



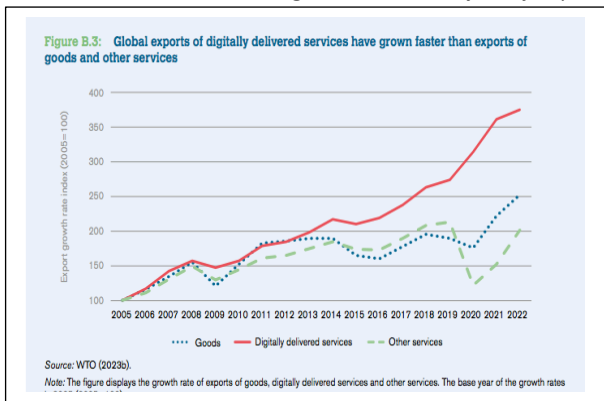
WTO E-Commerce Moratorium Boosts Growth in Digital Trade in Developing Economies

February 2024

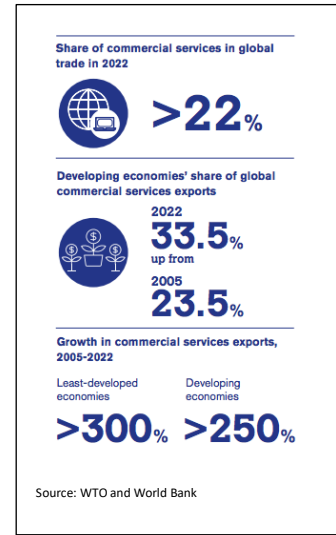
For developing and developed economies to continue to reap the benefits of the digital economy, the WTO E-commerce Moratorium must be extended at MC13.

Digital services and goods boost growth and diversification in developing economies.

Digitally delivered services account for 54% of global services exportsⁱ and increased by an average of 8.1% annually between 2005 to 2022, nearly twice the rate for goods exports. Developing economies' relative share of global services exports jumped from 24% to 34% between 2005 and

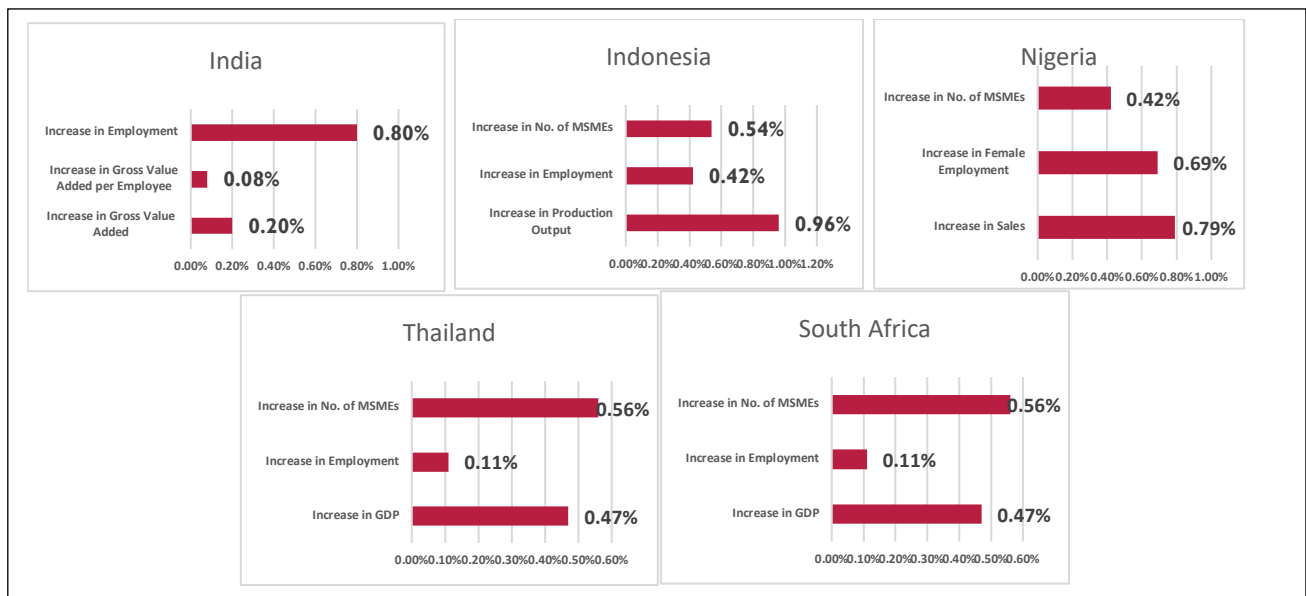


2022.ⁱⁱ Digitally-delivered services exports from low- and middle-income economies have increased nearly 40% from 2015 to 2022. For example, computer services exports from Bangladesh grew an average of 31% from 2019 to 2022, while Pakistan has also seen double-digit growth in the sector. India and the Philippines have emerged as global leaders in computer services.



Digital services imports benefit MSMEs and enhance job growth.

Indian, Indonesian, Nigerian, South African and Thai MSMEs that use imported digital services enjoy expanded payrolls, productivity gains, and enhanced production output.ⁱⁱⁱ A study of Indonesian MSMEs found that those using digital tools are much more likely to export.^{iv} For the countries noted above, the charts below show the estimated increases in output, employment, and labor productivity associated with every one percent increase in the use of digital imports by MSMEs.

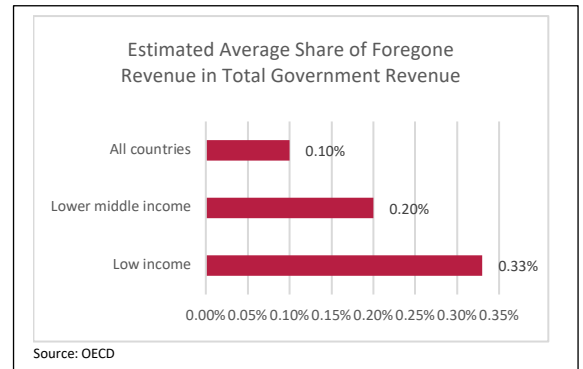


Study author: Badri Narayanan Gopalakrishnan et al.

The amount of foregone revenue as a result of the Moratorium is minimal.

A new study by a group of multilateral institutions estimated that the moratorium's reduction in low-income country revenue represented just 0.33% of total government revenue, and 0.20% for lower-middle-income countries.^v

Trade in digitized goods has plateaued and does not present a risk of further revenue losses.



Moreover, fears of further revenue loss due to increase in digitized goods are unwarranted as international trade in goods that can be digitized has plateaued.

If the Moratorium expires, any new revenues collected would be offset by new burdens for SMEs and consumers.^{vi} In a recent survey by New Markets Lab of nearly 300 MSMEs in Kenya and South Africa, 60% said they lacked capacity to comply with additional customs

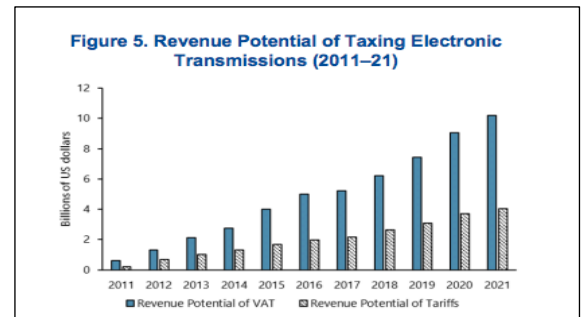
requirements, with 55% saying they would have to raise their prices and pass costs to consumers.

VATs and GSTs are better alternatives to tariffs and raise more revenue.

In 77 out of 106 economies evaluated by the OECD, the use of VATs or GSTs would completely offset any potential foregone revenues resulting from the Moratorium.^{vii} The IMF found that a VAT on electronic transmissions would yield about 150 percent more revenue than tariffs.^{viii}

Extension of the Moratorium is of particular value to women-owned SMEs.

Many women in developing economies rely on digitally delivered services to run small businesses.^{ix} Interviews with women leaders and business owners in Latin America, the Caribbean, Africa and Asia-Pacific reveal that digitally delivered services allow women to participate economically on equal footing with men. Digital services also provide a way for women to enter the formal economy, reducing barriers for small entrepreneurs to sell goods and services online. Moreover tariffs on electronic transmissions would adversely impact the competitiveness and participation of women-owned MSMEs.



The E-Commerce Work Program should continue in tandem with the extension of the Moratorium.

The Work Program is a constructive forum for airing WTO member concerns about the evolution of the digital economy, understanding the benefits and scope of the WTO e-commerce moratorium, especially to MSMEs, and its role in promoting sustainability and secure supply chains. It should also encompass discussion of specific initiatives in the World Bank and other International Organizations intended to bridge the digital divide.

Contacts: Christine Bliss, bliss@uscsci.org, Jane Drake-Brockman, jdb@jdbolutions.asla; Pascal Kerneis, p.kerneis@esf.be

ⁱ IMF, OECD, UNCTAD, World Bank Group and WTO, *Digital Trade for Development*, 2023

ⁱⁱ WTO and World Bank, *Trade in Services for Development*, 2023

ⁱⁱⁱ Badri Narayanan Gopalakrishnan et al, *The Impact of Cross-border Digital Transmissions on the MSME Sector in India and the Benefits of the WTO E-commerce Moratorium; The Value of Cross-border Digital Transmissions to MSMEs in Indonesia: Implications for Participation in the WTO E-commerce Moratorium; Impact of Cross-Border Digital Transmissions on MSMEs in Nigeria; Impact of Cross-Border Digital Transmissions on MSMEs in Thailand; Impact of Cross-Border Digital Transmissions on MSMEs in South Africa*, preliminary results from unpublished paper.

^{iv} Indonesia Services Dialogue, *Digital Adoption and Dependency on Digital Goods and Services in MSME: A Survey of MSME in Java and Bali*

^v IMF, OECD, UNCTAD, World Bank Group and WTO, *Digital Trade for Development*, 2023

^{vi} OECD study, *Electronic Transmissions and International Trade - Shedding New Light on the Moratorium Debate*, 2019

^{vii} OECD, *Understanding the Potential Scope, Definition and Impact of the WTO E-commerce Moratorium*

^{viii} IMF, *Fiscal Revenue Mobilization and Digitally Traded Products: Taxing at the Border or Behind It?*, 2023

^{ix} Trade Expertettes, *The E-commerce Moratorium and Women: How the WTO E-commerce Moratorium Impacts Women Across the World*, October 2023.