November 19, 2024

H.E. Prasit Chantharawongthong
Deputy Prime Minister and Minister of Digital Economy and Society
Government of Thailand

H.E. Mr. Pichai Naripthaphan
Minister of Commerce
Government of Thailand

Dear Deputy Prime Minister Chantharawongthong and Minister Naripthaphan:

We write to you in a private manner on behalf of global and regional services industries engaged in trade and investment with Thailand, to share with you the importance we see of a permanent moratorium on customs duties on electronic transactions, especially for MSMEs in Thailand.

We appreciate the Government of Thailand's active participation in and support for the WTO Joint Statement Initiative (JSI) on E-Commerce. We consider great progress has been made with the achievement of important digital trade facilitation provisions which will be helpful for the growth of digital services globally. We also are very encouraged by the critical mass of support achieved for a lasting prohibition on customs duties on electronic transmissions. We recognize there is still more work to be done to ensure that the benefits of the WTO e-commerce moratorium endure.

We support the government's objective to make Thailand a digital economy and innovation hub, and the sustained efforts made towards that goal, including investment in digital infrastructure, and building out digital governance including to enable cross-border data flow.

These efforts are already bearing fruit, with the digital economy contributing to 13 percent to Thailand's GDP in 2021, a substantial increase from 9 percent in 2017. As a result of the important digital trade provisions in Thailand's various regional and bilateral agreements, the OECD's initial work underway to measure digital trade integration and openness (INDIGO) currently ranks Thailand among the top 10, specifically number 9. The OECD estimates that Thailand will benefit further by participating in the JSI e-commerce agreement, with Thailand's digital trade integration estimated to increase by 75 percent.

There is abundant recent research on the value of digital services to developing economies and to MSMEs in particular (a summary of this research is enclosed). With international trade now dominated by business-to-business transactions in global value chains, this extensive research documents the benefits of digital services imports, as well as exports for small business, and the importance of avoiding barriers to cross-border data flows. OECD estimates suggest that a potential duty on electronic transmissions would likely generate no more on average for upper middle income countries than 0.06 percent of government revenue and potentially come at the expense of sectors which rely heavily on imported services.[1]

Recent empirical research shows that digital imports leveraged by Thai MSMEs yield numerous positive economic outcomes, including boosting economic growth, increasing employment opportunities, expanding the number of businesses and enhancing productivity. Specifically, one study found that for every 1 percent increase in imported digital inputs by MSMEs, MSME output increases by 0.47 percent, MSME employment increases by 0.11 percent and the number of MSMEs increases by 0.56 percent[2]. These modelling results highlight the enhanced economic growth and employment outcomes facilitated by digital imports in Thailand. The moratorium is vital to ensuring these benefits continue.

Customs duties on electronic transmissions would also increase the cost of basic digital services for consumers in Thailand. Potential countermeasures by other countries could further exacerbate these costs.

In summary, the global and local studies suggest that customs duties on inbound data transfers, online access to operating software and other digital tools would fuel inflation, raising the costs of digital business inputs for Thai MSMEs, prejudicing their consumption and reducing their global competitiveness and export performance. The damage to small businesses would reduce economic growth and, in turn, tax collection.

There are better, more efficient and higher revenue-producing tax alternatives to imposing duties on digital imports, such as VATs and GSTs, that follow established international tax norms and are non-discriminatory, applying to both domestic and imported services. Thailand's VAT on online sales is a good example, generating nearly USD 171 million in the first ten months after it was implemented (2021-July 2022).[3] Many other countries have implemented such taxation frameworks; however, no country has sought to implement a customs framework that would impact electronic transmissions, other than Indonesia. In Indonesia's case, the Customs Authority has yet to determine how it would implement customs duties and is experiencing difficulty implementing the initial electronic transmissions reporting requirements.

It is worth noting, in this context, that should Thailand falter, like Indonesia, in signing on to the JSI agreement on e-commerce, Thailand would fall from its current top 10 ranking in the OECD digital trade integration and openness index, and be relegated to the 66th position. A drop of this magnitude would send a decidedly negative policy signal for digital services investment.

We consider it would be valuable for the WTO e-commerce work programme to host information-sharing events and facilitate technical capacity building, to help WTO members implement VATs or GSTs and draw on the experience of members that have successfully managed this (such as Australia). We understand such technical assistance may also potentially be forthcoming under the JSI Agreement on E-Commerce and would encourage Thailand to seek access to any such support. The ACP group's communication to the WTO in December 2023 called for multilateral bodies such as the WTO or OECD to do more work on VATs and GSTs, including information sharing about their implementation by WTO members.[4] If there are other areas that the WTO e-commerce work program could explore that would benefit Thai MSMEs, we would be interested in your recommendations.

We also encourage the Government of Thailand to continue pursuing a permanent moratorium in the ASEAN Digital Economy Framework Agreement negotiations, which would strengthen the protection of the moratorium's benefits for Thai MSMEs and complement efforts at the WTO.

We greatly appreciate your consideration of these perspectives. Please do not hesitate to make contact if you have any questions or concerns that we can address.

Sincerely,

ACT | The App Association
Asia Pacific Services Coalition

Australian Services Roundtable
BusinessNZ
Coalition of Services Industries
European Services Forum
Global Data Alliance
Hong Kong Coalition of Service Industries
Japan Services Network
Taiwan Coalition of Service Industries
TechUK
TheCityUK

cc: H.E. Pichai Chunhavajira, Minister of Finance
cc: H.E. Suchart Chomklin, Deputy Minister of Commerce

---

[1] OECD, Understanding the Potential Scope, Definition and Impact of the WTO E-Commerce Moratorium, OECD Trade Policy Paper, October 2023 n°27, at: https://www.oecd-ilibrary.org/trade/understanding-the-potential-scope-definition-and-impact-of-the-wto-e-commerce-moratorium_59ceace9-en

[2] Impact of Cross-Border Digital Transmissions on MSMEs in Thailand, chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://infisum.com/wp-content/uploads/2024/01/Thailand-MSME-Study.pdf

[3] OECD, Understanding the Potential Scope, Definition and Impact of the WTO E-Commerce Moratorium, OECD Trade Policy Paper, October 2023 n°27, at: https://www.oecd-ilibrary.org/docserver/59ceace9-en.pdf?expires=1706908986&id=id&accname=guest&checksum=8B3A20905D6F151CDADBEF5B049415BF

[4] Communication from Samoa on Behalf of The ACP Group https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/MIN24/W9.pdf&Open=True