

“The Dynamic Gains from Free Digital Trade for the U.S. Economy”

Testimony before the Joint Economic Committee of the United States Congress

Nick Quade

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Chairman Tiberi, Vice Chairman Lee, Ranking Member Heinrich and Members of the Committee –

Thank you for holding this important hearing and for inviting me here to participate. My name is Nick Quade, and I am the general manager of the ecommerce division of Relay Networks Inc. Relay Networks provides domestic and international customers with access to functional & affordable indoor/outdoor wireless networking equipment.

We have leverage relationships with major universities, school districts, and industry leaders to source and sell our products when their IT equipment comes out of service. By refurbishing this equipment, we are extending the life of these items that would otherwise end up as e-waste which could end up in a landfill.

Our business is expanding quickly and demand, especially internationally is currently outpacing supply. In this volatile retail environment, small businesses like us must have an ecommerce presence to survive and compete. I have worked in the ecommerce field for nearly 10 years now and know that ecommerce is the future of commerce. Our product reaches the entire globe through the platforms of eBay and Amazon. These platforms further expand the multi-billion dollar networking business to a customer base that even 5 years ago wasn't possible. Twenty percent of our sales are exports to customers in over 50 countries from Switzerland to Australia. The education field internationally is one of the largest in terms of demand.

Relay Networks is an example of the many thousands of small American businesses that are benefiting from and growing on top of the global digital economy. We are using digital tools to reach customers that were previously inaccessible for a business of our size. In a March 2006 McKinsey Global study found almost 22% of global international trade can be directed to the digital economy in 2015 and will increase a further \$2 trillion in global GDP by 2020. I believe that much of that economic benefit is being realized by small businesses that are in turn creating jobs in their local communities.

Unfortunately, there are critical barriers to further driving this growth and governments are slow to catch up with an industry that has grown 45-fold from 2005 to 2014. While the US has withdrawn from the Trans-Pacific Partnership agreement, the digital trade provisions that sought to remove barriers to digital trade were positive for my business.

But the TPP fell short in one critical way – it did not compel countries to increase their customs *de minimis* thresholds, which are country-by-country thresholds below which my international buyers can import items duty and tax free. Congress took the right step to increase the US *de minimis* threshold to \$800 in the Trade Facilitation and Trade Enforcement Act. But now we need to encourage our trading partners to do the same.

The 2016 Customs bill included a Sense of the Congress that our government “should encourage other countries through bilateral, regional, and multilateral fora to establish commercially meaningful *de minimis* values for express and postal shipments that are exempt from customs duties and taxes and from certain entry documentation requirements.” Now that we are post-TPP, we should look to use trade policy making to both advance the positive digital trade provisions that were in the TPP as well as the Sense of the Congress that was included in the Customs Reauthorization bill. The current NAFTA negotiation is the perfect place to start here.

Our neighbors to the north in Canada have a \$20 CAD *de minimis* threshold, which means that Canadian Customs officials can intercept, open, delay, and assign levies to my sales. Needless to say, this does not promote a good buyer experience and compromises my relationships with my buyer. Furthermore, Canada’s threshold was set in 1985 when I was 3 years old. And according to Neil MacDonald of the CBC News, “Ottawa spends about \$166 million to collect \$39 million in additional taxes and duties.” On the Canadian side, this policy amounts to a protectionist move that puts everyday consumers at a disadvantage. And on the US side, this is a trade barrier that hurts small businesses the most.

The demand for electronics and networking equipment no longer needed in our market is in high demand overseas. We need to bring these dollars back into the US as fast as possible to maximize value. While 20% of my sales today are to international customers, I know my sales would grow if digital trade barriers – like low foreign *de minimis* thresholds -were taken down. Just recently deals were lost because of the fees involved. This included at resort in Canada that wanted to upgrade their network, several schools in Latin America, and a teacher in the UK that wanted to buy a laptop to replace her broken one but with a near 25% increase the cost; she could not afford the unit.

Thank you for the opportunity to share my views with the Committee. I look forward to answering your questions

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