

# Free trade and e-commerce: is there any influence on each other?

## Liberul schimb și comerțul electronic: există o influență reciprocă?

**Miriyeva NARMIN\***

PhD Candidate, University of Szeged  
Faculty of Law and Political Sciences

### Abstract

*Nowadays the features of international trade are significantly modifying. The possibility to buy goods over the internet is a pattern of a development that has fundamentally transformed the prospects and conditions of cross-border trade – both internationally and within the EU internal market. The internal market of the EU helps us to transact goods and services freely. As EU people, we can fly, live, work and research wherever we wish. People are able to move freely and the same is true of capital movement. Freedom of movement is within the internal market<sup>1</sup>.*

*This paper provides a broad overview of what free trade is and its role in WTO, its advantages and disadvantages, some interactions with e-commerce, especially the impact of e-commerce on the logistics.*

**Keywords:** free trade; WTO; advantages and disadvantages of free trade; logistics.

### Rezumat

*În prezent, caracteristicile comerțului internațional se modifică semnificativ. Posibilitatea de a cumpăra bunuri pe internet este un pattern de dezvoltare care a transformat fundamental perspectivele și condițiile comerțului transfrontalier – atât la nivel internațional, cât și în cadrul pieței interne a UE. Piața internă a UE ne permite să tranzacționăm liber bunuri și servicii. În calitate de cetățeni ai UE, putem zbura, trăi, lucra și cerceta oriunde ne dorim. Atât persoanele pot circula liber, dar același lucru este valabil și pentru capitaluri. Libertatea de circulație are loc în cadrul pieței interne.*

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\* mir-nermin@hotmail.com.

<sup>1</sup> National Board of Trade, *Survey of e-commerce barriers within the EU: 20 examples of trade barriers in the digital internal market*, Kommercekollegium, 2011, p. 1, <https://docplayer.net/16069399-Survey-of-e-commerce-barriers-within-the-eu.html>.

*Această lucrare oferă o imagine de ansamblu a ceea ce este liberul schimb și rolul său în cadrul OMC, cu referire la avantajele și dezavantajele sale, unele din interacțiunile cu comerțul electronic și, în special, impactul comerțului electronic asupra logisticii.*

**Cuvinte-cheie:** liber schimb, OMC, avantaje și dezavantaje ale liberului schimb, logistică.

## 1. DEFINITION OF FREE TRADE, WTO FUNCTIONS AND PRINCIPLES

The internet has opened up new pathways for international commerce. The value of the geographical gap between buyer and seller has waned, resulting in changes in how businesses and individuals conduct a business, exchange, and interact<sup>2</sup>.

Free trade is a norm that considers trade in goods, services, labour and capital between or within sovereign states as a flow without state discrimination. The free trade norm constitutes the political economy of jurisdictions<sup>3</sup>.

Free trade, in its most fundamental form, is the absence of government regulations that regulate the import and export of products and services. Although researchers have long argued that free trade among nations is necessary for a healthy global economy, few attempts to put pure free-trade policies in place have ever succeeded. Free trade is a mostly theoretical strategy in which governments place no tariffs, taxes, or duties on imports and no export limits. In this context, free trade is the polar opposite of protectionism, which is a protective trade strategy aimed at preventing international competition. Most developed countries now engage in hybrid free trade agreements (FTAs), which are negotiated multinational agreements that allow for tariffs, quotas, and other trade restrictions while also controlling them<sup>4</sup>.

Free trade benefits people of all participating countries by encouraging them to purchase more, higher-quality goods at lower prices. It encourages economic growth, increased productivity, creativity, and justice that a rule-based structure brings. As total trade – exports and imports – increases, these benefits grow<sup>5</sup>.

The World Trade Organization (WTO) is the only international organization that deals with international trade law. The World Trade Organization offers a global forum for signatory countries to meet and address their problems, as well as come up with widely agreed proposals for a smoother transition to more free trade regimes. As a result, the WTO

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<sup>2</sup> National Board of Trade, *E-commerce – New Opportunities, New Barriers: A survey of e-commerce barriers in countries outside the EU*, Kommerskollegium, 2012, p. 1, [https://www.wto.org/english/tratop\\_e/serv\\_e/wkshop\\_june13\\_e/ecom\\_national\\_board\\_e.pdf](https://www.wto.org/english/tratop_e/serv_e/wkshop_june13_e/ecom_national_board_e.pdf).

<sup>3</sup> G. V. Puig, *The Constitutionalisation of Free Trade in Federal Jurisdictions*, Madrid, 2010, p. 1, [http://www.cepc.gob.es/docs/working-papers/working\\_paper4.pdf?sfvrsn=4](http://www.cepc.gob.es/docs/working-papers/working_paper4.pdf?sfvrsn=4).

<sup>4</sup> R. Longley, *What Is Free Trade? Definition, Theories, Pros, and Cons.*, Thought Co, 2020, p. 1, [thoughtco.com/free-trade-definition-theories-4571024](http://thoughtco.com/free-trade-definition-theories-4571024).

<sup>5</sup> D. J. Boudreaux and G. Nita, *The Benefits of Free Trade: Addressing Key Myths*, Mercatus Center at George Mason University, 2017, p. 1, [https://www.mercatus.org/system/files/boudreaux\\_and\\_ghei\\_-\\_policy\\_brief\\_-\\_the\\_benefits\\_of\\_free\\_trade\\_addressing\\_key\\_myths\\_-\\_v2.pdf](https://www.mercatus.org/system/files/boudreaux_and_ghei_-_policy_brief_-_the_benefits_of_free_trade_addressing_key_myths_-_v2.pdf).

actively involves in the negotiation of bilateral trade agreements in goods, services, and technology. The General Agreement on Tariffs and Trade (GATT) was signed by 23 countries in 1947. The GATT was formed to lower tariff barriers. In 1995, the GATT was replaced by the WTO. The WTO has a broader reach. It is concerned with lowering or removing tariff barriers as well as non-tariff barriers like quotas. Its key tasks are<sup>6</sup>:

1. Manage the administration of the Uruguay Round agreements;
2. Track the introduction of tariff cuts and non-tariff initiatives reductions;
3. Review member countries' international trade policies to ensure that they comply with WTO guidelines;
4. Develop methods for finding a mutually satisfactory agreement in the event of a trade dispute;
5. Provide member countries with the requisite advice on the growth of the global economy;
6. Provide a global forum on which member countries can continue to seek trade concessions.

In addition, the WTO tries to settle trade disputes among its members. A member country is unintentionally added to the list of „Most Favored Nations“. Keeping the status of „Most Favored Country“ provides access to lower tariffs and fewer trade barriers, and an exemption from the WTO's excessive control regime and import quotas, which are both advantages for WTO members. These benefits pave the way for stronger demand for members' products, resulting in increased revenue, more employment opportunities, and a healthy economy. More than seventy-five percent of the members are listed as developing economies. They can easily enter the market of developed economies with lower tariffs thanks to their WTO membership. Developing economies are lowering tariffs in their import markets at the same time. Developing economies are taking advantage of this practice to develop and broaden their corporations and industries into more mature and superior types, enabling them to compete in the area of developed economies. However, the WTO's scope is wider than just trade in commodities, encompassing utilities, intellectual property, and agriculture. The WTO's guiding principles are as follows<sup>7</sup>:

✓ Non-discrimination – national treatment means equal treatment of foreign and national companies and it is unfair to prefer domestic companies to foreign companies. Most countries have a most favoured nation treatment, but the policy under the WTO is that all countries are treated equally in terms of trade. Any trade concessions proposed by the nation should be offered to others;

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<sup>6</sup> Dr. S. A. Guirish., *Globalization and Role of WTO in Promoting Free International Trade*, IOSR Journal of Humanities and Social Science (JHSS), Volume 3, Issue 1, 2012, pp. 11-14, <http://www.iosrjournals.org/iosr-jhss/papers/Vol3-issue1/B0311114.pdf?id=5692>.

<sup>7</sup> I. M. Saqib *et al.*, *The Role of Charismatic World Trade Organization and the expansion of Free International Trade*, International Journal of Management Science and Business Administration, Volume 2, Issue 3, 2016, pp. 17 – 23 <https://researchleap.com/wp-content/uploads/2016/04/2.-The-Role-of-Charismatic-World-Trade-Organization-and-the-expansion-of-Free-International-Trade.pdf>.

- ✓ Reciprocity – nations try to make concessions equal to each other;
- ✓ Transparency – negotiations and the process must be fair and open, with rules that are the same for everyone;
- ✓ Special and differential treatment – acknowledgement that developing countries may require „positive discrimination” due to unequal historical trade.

Many of these principles seem to be sound sufficient. Certainly, the vast majority of the world's countries think so, as shown by their participation in the WTO. In fact, power politics has resulted in the WTO being chastised by various groups and third-world countries for a variety of reasons. Several countries have also spoken out against the WTO, arguing that further cooperation between the North and South (a broad term used to refer to the developed and developing worlds, respectively) is required in international trade<sup>8</sup>.

GATT has evolved through many rounds of negotiations over the years. The Uruguay Round, which lasted from 1986 to 1994 and led to the formation of the WTO, was the last and largest GATT round. Whereas the GATT dealt exclusively with trade-in products, the WTO and its agreements now include trade in services and trade in (intellectual property) inventions, creations and designs<sup>9</sup>.

Free trade is a system in which trade in goods and services between or within countries is not constrained by government-imposed restrictions and interventions. Interventions involve taxes and tariffs, non-tariff trade barriers such as administrative rules and quotas, and even intergovernmental trade agreements such as the North America Free Trade Agreement (NAFTA) and Central America Free Trade Agreement (CAFTA)<sup>10</sup>.

According to previous studies, countries with more intense free trade have a lower risk of experiencing severe stock price fluctuations. Recent research has found that macroeconomic characteristics, like economic freedom and, in particular, free trade (i.e. liberal trade policies), can help to explain the existence of excess volatility and stability in financial markets<sup>11</sup>.

E-commerce would have a huge effect on service trade as well. The potential of e-commerce and information technology to make non-tradable services tradable is the most significant shift in service trade. Research and growth, computing, inventory management, quality control, accounting, staff management, marketing, advertisement, and delivery are all examples of non-tradable activities that would be traded by the use of e-commerce. All of this necessitates adequate communication between buyer and seller in terms of quality, speed, and cost. Electronic means can increasingly be used to conduct

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<sup>8</sup> S. Anup, *WTO and Free Trade*, <https://www.globalissues.org/article/42/the-wto-and-free-trade>.

<sup>9</sup> B. O. Orgun, *Strategic Trade Policy versus Free Trade*, *Procedia – Social and Behavioral Sciences*, volume 58, 2012, p. 1289, <https://doi.org/10.1016/j.sbspro.2012.09.1111>.

<sup>10</sup> R. A. N. Fouda, *Protectionism and Free Trade: A Country's Glory or Doom?*, *International Journal of Trade, Economics and Finance*, vol. 3., No. 5, October 2012, p. 351, <http://www.ijtef.org/papers/226-CF312.pdf>.

<sup>11</sup> A. S. Baig *et al.*, *Free trade and the efficiency of financial markets*, *Global financial Journal*, volume 48, No. 100545, 2021, p. 2, <https://doi.org/10.1016/j.gfj.2020.100545>.

international cross-border trade in a broad range of services, including financial, legal, telecommunications, and personalized applications<sup>12</sup>.

At first glance, one might wonder about the relationship between free trade and e-commerce, as they relate to a different way of doing business and industries in the global economy. Even so, however, both free trade and e-commerce overlap in the business world, sometimes in the same way and sometimes in different ways. First of all, both free trade and e-commerce are accelerating mechanisms for the expansion of enterprises and economies on a global scale. The second similarity is that both systems can act as a space or platform for doing business and international trade. The third similarity is that there are no restrictions or any other obstacles in the business environment between corporations, except as required by law. Organizations can freely and unrestrictedly move around the world, whether in a physical warehouse or an online platform and earn revenues from international free trade or cross-border e-commerce.

One of the hallmarks of free trade and e-commerce is that the items produced and distributed to partners are different from each other. In the case of free trade, these are always tangible goods, services, and products, and in the case of e-commerce, both tangible and intangible products (such as music or software), goods, and services can be transferred to customers. Another difference lies in the patterns of the participants, as free trade relations are mainly between governments and various international business organizations. In the e-commerce relationship, in addition to the above participants, there are also individuals.

So, free trade can be defined as a trade policy that does not impose restrictions on imports or exports, extends to foreign trade, and is concerned with the elimination of tariffs and regulations that apply to member countries that trade with one another.

## **2. ADVANTAGES AND DISADVANTAGES OF FREE TRADE**

When two or more countries agree to eliminate barriers to import and export markets, this is known as free trade. Usually, treaties require reciprocal reductions in duties, taxes, and tariffs so that each country's economy can benefit from the different trade opportunities. Free trade agreements offer nations access to a broader variety of foreign markets. It has the ability to enable local businesses to increase their competitiveness while relying less on government subsidies. It is a mechanism that can result in the opening of new markets, increased GDP, and new investment opportunities. When a developed country trades with a developing country that has yet to completely industrialize, natural resource exploitation will occur. Traditional livelihoods may be displaced by modern employment in some households. It can also create problems in the domestic labor market

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<sup>12</sup> N. Terzi, *The impact of e-commerce on international trade and employment*, *Procedia Social and Behavioral Sciences*, volume 24, 2011, pp. 745–753, <https://doi.org/10.1016/j.sbspro.2011.09.010>.

for all the involved parties. The benefits and drawbacks of free trade demonstrate that any country that enters into an agreement must take proactive measures to protect its wealth and citizens from exploitation without resorting to protectionism.

Here is a list of its advantages<sup>13</sup>:

1. Free trade creates opportunities for economic growth.

The world economy grew by an average of 0.5 percent a year faster as a result of the free trade agreements than it would have done otherwise. When countries are able to freely transfer goods across borders, each one will benefit from the manufacturing, commercial, and industrial strengths of the other economies in the agreement. That means there are less costs to think about with more purchase, rates remain stable, and the economy will benefit from healthy competition.

2. There are more opportunities for foreign direct investment.

When countries eliminate trade barriers, more businesses are able to invest in other countries. Because of this strategy, new investments, alliances, and prospects arise in markets of all sizes. As a result, one will be able to concentrate on building deeper, more satisfying partnerships with other governments that share their worldview. Since it is more difficult to go to war with someone who is your economic partner, countries with common boundaries will foster a higher standard of living.

3. It reduces taxes paid by consumers and enterprises.

The inclusion of tax and investment security in free trade agreements helps small business owners to better protect their interests. When these protections are removed, the effect appears to benefit the customer because there is more competition from multinational agencies at the consumer level. This benefit eliminates market stagnation, but at the cost of removing smaller companies from the equation. Lower assessments and less entry restrictions will help customers save money.

4. Fewer government expenditures are due to free trade.

The government provides financial assistance to a variety of domestic industries, including farming and other forms of agriculture. To offset the effect of tariffs on the import and export markets, this money is shifted from the taxpayer to the producer. Less government funding is needed to keep prices competitive at the local level by injecting new best practices and developing new competencies into domestic distribution systems. This benefit ensures that tax revenues can be used to finance infrastructure, social services, security, and other community needs rather than being used to keep unprofitable companies afloat.

5. It creates better products.

Every market gains more access to higher-quality products at lower prices as free trade occurs. For example, because of the United States' relationships with China and Mexico, cheaper imports tend to alleviate inflationary pressures. For every 1% share of the market of imports from countries with a lower income level, prices are kept down by more than

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<sup>13</sup> K. Miller, *19 Advantages and Disadvantages of Free Trade*, <https://futureofworking.com/6-advantages-and-disadvantages-of-free-trade>.

2%. As a result, the average American household has more money to spend on other things. The need for creativity ensures that companies are continually looking for new ways to solve issues for customers.

6. Free trade is more than just consumer goods.

Each year, at least half of all imports to the United States are not consumer products. They are inputs for domestic producers so that domestic production costs can be reduced. This benefit also encourages economic development by diversifying the supply chain for every size company. Since the Internet offers instant access to cheaper products, new research, and service expansion opportunities, even microbusinesses, freelancers, and gig specialists will benefit from this advantage.

7. It helps people who have the least money.

Some people assume that a country's prosperity can only increase if it can sell more products or services to other countries. The economic fact of free trade is that prosperity is correctly reflected by the overall level of imports and exports. When people at the bottom of the economic ladder have more money to spend, the economy as a whole profits. This is why eliminating tariffs is such an important part of the process. Cheap Chinese sneakers could have a 60 percent import rate in the United States during some years. If you purchased a pair of Italian leather dress shoes, the tariff will probably be less than 9%. Standard drinking glasses have a tariff of nearly 30%, but crystal glasses have a tariff of just 3%. When more Americans can afford low-cost imports, non-Americans are encouraged to spend more in the nation.

8. Free trade creates more opportunities to attract experienced workers.

Because of NAFTA, automakers sent jobs to Mexico, then chose to import the vehicles back to the US because of the favorable tariff policies. While this problem resulted in the loss of some jobs for American employees, it also provided businesses with the opportunity to hire workers with the appropriate levels of experience from almost anywhere in the world. By finding assistance from international markets, production costs are kept low, allowing for reasonable pricing. This advantage also means that this strategy will support many economies around the world. It's one of the reasons why India's middle class is one of the fastest-growing in the world today.

9. Experts have access to most free trade resources.

Free trade deals aim to place the greatest number of resources in the hands of those who can make a difference. This benefit is unrestricted by national borders. That is why, if they have access to an economy based on this theory, everyone can become whoever they want to be in life. What local people assume is feasible is largely dictated by the amount of competition that becomes available. Because of the less economic constraints that come with this opportunity, everyone can become anything they want to be in life if they work hard enough to achieve their goals.

Here is also a list of disadvantages of free trade<sup>14</sup>:

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<sup>14</sup> Idem, 2020, p. 2.

1. Free trade no longer creates jobs.

It is a fallacy that free trade allows companies to outsource jobs to other countries. It would also be wrong to claim that increased competition would result in more job openings. It cuts down on the amount of job openings in dysfunctional sectors. The positions that remain would see a rise in average pay and a greater standard of life, but the unwanted jobs will not be transported abroad. It abolishes the policy of saving a job at all costs, even though opportunities in that sector are dwindling. Free trade is to blame for 20% of all employment losses in the world today. When these deals are made with highly capable countries or those with a small number of goods, there will be no long-term job creation initiatives.

2. This contributes to greater urbanization.

Households in urban areas tend to vote to the left, whereas those in rural areas tend to vote to the right. Since it is more economical to let factory farms handle the food supply, free trade allows families to move away from agricultural jobs. This suggests that more people can migrate to cities, fostering urbanization and reducing the amount of money saved from attempts to keep trading lanes open.

3. Currency manipulation poses more risks.

The stock market had its worst day of the year when China reportedly tried to devalue its currency in response to US tariff demands. Then investors realized the truth of the situation. Consumers in the United States benefit from lower yuan prices because Chinese products are less costly. It acts to reverse the tariff mechanism by lowering prices by monetary policy. This also means that Chinese consumers buying American goods would have to pay a higher price. When this drawback is taken into account, one group of customers still triumphs over the other. While free trade agreements aim to control this mechanism, they do not account for unanticipated coercion that occurs outside of the framework.

4. Due to free trade, protection of intellectual property may be less effective.

International governments and corporate competitors do not often treat intellectual property rights as seriously as they are in a company's home country. In a free trade setting, patents, processes, and other technologies, such as branding, graphic displays, and imaging, are often copied. This drawback reduces a company's ability to create new jobs locally while also paying a fair wage. And though IP rights are protected as a result of a free trade agreement, there are no assurances that international governments can implement the laws as rigorously as the local government.

5. Protective measures for workers in developing countries are not always available.

Developing countries and emerging markets seldom have the same legislation protecting employee salaries and working conditions as developed countries and emerging markets. Some countries also allow children to be hired for factory work or hard labour jobs that put them in risky, sub-standard conditions. Some Jordanian garment workers may work 20-hour days without receiving a pay check for months, and if they complain, they may face prison time or physical violence from their bosses. The competitiveness criterion for free trade is the root of this disadvantage. The aim is to remove all constraints so that customers can keep track of their expenses. This ensures that compromises are inevitable, fostering harsh working conditions that workers must suffer in order to support their families.



6. Environmental protection in free trade is minimal.

Free trade deals seldom contain environmental protections. Businesses in developed countries want to access natural resources in other parts of the world where constraints and regulations are less stringent. The focus then shifts to the quickest, cheapest methods of producing products or providing services. Even if strip mining, clear-cut logging, and other troublesome practices do not count on their domestic scoreboard, they will contribute to global emissions. Short-term benefits are often exchanged for long-term issues in the developing countries. Natural resource trade money may be used to finance government activities or to promote corruption, benefiting the rich while the working poor struggle to make ends meet. The money from this initial investment would ultimately vanish unless new industries emerge.

7. Free trade may have fewer income opportunities.

Higher levels of competition will lead to lower sales potential in the sectors that are most affected by free trade. Some companies, such as Walmart, are big enough to avoid this drawback by operating on a global scale. Small business owners fail to deliver meaningful services because of the razor-thin margins. This downside extends to the gig economy as well. When a service provider in the United States charges \$30 for a service, a \$5 transaction in a developing country can provide the same value. If the quality of services is equal, the cost differential makes it difficult for one provider to remain competitive.

8. This may increase international competition for the domestic economy.

Free trade deals only ensure that benefits are achieved as a result of increased competition in the import and export markets. There is no way of knowing who can benefit the most from a deal with few, if any, constraints. Increasing productivity in other countries may cause induced changes to increase, meaning that foreign competition in certain industries may bring additional strain on the overall market. Since free trade does not allocate particular sectors to specific countries, it is difficult to predict whether a positive result would occur.

9. Customers continue to be dominated by main suppliers.

Companies will amass more wealth as they become larger. When an organization has additional wealth, it has enough clout to begin influencing economic policies. Large multinational corporations have the ability to give cheaper rates, but many of them do not do so because it is not necessary. Customers are forced to purchase goods from an oligarchy with no price controls, forcing them to use economies of scale. That means your personal access to affordable products is solely dependent on the generosity of each agency's C-Suites, regardless of industry.

Free trade allows any nation, regardless of size, to build new economic opportunities for themselves. It's a way to increase domestic choice, control prices, and promote creativity in the industries and commercial sectors that are being targeted. Since there are fewer tariffs in place, the government would lose money that it could have budgeted for in previous years. As multinational companies compete for a piece of the pie, regulatory issues can arise. The combined advantages and drawbacks of free trade illustrate that as many countries partner to generate reciprocal benefits, the global economy grows stronger. That

is why trade wars can be such a calamitous problem. A business can only go so far on domestic consumption.

### 3. THE IMPACT OF E-COMMERCE ON FREE TRADE AND LOGISTICS

The Internet and e-commerce are changing the way companies work and redefining the way they perform internal operations – product design and development, purchasing, manufacturing, inventorying, sales, customer service, and even marketing. In this process, the Internet and e-commerce are changing the roles and relationships of different parties and promoting new supply chains, services and business models. The end result is greater efficiency, more efficient use of assets, faster time to market, shorter overall lead time, and improved customer service<sup>15</sup>.

The more companies choose to work online, and e-commerce goes beyond the internal territory of the country, the more important is the inclusion of e-commerce rules in regional initiatives, including regional trade agreements (RTAs) and wider agreements on economic partnership<sup>16</sup>.

According to M. G. I. Pardo, the rapid growth of cross-border e-commerce poses serious challenges in the field of logistics (moving from containers to small packages), information and data management (a small package contains as much information as containers), as well as tariffs with customs and taxes, inspection and safety for every delivery. All this requires new individual solutions. Free trade zones around the world are preparing for this and are becoming an important link in the chain of online transactions<sup>17</sup>.

In its simplest form, “electronic commerce” is the purchase and sale of products and services by companies or consumers over the Internet. The term e-commerce is used to describe the process of searching for and selecting products in online catalogues and then buying with a credit card or processing encrypted payments. As the e-commerce business is growing rapidly and is expected to continue to grow, it has also become an important factor in changing the shape of the global logistics industry. Solutions such as physical storage locations and the execution of e-commerce orders from individual enterprises, in a store, from existing warehouses, or taking into account a combination of all three factors, are some strategic decisions faced by manufacturing companies competing with companies such as Amazon, eBay, and Newegg<sup>18</sup>.

The growth of e-commerce and the digital market phenomenon, also known as the Amazon Effect, has changed the structure of consumer behaviour and expectations, as consumers now expect fast, free delivery and competitive prices. This complex delivery

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<sup>15</sup> N. Terzi, 2011, pp. 745-753.

<sup>16</sup> A. E. Darsinouei, *Understanding E-Commerce Issues in Trade Agreements: A Development Perspective Towards MC11 and Beyond*, Cuts International, Geneva, 2017, p. 9 <http://www.cuts-geneva.org/pdf/STUDY%20-%20E-Commerce%20Towards%20MC11.pdf>.

<sup>17</sup> P. M. G. Ibarro, *Free Zone Focus: how free zones are powering e-commerce*, 2019, <https://www.fdiintelligence.com/article/74005>.

<sup>18</sup> O. Sahiner, *E-commerce impact on Logistics*, 2015, <https://www.morethanshipping.com/e-commerce-impact-on-logistics/>.

schedule casts doubt on traditional logistics models and supply chains, and now companies are forced to adjust their strategies to provide a cost-effective on-demand delivery service that is now in demand by consumers. In fact, it is expected that by 2021, sales in electronic commerce will reach 17.5 per cent of global retail sales. This exponential growth and demand will definitely affect logistics and the transport industry, as they must be prepared to cope with the increased volumes and expected supplies<sup>19</sup>.

The basic element of e-commerce is how goods get to the doors of customers. Therefore, e-commerce logistics is driven by numerous trends, ranging from the evolution of customer preferences, the growth of omni-channel trading and the advancement of key transport infrastructure. Digitalization is a clear opportunity for the electronic logistics industry. For instance, technologies based on Artificial Intelligence can streamline business processes through optimized transport routes and inventory management, thereby reducing their environmental impact<sup>20</sup>.

In order to keep up with the growing demand from e-commerce channels and meet consumer expectations, companies need to invest in their warehouses and distribution centres and stimulate the development and implementation of advanced supply chains and logistics processes. New technologies, such as augmented reality, drones, advanced robotics and intelligent glasses for capturing, packaging and shipping without manual labour, are the keys to reducing costs and ensuring the company's competitiveness and customer satisfaction. Companies that cannot keep up with logistical trends run the risk of losing their competitive advantage and losing popularity among consumers<sup>21</sup>.

Before the advent of e-commerce, traditional logistics was as simple as moving goods from production centres to consumption centres using a linear routing system. However, e-commerce logistics services should use a combination of one-to-many, one-to-one, and many-to-one routing mechanisms based on the availability of goods and delivery destinations. As e-commerce markets continue to grow in large cities and suburbs, the continuing need for logistics markets to expand their activities remains of paramount importance<sup>22</sup>.

Logistics controls how resources are received, stored and delivered to their final destinations. The planning, implementation and control of the movement and placement of these goods and services should be done systematically. The system was developed to achieve certain goals, which may vary from industry to industry. At the macro level, the search and identification of potential suppliers and dealers to determine their availability and effectiveness play a crucial role. At the production level, growth depends on efficient

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<sup>19</sup> A. Sasso, *The Impact of E-Commerce Growth on Logistics Companies*, 2019, <https://www.inboundlogistics.com/cms/article/the-impact-of-e-commerce-growth-on-logistics-companies/>.

<sup>20</sup> Ecommerce Europe, *Collaborative Report on Sustainability and e-Commerce*, <https://www.ecommerce-europe.eu/wp-content/uploads/2020/09/Collaborative-Report-on-Sustainability-and-e-Commerce.pdf>.

<sup>21</sup> B. Atkins, *Logistics in The E-Commerce Era*, 2019 <https://www.forbes.com/sites/betsyatkins/2019/05/06/logistics-in-the-e-commerce-era/#7b6cd8b574d4>.

<sup>22</sup> D. Rogers, *Impact of Growing E-Commerce on Logistics Service Providers*, 2018, [http://www.bpinetwork.org/thought-leadership/views-commentary/452/impact\\_of\\_growing\\_e\\_commerce\\_on\\_logistics\\_service\\_providers](http://www.bpinetwork.org/thought-leadership/views-commentary/452/impact_of_growing_e_commerce_on_logistics_service_providers).

logistics management. Building relationships and finding the most cost-effective solutions for companies is the introduction of e-commerce in the logistics business. An e-commerce company needs to know about logistics, especially supply chain management is an important part of an e-commerce business. You do not have to maintain a permanent storefront in order to place inventory. However, you must rely on third parties to do business, and time management plays an important role<sup>23</sup>.

Previously, when e-commerce companies were not so popular, the only logistics function we knew of was courier delivery. Logistics work mainly in two ways. Forward and reverse direction. The forward direction includes delivery from the seller's point to the customer's point. From the time of dispatch until the delivery of a product of any kind, the seller is obliged to provide the exact place of the order to the respective recipient by tracking using this logistics. The reverse process includes steps such as exchanging, replacing, or waiting for damaged and improper deliveries. This includes a hassle-free exchange or replacement process that is critical to building trust between buyer and seller<sup>24</sup>.

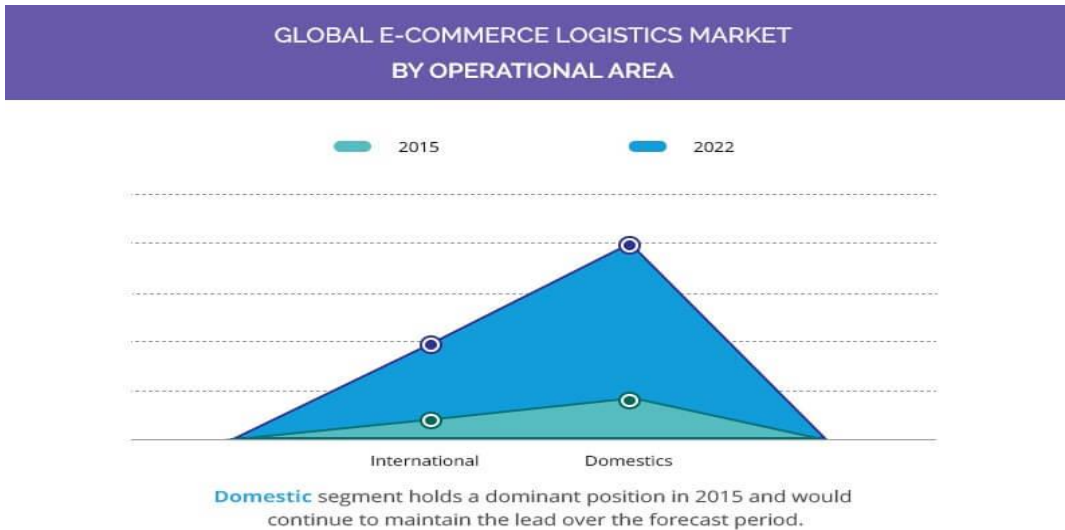


As one can see from the report which includes the analysis of the global e-commerce logistics market and focuses on different types of services on the market. The market for e-commerce logistics is segmented into warehousing and transportation, depending on the form of operation. The warehousing segment considers hubs / distribution centres, return processing centres, and mega centres, while the transport segment is divided into trucking / over the road, air / express delivery, freight / rail, and maritime transport. The market is

<sup>23</sup> S. Sivakamasundari, *Impact of E-commerce on Logistics*, Eurasian Journal of Analytical Chemistry, volume 13, no. SP 2018, pp. 226-229, doi: emEJAC181231.

<sup>24</sup> Ithink Logistics, *The Powerful Impact of e-commerce on the logistics sector*, July 17, 2019, <https://ithinklogistics.com/blog/impact-of-e-commerce-on-the-logistics-sector/>.

segmented into national and international (cross-border) e-commerce logistics services, depending on the operating area<sup>25</sup>.



Consumers are used to extremely fast deliveries, and as more and more retailers offer fast and free delivery options, logistics companies have to adapt to the ever-increasing delivery pressure, which is in line with changing customer expectations and preferences. At the same time, the dynamics of the supply chain is fundamentally changing as companies complement traditional long-distance delivery with just-in-time (JIT), and suppliers switch from several warehouses to separate warehouses to meet local requirements. This often means that the fleet needs to be changed and invested in smaller lorries and vans that allow for shorter and more frequent flights, which are necessary to ensure better last-mile delivery. In fact, 44 percent of fleet managers surveyed by NAFA Institute & Expo in April (2019) said they had invested in various asset classes to meet these priorities. Seventeen percent said they plan to adjust the composition of their fleet to ensure last-mile delivery, and 33 percent await the expansion of their fleet<sup>26</sup>.

Over the past two decades, the advent and development of e-commerce have given access to a greater range of goods at more accessible rates for customers located in remote or otherwise historically underserved areas. Discussions related to e-logistics (more precisely on returns or distribution options) should always take into account the effect on accessibility and ensure that access to more accessible and sustainable goods does not become a luxury for the urban population. E-Logistics varies and is more complex from

<sup>25</sup> S. Mutreja, *E-Commerce Logistics Market by Service Type (Transportation, Warehousing)*, Operational Area (International, Domestic) - Global Opportunity Analysis and Industry Forecast 2014-2022, <https://www.alliedmarketresearch.com/e-commerce-logistics-market>.

<sup>26</sup> A. Sasso, 2019, p. 2.

conventional delivery activities, and also incorporates omni-channel approaches that support both e-commerce orders and store fulfilment<sup>27</sup>.

With the growing popularity of e-commerce, high product requirements have risen sharply. Therefore, it became necessary for buyers to track their goods from the time of shipment until they reached the target buyer. Logistics and e-commerce go hand in hand, and when it comes to business, one is literally useless without the other. From now on, logistics companies decided to introduce some advanced technologies to reduce errors and improve the management system. The model of this e-commerce logistics is so advanced that everything can now be followed at the push of a button<sup>28</sup>.

Therefore, whether physical or online business commercial companies, in order to profit from trade, they should offer the best logistics packages, especially free shipping and delivery options, because only with these flexible methods can companies meet the changing expectations and demands of the consumers and also remain profitable in the marketplaces.

#### **4. CONCLUSIONS**

With the advent of the Internet and advanced technology, the impact of e-commerce on free trade has become an integral part of the market. In short, free trade can be seen as a mechanism to eliminate and remove barriers, taxes and tariffs between countries and continents. As a result, free trade transactions also move from their original status towards a more digital world, concluding online trading agreements or controlling the logistics process using new technological results. As e-commerce continues to grow, it is likely that companies will have to continue adjusting business models to provide the fast, free and convenient delivery service that consumers demand and expect.

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<sup>27</sup> Ecommerce Europe, *Collaborative Report on Sustainability and e-Commerce*, <https://www.ecommerce-europe.eu/wp-content/uploads/2020/09/Collaborative-Report-on-Sustainability-and-e-Commerce.pdf>.

<sup>28</sup> Ithink Logistics, 2019, p. 1.

