OPINION: WTO e-commerce moratorium : act before it's too late

The Global Services Coalition calls on World Trade Organization members to prolong the institution's moratorium on duties on cross-border digital transmissions – and explains why.

Trade ministers will gather for the 12th ministerial conference at the WTO in a few days. India and South Africa, possibly joined by Indonesia, may succeed in making it harder and costlier to engage in cross border trade by ending the moratorium on imposing duties on internet traffic that has been in place for the last twenty-five years.

If this happens, governments around the world could for the first time impose tariffs on all kinds of services that can be digitally delivered across borders, thus hiking prices, worsening global inflation and making the internet less accessible.

Indonesia, notwithstanding its role as G20 Chair and its stated goal of promoting the digital economy – and despite warnings from its private sector – is already poised to become the first WTO member ever to impose such tariffs.

The India and South African argument looks simple: if you can put duties on shoes or apples, why not try to profit off digital inflows, whether they take the form of a podcast or research-and-development data?

It is not nearly so simple. As shown by the ranks of countries that are pushing to maintain the current WTO E-Commerce Moratorium. Those countries are a big and diverse group. They not only include WTO members that one might expect to support the status quo, like Japan, the United States, and the EU. Critically it also includes major developing countries such as China, Brazil, Nigeria, the Philippines, and Malaysia, as well as smaller members such as Costa Rica, Thailand and Kazakhstan.

This broad group of WTO proponents of an extension of the moratorium is backed by statements of support from over 100 business associations from Europe to Asia and the Pacific, India, Latin America, Africa, and the US.

Ending the WTO moratorium would likely spell the end of the 25-year-old *WTO E-commerce Work Programme*. This is an important forum where WTO members, especial Privacy & Cookies Policy , can air their views on the moratorium as well as other issues related to the growth of e-commerce and the digital economy. The WTO moratorium and the E-commerce work programme have been linked since their inception: if one falls so will the other.

Why would India, South Africa and Indonesia want to bring about an end to the work programme, when they themselves supported it? Why would they turn a blind eye to its helpful role, especially for developing countries?

Sadly, India's and South Africa's motivation – and potentially Indonesia's too – for bringing down the WTO e-commerce moratorium appears to be purely and simply to impose duties on imports – in other words, protectionism.

Of SMEs and government surveillance

But their local SMEs – many of them women-owned – and their consumers, will be hit hardest by any new digital import duties. The result can only be damage to their own digital innovation, export competitiveness and access to global digital value chain opportunities.

Reams of economic research make clear that greater access to the internet makes countries more economically competitive. It helps businesses of all sizes and in all sectors, from services to manufacturing and agriculture, tap into online marketing, financing, and logistics applications, as well as cloud data processing and storage. And it supports them in becoming exporters. The cost advantages of such digital tools are all the greater for smaller firms.

Not surprisingly, an OECD study estimated that governments that imposed tariffs on electronic transmissions would lose more in consumer welfare and export competitiveness than they would gain in tariff revenues.

Civil society benefits from the current system, too. Imagine a world in which your government routinely inspects cross-border digital traffic, including to check whether a tariff is payable on the content. Imposing duties on digital data flows would of necessity entail a disconcerting level of intrusive government surveillance.

A WTO decision to let members start imposing new digital tariffs would also put at risk the agreement on a global minimum digital services tax reached last year by over 130 countries—including India and Indonesia. Seen as a rare bright spot amidst heightened trade tensions and weakening global institutions, the multilateral tax deal aimed to halt a proliferation of unilateral digital service taxes. But it would be hard to uphold if individual governments, with the WTO's blessing, started imposing duties on internet transmissions.

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There is a widely-shared rationale for maintaining duty-free digital trade and little reason to open the way to tariffs. WTO ministers are at a tipping point on digital trade. They must redouble their efforts and assert political will to convince India and South Africa and their followers that the course they are on will exact costs on their economies and dim prospects for continued growth of the global digital economy.

Ministers should urge WTO members to agree a joint package that would renew the existing moratorium agreement and the E-commerce work programme, while adding strong disciplines for progress-tracking by minister. They should also launch a major study of the impact of the moratorium, particularly on developing economies. That would respect the views of WTO developed and developing countries alike while avoiding serious economic damage.

Digital trade is on a precipice in the WTO. We urge ministers to act before it's too late.

This column is signed by Global Services Coalition Co-Chairs ***Jane Drake-Brockman of the*** *Australian Services Roundtable, by* ***Christine Bliss*** *of the US Coalition of Service Industries,* ***Pascal Kerneis*** *of the European Services Forum in Brussels and* ***John Cooke*** *of TheCityUK, London.*

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