GLOBAL DATA ALLIANCE
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Recommendations for WTO E-Commerce Moratorium

Cross-border access to knowledge, information, and digital tools supports global economic development and inclusion. This global exchange engenders international communication and economic opportunity, creating jobs, raising living standards, and supporting communities. The WTO Moratorium on Customs Duties on Electronic Transmissions ("Moratorium") has played a major role in enabling these outcomes.

Recommendation

We urge all WTO Members to vote in favor of an extension of the Moratorium.

Background

Since 1998, WTO Members have agreed not to impose customs duties on electronic transmissions, under an agreement that has been renewed biannually. The end of this agreement could ultimately result in a completely new class of customs duties and restrictions on the transmission over IT networks of knowledge, technical information, data, and digital tools, as well as music, films, written materials, and software.

What Would the End of the Moratorium Mean?

A decision to impose customs duties on electronic transmissions is a decision to limit one's own access to knowledge, information, and digital tools, such as:

- Educational resources needed by students and researchers
- Productivity-enhancing technology
- Scientific, research, and other publications
- Manufacturing data, blueprints, and other information
- Cultural products, including film, music, and books

The harms of such self-imposed limits on a country's competitiveness, innovative capacity, and ability to create economic opportunity are predictable and significant.

What are the Revenue Implications of the Moratorium?

As explained by the OECD, any foregone customs revenue that could be attributed to the Moratorium is small, on average equal to 0.1% of overall government revenue. In most cases, Value Added Taxes (VAT) or Goods & Services Taxes (GST) applied on digital services imports would completely offset potential fiscal revenue effects of the Moratorium. The International Monetary Fund (IMF) has found that potential revenue from VAT/GST is 150% higher than from customs duties.

How Would the Imposition of Customs Duties Affect Economies that Adopt Such Duties?

As outlined in the Statistical Summary accompanying this position paper, such economies may face reductions in GDP, investment, and jobs. According to the OECD, "if countries were to apply existing tariffs on digitisable goods to digital services (which is where electronic transmissions are measured in existing trade statistics), imports and exports of low-income countries would fall by 32% and 2.5% respectively. For middle-income countries losses would be of 6% and 0.4%. In terms of trade effects, low-income countries would suffer most from lifting the Moratorium."

"Tariffs on electronic transmissions would also reduce domestic competitiveness. Businesses have been adopting digital solutions, such as software or computer services (whether imported digitally or via physical carrier), often sourced from abroad, to enable their digital transformation. Increases in prices of such digital inputs would lead to reductions in competitiveness. This would not be the case for VAT/GST because these apply to final and not intermediate consumption. The impact of greater barriers on electronic transmissions is likely to be asymmetric, affecting SMEs most."