the world connect, both online and offline, to make, sell and buy unique goods. We also offer a wide range of Seller Services and tools that help creative entrepreneurs start, manage and scale their businesses. Our mission is to reimagine commerce in ways that build a more fulfilling and lasting world, and we're committed to using the power of business to strengthen communities and empower people.

As of December 2016, Etsy has 1.7 million active sellers present in almost every country around the world – selling everything from food to furniture. We have 28.6 million active buyers worldwide, and in 2016 Etsy sellers generated \$2.84 billion in gross merchandise sales.

The internet has made it easier for anyone to start and grow a business, and Etsy sellers typify this new face of digitally-enabled entrepreneurship. In the US, 87% of Etsy sellers identify as women, and most operate their businesses on their own out of their home, using the Etsy platform to reach consumers around the world. Etsy sellers have started and grown their business in 99.9% of all US counties. While 32% operate their creative business as their sole occupation, for the rest it's an important source of supplemental income.¹

The creative entrepreneurs who sell on Etsy may not be the businesses one imagines when considering the exporters who could benefit from global trade agreements, yet as of December 31, 2016, 30.4% of gross merchandise sales on Etsy involve a buyer or a seller outside the United States. Etsy sellers are able to start selling goods internationally from the moment they open their shops. Unfortunately, existing trade laws have not kept up with the growth of global ecommerce and the opportunities it provides to microbusinesses.

¹ "Crafting the future of work: the big impact of microbusinesses", 2017.
https://extfiles.etsy.com/advocacy/Etsy_US_2017_SellerCensus.pdf

For three days last week, I had the pleasure of spending time with 21 Etsy sellers from across the country who traveled to DC to discuss ways to strengthen microbusinesses in the United States, and two themes arose when we spoke about trade.

1. The need for a universal de minimis customs, duties and tax exemption
2. The need for open customs and duties data

Most independent, creative businesses lack the infrastructure and information to navigate complicated international trade rules. Etsy's research shows that our sellers spend roughly 50% of their time making and the other 50% of their time on business administration. Time is an Etsy seller's greatest resource and when she has to spend it figuring out how to ship a product internationally, it often becomes cost prohibitive. Customs and duties vary by country, and credible information about each country's requirements can be difficult to find. Packages are often delayed in customs or subject to unforeseen import taxes that the buyer must pay before receiving their package. Package tracking often stops at the border, creating unnecessary friction in international transactions. In the face of these challenges, buyers may reverse transactions or request refunds, the cost of which the seller often bears.

An Etsy seller from Washington State noted losing at least \$5,000 since starting her business due to her product being stuck in customs. In one instance, it took four months for her customer to receive her product. This type of experience is bad for business and disincentivizes Etsy sellers from exporting their goods. Negotiating a universal low-value customs, duties, and tax exemption that covers most peer-to-peer transactions would eliminate the biggest barrier that internet-enabled entrepreneurs face.

Customs and duties vary by country, and credible information about each country's requirements and restrictions can be difficult to find. Whereas a traditional small business might expand incrementally, digital platforms like Etsy allow a small business to offer her products worldwide from the moment she opens her shop. For an Etsy seller, the challenges arise not in breaking into a new market, but in figuring out what rules apply to a particular product in a particular country *after* the purchase has been made, when there is considerable pressure to ship a good quickly. These sellers scour the internet for credible information, occasionally canceling a transaction where information is unavailable, or simply shipping the good and hoping for the best.

For example, an Etsy seller from Virginia fulfilled an order for a woman in Cyprus who bought a mourning wreath and flower arrangements to be used at her son's funeral. She meticulously packed her merchandise after carefully reviewing what information she could find about shipping to Cyprus and crossed her fingers that the package would make it in time for the service. While many trade agreements include provisions to make this information publicly available, there is an opportunity to bring this requirement into the 21st century by requiring governments to make relevant information available in a common format through an open API, which third-party developers could use to create user-friendly tools for their customers.

Finally, intermediary liability is the bedrock principle that allows online marketplaces like Etsy to provide opportunities to microbusinesses around the world, and should be the cornerstone of any digital trade agenda.

In the US, Section 230 of the Communications Decency Act (CDA 230) protects intermediaries from liability for the actions of their users. This key principle of intermediary immunity (also called “safe harbor”) from liability has helped Etsy grow and evolve over the last 11 years, enabling 1.7 million active sellers to open an online shop and pursue their passion. Online marketplaces must create a safe and trusted environment for transactions to occur, but should not incur the same legal responsibilities and liabilities as those who use their platforms. Including intermediary liability provisions in trade agreements would allow startups to build new global platforms without creating undue risk, and enable these platforms to provide opportunities to microbusinesses around the world.

Thanks to the power of the internet and an increasingly global economy, would-be entrepreneurs can start a business and reach a global market of consumers for the price of an internet connection. We thank the Commission for the opportunity to appear today and for investigating ways to enhance opportunities to promote entrepreneurship by reducing trade barriers microbusinesses face when operating at a global scale. I am happy to answer any questions.