

New Indian Study Highlights Benefits of Imported Digital Services Business Inputs to Indian MSMEs, Underscores Continuing Value of WTO E-Commerce Moratorium Agreement

June 19, 2023 - New research from a team of Indian economists outlines the benefits of digital services imports for Indian small business. The study's findings show the use of such cross-border services is associated with higher production output, employment and productivity among micro, small and medium-sized enterprises (MSMEs) in India. The study, led by Badri Narayanan Gopalakrishnan, an Indian economist and former Head of Trade and Commerce at NITI Aayog, which is India's apex policy institution chaired by the Prime Minister, is titled *The Impact of Cross-Border Digital Transmissions on the MSME Sector in India and the Benefits of the WTO E-Commerce Moratorium*.

The study can be accessed here:

<https://igpp.in/wp-content/uploads/2023/06/The-Impact-of-Cross-Border-Digital-Transmissions-on-the-MSME-Sector-in-India-and-the-Benefits-of-the-WTO-E-Commerce-Moratorium-.pdf>

“The study clearly demonstrates the value to MSMEs of the WTO moratorium on customs duties on electronic transmissions, which is up for renewal at the next WTO Ministerial Council. We encourage WTO Members to carefully evaluate the study's findings, taking note of the implications for MSME export competitiveness, and consider the possible negative impacts for their domestic small businesses if the moratorium were allowed to lapse,” said Jane Drake-Brockman, Executive Director at the Australian Services Roundtable.

“An end to the moratorium would make it harder and more expensive for small business and consumers to access many kinds of data, from software and digital learning tools to online financial products and microchip design information,” said John Cooke, Co-chair, Liberalization of Trade in Services expert advisory group for TheCityUK.

“The new research adds to the wealth of academic findings that show governments are best served by maximizing access to digital technologies, which are associated with broad-based economic gains,” said Pascal Kerneis, Managing Director for the European Services Forum. “In any case, policymakers that want to impose levies would be best served by implementing those that apply to both domestic and imported services, such as value-added taxes (VATs) and goods and services taxes (GSTs). These types of levies do not single out imports, so will not have the same distortive effects on trade.”

“The study builds on earlier research showing the moratorium yields net gains to WTO Members in the form of higher GDP,” said Christine Bliss, President of the Washington, D.C.-based Coalition of Services Industries. “We also know that digital services imports are a valuable input in helping countries expand their exports both of goods and services, helping them tap into online logistics, financing, marketing, cloud storage and other tools. The bottom line is that to promote the growth of the digital economy, governments should focus on facilitating access to digital services, including cross-border services.”