TheCityUK

WTO Moratorium on Customs Duties on Electronic Transmissions

What is it?

Since 1998, the WTO Moratorium on customs duties on electronic transmissions has prevented the WTO's 164 members from imposing customs duties on electronic transmissions. Electronic transmissions cover data of all kinds, including the data necessary to access trading platforms of all kinds and scales, interactive platforms like Zoom, stream services like Netflix, and online banking and payments. To put it simply, the Moratorium allows cross-border digital trade to take place free of duties, resulting in equal access to digital content.

Who has concerns?

Since its inception in 1998, the Moratorium has been regularly and continuously extended at WTO Ministerial Councils. But it is now under increasing threat, with a number of WTO members contending that the Moratorium unfairly disadvantages emerging countries.

In particular, India, South Africa and Indonesia have highlighted their opposition to the continuation of the Moratorium, with South Africa only agreeing to its extension at the last Ministerial Conference (MC12) with the caveat that it would cease to exist on 31 March 2024 if not extended before then.

There are also a number of WTO members who remain undecided on the extension of the Moratorium, including Benin, Zambia and Togo, Sri Lanka, Uganda, Nigeria, Gambia, Brunei and Pakistan.

What are the Moratorium's critics concerned about?

Two main concerns are advanced against the extension of the moratorium.

1. Firstly, that the Moratorium stops emerging countries benefitting from an additional revenue stream through imposing customs duties on digital trade, especially if digital trade continues to grow significantly.
2. Secondly, that the Moratorium facilitates unfair competition against local businesses, especially MSMEs, who cannot compete with big tech.

TheCityUK has however seen no evidence for either of these concerns. On the contrary, a number of studies have shown that (1) the free flow of digital trade benefits small and medium-sized enterprises in emerging economies, allowing them to expand their market reach and ensuring equal access to digital content; and (2) developing a new revenue stream through customs duties on digital trade would be both cumbersome and economically self-defeating.

And while some may contend that customs duties would shelter smaller companies and allow them to become more competitive, in reality the additional cost to cross-border trade would be simply passed on to customers, many of them small businesses or personal consumers.

So, contrary to the critics' concerns, all this goes to show that the Moratorium prevents additional fiscal barriers that would hinder individuals and businesses from participating fully in the global digital marketplace.

What next?

Unless renewed, the Moratorium will end on 31 March 2024. This would be the first time that a step taken by the WTO made it harder to trade. It would frustrate the growth of internet trade and open the door to governments around the world imposing new customs duties at the border on all kinds of services that can be digitally delivered.

The good news is that WTO members do not have to do anything new or ambitious to prevent this. They just need to renew its Moratorium. Industry's voice is key to achieving ministerial consensus to do so at the next WTO Ministerial Conference (MC13).

So, we ask you promote the importance of the Moratorium in your networks, lobby with your government for the Moratorium to remain in place and press your government's delegation in Geneva to champion the continuation of the Moratorium which ensures cross-border digital trade.

For further information, background and relevant materials and arguments, please contact us.