WTO Workshop on Customs Duties on Electronic Transmissions

Geneva, 15 May 2025

ESF Contribution

- ESF is the voice of the European services sectors in international trade and investment negotiations. **European businesses are major players in digital trade.** According to WTO updated figures, the EU exported $1.8 Trillion of "digitally delivered services" and imported $1.7 Trillion of these services in 2024, representing around 30% of the world trade of these "digitally delivered services".

- Allowing the Moratorium to expire would be a **historic setback for the WTO**, representing an unprecedented termination of a multilateral agreement in place in 1998, nearly since the WTO's inception. It will greatly diminish the WTO credibility, in particular by the business community.

- The **WTO moratorium** is the only accepted WTO provision applying explicitly to all electronic commerce, and has underpinned a **stable, predictable, and duty-free environment for all online trade to thrive**. In this new unpredictable world on trade policy, adding further to the instability is contrary to the WTO mission. It would be more than ironic and disastrous for the WTO to be the instrument for such a trade-restrictive step.

- Ending the moratorium would mean a fundamental global disruption of business models, potentially destabilising the trend in inclusive global wealth creation that has come through enhanced market access using digital technologies. We believe that WTO members have to keep as their highest priority the **extension of the Moratorium on Customs Duties on Electronic Transmissions**. This is absolutely crucial so that a quarter of world trade remains absent of tariff, particularly at a time when tariffs on goods are coming back, putting the global economy under stress.

- **Digitalisation transformation is good for the world economy**. Cross-border exchange of knowledge, technical know-how, and scientific and commercial information across transnational IT networks, as well as access to digital tools and global market opportunities have helped sustain economies, expand education, and raise global living standards.

- The benefit of the digitalisation of the economy are also very **important for developing countries,** with nearly the same level of growth in Africa than in the EU or in USA. The WTO started to measure the "digitally delivered Services Trade dataset, with an updated version last month. Introducing tariffs on these exchanges will slow down the spread of digitalisation and introduce discriminatory treatment.

- Continuation of the Moratorium is also **important to supply chain resilience for manufacturing, farmers, agro-industries and services industries**. Manufacturers – both large and small, and across a range of all industrial sectors – rely on the constant flow of research, design, and process data and software to enable their production flows and supply chains for critical products. All machines nowadays have incorporated electronic sensors that provide data to optimise the processes, the infamous "internet of things". Digital trade is not only a matter for "big tech" but for the whole economy. The **fast use of artificial intelligence into manufacturing processes is the upcoming industrial revolution**. Giving possibilities to put custom duties on these cross-border transactions will further **increase the digital divide**.

- Failure to renew the Moratorium will jeopardize the digitalisation transformation's benefits, as customs restrictions that interrupt or make more expensive cross-border access to knowledge and digital tools **will harm MSMEs first and foremost**. Studies have demonstrated that **smaller and women-owned firms could be most impacted by tariffs on electronic transmissions**. Also tariffs on electronic transmissions would hit low-income country trade the most, as demonstrated by the previous speakers and the here below studies.

- The risks of ending the Moratorium have been discussed in **recent publications** by the International Monetary Fund, OECD, World Bank, United Nations, and WTO, and by think-tanks in India, Indonesia, Switzerland, Belgium, and around the world. And these studies have been presented to you in this very present format of today in 2023 and 2024, ahead of MC13. And **these results have been widely circulated**.

- According to OECD, the overall revenue implications of the Moratorium are small. **Supposed to be "foregone customs revenues"** that could be attributed to the Moratorium is **on average equal to 0.68% to total customs revenue and 0.1% of overall government revenue**. Given all the evidence that introduction of duties to electronic transmission on one side, and the very small impact for more governmental revenues on the other side, one need to wonder whether sacrificing the Moratorium it the good strategy.

- Countries who would introduce tariffs on electronic transmissions will likely see a decrease of their trade (imports and exports), will possibly have less access to innovation, or at a bigger price. Possible greater GDP losses might also occur due to potential implementation of **retaliatory duties.**

- The IMF has clearly demonstrated that Goods and services taxes (GST) / value added taxes (VAT) are preferable to tariffs both from the perspectives of revenue collection, economic efficiency, and administrability. So we welcome the additional UNCTAD report presented today on that regard.

- The European Services Forum, as well as the Global Services Coalition, and hundred of business organisations in the world (you will remember the global business coalition letter of last year before MC13, where 211 associations have sign a call), we all **urge all WTO members** to show strong leadership and support of the digital economy by **supporting continuation of the WTO Moratorium on Customs Duties on Electronic Transmissions at MC14** in Cameroon in February 2026.

- Importantly, allow me to conclude by highlighting the fact that MC13 decision in Abu Dhabi must not to be taken as final. Like previous such decisions, it noted the moratorium's extension period and its expiry date. But that does not preclude ministers — and the decision is theirs alone — from deciding to extend it.
