



WTO E-Commerce Tariff Moratorium at 25

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INTRODUCTION

Here's semi-mythical classical sage Lao Tzu, with some poetic advice to authorities who long to fix things. Sometimes they're not broken, and are best left as is:

“Those who would gain all under heaven by tampering with it — I have seen that they do not succeed. Those that tamper with it, harm it. Those that grab at it, lose it.”¹

Prosaic modern economists occasionally echo him, with the unexciting but sometimes correct advice: “Don't just do something, stand there.”

As the World Trade Organization (WTO) prepares for its 13th Ministerial Conference late in February, both the ancient sage and the modern wonks are offering very good (if also very modest) advice on the most modern of all technologies: the internet and the world's digital economy. If the WTO members take heed, they will help growth and development in lower-income countries, and simultaneously help the Biden administration achieve its goal of a more “inclusive” trading system that does more to create opportunities for the small and the less powerful “empowering small businesses to enter the market, grow, and compete.”²

THE MORATORIUM AND THE DIGITAL ECONOMY 1989-2023

The WTO's 164 members have some significant calls to make this month, on an array of agenda topics ranging from fishery subsidies to agricultural stockpiling, intellectual property, and — not least — whether to extend their quarter-century-old pledge for “duty-free cyberspace.”

This policy, more technically if clunkily termed a “moratorium on application of tariffs to cross-border electronic transmissions,” represents a 25-year-old consensus — always temporary but regularly renewed at each WTO Ministerial

meeting – which helped to create and continues to underpin the modern global digital economy. If they renew it, no WTO member would need to change policy. Rather, they would simply continue to refrain from grabbing and tampering, while focusing their energy on issues in need of activist policy, from privacy protection to cybersecurity and action against disinformation. This commitment, simply by avoiding unintentional harm, would allow the digital economy to continue the natural growth that has helped hundreds of thousands of small businesses, and an uncountable but very large number of individuals, enter the global economy and find new ways to realize dreams and earn incomes.

The “moratorium,” however, is under some stress and criticism, mainly from left-populist NGOs and a few large developing-country governments. Their argument, fundamentally, is that the moratorium prevents taxation of data flows and therefore deprives developing-country governments of some tax revenue. But abandoning the moratorium would be a sad mistake, for global growth, for innovation, and for the governments who, in focusing on potential tax revenues (which, see below, are quite modest), are losing sight of their much larger growth and development opportunities. And it would be a sad mistake for the Biden administration’s hope for a more ‘inclusive’ trading system that offers more opportunity for small businesses and marginalized communities. Duty-free cyberspace remains critical to all these things, and the WTO members should enthusiastically endorse it once again.

By way of context, the WTO’s “moratorium” dates to the late 1990s – the era just after the launch of the World Wide Web – and originates in prescient American thinking about the Internet’s

potential future growth. Developed in that world of 150 million mostly American, European, and Japanese internet users, their hypotheses and projections look very good a quarter-century later. Here for example is that era’s U.S. Trade Representative, Charlene Barshefsky, explaining the early U.S. agenda in 1999:

“Moving on from the foundational commitment we won from the WTO members in 1998 on the principle of “duty-free cyber-space” – that is, ensuring that electronic transmissions over the Internet remain free from tariffs – we are moving on to a longer-term work program. Its goals include ensuring that our trading partners avoid measures that unduly restrict development of electronic commerce; ensuring that WTO rules do not discriminate against new technologies and methods of trade; according to proper application of WTO rules to trade in digital products; and ensuring full protection of intellectual property rights on the Net. At the same time, we are working with individual trading partners on a series of related questions – for example, on privacy issues where we have worked closely with the European Union to create a model that both protects consumer privacy and prevents unnecessary barriers to transatlantic economic commerce.”³

Her list of topics remains strikingly current. Some of the issues she cites still raise complex questions within the United States and are still politically contested both within countries and between large trading economies and technological powers. Technical debates over copyright continue to animate thinkers and lawyers in Silicon Valley and Hollywood, for

example; likewise, the U.S. and the European Union still argue over privacy while working to preserve cross-Atlantic data flows. But two things seem clear.

One, the “foundational” moratorium on tariffing electronic transmissions remains at the heart of digital policy. In pleasing contrast to many trade agreements, it is a short one-sentence commitment in plain English. (Or plain French, or plain Spanish — the other two official WTO languages.) The actual texts of its first 14-word iteration, and the slightly longer renewals in 2019 and 2022, read like this:

“Members will continue their current practice of not imposing customs duties on electronic transmissions.” (Original moratorium in 1998)

“Members agree to maintain the current practice of not imposing customs duties on electronic transmissions until the 12th Ministerial Conference.” (2019 renewal)

“We agree to maintain the current practice of not imposing customs duties on electronic transmissions until MC13, which should ordinarily be held by 31 December 2023. Should MC13 be delayed beyond 31 March 2024, the moratorium will expire on that date unless Ministers or the General Council take a decision to extend.” (2022 renewal)

And two, in practical terms it continues to work. Over this quarter-century of not grabbing and not tampering:

World Internet Population Up by More Than 5 Billion: As governments have “stood there,” the world’s Internet user population has grown from 150 million to 5.5 billion, or from about 4% to 60% of humanity.

Over 1000-Fold Rise in Data Transmission:

Transmissions of data over the Internet, estimated at 100 quadrillion bytes in 2000 by Cisco Systems in its fondly remembered “Visual Networking Index,” rose to 93 quintillion in 2017 — nearly 1,000-fold — before the Cisco statisticians gave up trying.

U.S. Domestic E-Commerce Up by \$35 Trillion:

The level of e-commerce within the United States has grown from the \$700 billion Ambassador. Barshefsky noted in her speech (as estimated by the Commerce Department) to \$36 trillion,⁴ a figure now about 30% greater than the U.S.’ \$26 trillion GDP. Internationally no such figures exist, but the WTO’s most recent annual statistical summary, World Trade Statistics 2023, points to a single form of electronic commerce — digitally enabled trade in services — as the most dynamic element of 21st-century trade:

“Looking back through the entire pandemic period, computer services were the most dynamic sector in services trade, with global exports in 2022 worth 44% more than their value in 2019. Digitally delivered services — that is, services provided via computer networks, from streaming games to remote consulting services — are an emerging source of growth, accounting for 54% of global services exports in 2022, and 12% of total global trade in goods and services.”⁵

New Industries Steadily Emerging: The moratorium has facilitated this by keeping the cost of data transfer low, enabling not only growth, but also the transformation of existing industries, and the creation of entirely new ones: “influencers,” social media, telemedicine, and distance education; or, alternatively, digital services integrated in manufactured goods from cars and medical

technology to rice-planting machines and smartphones.

SMALL BUSINESS AND THE ‘DEMOCRATIZATION’ OF TRADE

The picture of trading firms has also changed noticeably and to the benefit of the smaller and less advantaged: digital technologies lower the costs of entry to the trading world for everyone, but disproportionately for small firms and individuals.

In-depth reviews of the challenges American SMEs (small and medium-sized enterprises) face in international trade done by the U.S. International Trade Commission in 2010 suggest obvious reasons why these businesses (and by extension individual entrepreneurs) would, relatively speaking, find special value in low-cost Internet access. They report particular challenges, for example, in finding overseas customers, navigating required customs documentation, securing payment, and managing returns.⁶ Large firms traditionally

open overseas offices that settle these problems; small ones, except in special cases such as family firms with relatives in two or more countries, can’t. The smaller ones, with new access to low-cost email, data analytics, and social media, should be able to use digital technologies to (at least in part) compensate for this disadvantage.

Is it true, then, that Internet access has brought more small firms into trade? One index is the Census Bureau’s annual count of American small exporting firms. It is a very partial list, since it covers only exporters of physical goods – an obviously substantial undercount, as one of digital technology’s most immediate effects is to ease the ability of entrepreneurial individuals and small service providers to find customers around the world. Nonetheless, even Census’ goods-only tally shows a net gain of 83,000 exporting firms – 50% growth – from 172,000 in the late 1990s to over 255,000 today (though this leveled out in the mid-2010s and has dropped a bit from an Obama-era peak of 281,000).

TABLE 1: U.S. GOODS EXPORTERS BY SIZE AND SHARE OF TOTAL EXPORTS, 1998-2022

FIRM TYPE	LARGE (>500 EMPLOYEES)	MEDIUM (100-499 EMPLOYEES)	SMALL (<100 EMPLOYEES)
1998 TOTAL EXPORTERS	7,087	25,716	172,385
SHARE OF EXPORT VALUE	70.4%	9.0%	20.6%
2014 TOTAL EXPORTERS	6,999	16,867	270,968
SHARE OF EXPORT VALUE	67.2%	11.4%	21.4%
2022 TOTAL EXPORTERS	3	73,416	255,951
SHARE OF EXPORT VALUE	14	53,954	22.4%

Source: U.S. Department of Commerce⁷

Regrettably, no such count of service exporters exists. But the Commerce Department’s Bureau of Economic Analysis has been estimating the

total value of “ICT and potentially ICT-enabled” services since 1999. Table 2 shows their growth.

TABLE 2: ICT AND ICT-ENABLED SERVICES EXPORTS AND SHARE OF TOTAL U.S. EXPORTS

FIRM TYPE	1999	2014	2022
TOTAL U.S. GOODS/ SERVICES EXPORTS	\$976.5bn	\$2,392.6bn	\$3,009.7bn
ICT AND ICT-ENABLED	\$142.1bn	\$499.2bn	\$719.3bn
ICT/ICT/ENABLED SHARE	14.6%	20.9%	23.9%

Source: U.S. Bureau of Economic Analysis, U.S. Trade in Services, Table 3.1

In sum, the BEA’s first calculation of this sort of export came in 1999 – six years after the launch of the World Wide Web, and one year after the WTO adopted its “moratorium” – and totaled \$142 billion. This was about a seventh (14.6%) of the U.S.’ roughly \$1 trillion in total exports that year. By 2022, ICT and ICT-enabled services exports had grown to \$719 billion, and 24% of a \$3.01 trillion total. So this group of Internet-reliant industries’ exports have grown about five-fold (in nominal terms), about 2.5 times faster than those of goods exporters and non-ICT-enabled services exporters.

Current data suggest that this is a continuing process rather than something near completion. Looking worldwide rather than strictly at the United States, exports of digitally deliverable services increased 16% in 2021 amid the COVID-19 pandemic⁸ and continued to rise in 2022, reaching \$3.82 trillion globally. Additionally, these exports had an average growth rate of 8.1% annually between 2005 and 2022, easily

outpacing both goods (5.6%) and other service exports (4.2%).⁹

The U.S. remains the center of Internet science and industry, and easily the largest exporter of digitally enabled services. So the American delegation to the WTO’s Ministerial Conference has particular reason to take interest in the moratorium. What about the rest of the world?

America’s success has by no means come at the expense of other countries. India, for example, ranks second only to the E.U. as an exporter of “telecommunications, computer, and information services” at \$99 billion in 2022, and fifth in the world as an exporter of “other business services” (e.g. including India’s back-office services businesses in lines of work like accounting and call center operation) at \$120 billion,¹⁰ and the U.S. Department of Commerce estimates the Indian e-commerce market at \$63 billion and rising by 14.5% in 2024.

More generally, though the United States and Europe still contribute the largest share of digitally delivered services exports, lower-income economies show enormous potential for growth. Between 2005 and 2017, “developed” economies’ share of digitally delivered services exports dropped from 85% to 77%, indicating a significantly faster rate of growth from developing economies.¹¹ Still, between 2015 and 2022, the WTO reported exports of digitally delivered services grew by an average of 6% in Latin America, 8% in Africa, and 10% in Asia.¹² These figures are expected to rise with the expansion of internet infrastructure in each region.

CASE STUDIES: INFLUENCERS, ARTISTS, AND PROFESSIONALS

In sum, the marketplace for digital goods and services has been largely able to develop without being segmented by international regulations. The result is an interconnected e-commerce ecosystem, in which the costs of entry are much lower than they were in the pre-Internet world, and sellers can connect with customers without the restraint of geographic borders, opening new markets for individuals and small businesses.

As such, the advantages digital exports provide to small businesses in the United States can apply worldwide. By offering the chance to compete in a single global market, with low-priced access to consumers in all countries with Internet access, SMEs find the global customer base and the platform for entrepreneurship once available only to large firms able to make physical investments abroad. Nor are the beneficiaries only firms: social media, online distribution content channels, and freelance platforms all enable individuals to find online audiences and customers. Here are some examples:

Example 1: Rise of the Digital Freelancers

Examples of individual entrepreneurs, and platforms serving them, further illustrate the importance of globally connected e-commerce to the modern service economy. Online freelance platforms, for example, connect businesses and skilled freelancers with those looking for contracted employment. Gaining popularity with the rise of remote work, freelance sites most prominently advertise digitally delivered services such as programming, web design, social media marketing, and editing. The market for global freelance platforms was valued at \$4.39 billion in 2022,¹³ and platforms such as Upwork, Fiverr, Toptal, and People Per Hour are among many aiming to support an international gig economy for digital services.

While many of these platforms host profiles for businesses of various sizes, other listings are individuals and enterprises with fewer than 10 employees. On Upwork, for example, individuals market their skills in an array of creative and professional services to customers around the world. Providing digitally delivered services to 180 countries, the San Francisco-based company has reported that its “talent community” earned a combined \$3.8 billion in 2022, up over 50% from \$2.3 billion in 2020.¹⁴ The platform enables entrepreneurs in both the United States and globally to market their skills and earn a living through international clients. After the pandemic shift to remote work, an Upwork-commissioned study found that 59 million Americans performed freelance work between 2020 and 2021, contributing an estimated \$1.3 trillion to the U.S. economy.¹⁵ Upwork claims to focus on writing, graphic design, web development, marketing, but lists a wide variety of small businesses for contracted work through their platform.

Though a quick glance through the site shows that there are countless examples of individuals connecting with clients through the platform, there are a handful that have capitalized on the large international audience to grow their small business. Indulge Media Graphic Design, for example, is a small graphic design firm based in California founded by Allison Horwath in 2005. A graduate of the University of California Santa Barbara, Allison offers design, branding, and marketing strategies. The business's profile claims over 9,000 hours worked between nearly 800 "gigs" completed through Upwork and, like many of their peers on the platform, reviews of their work come from an international client base.

Fiverr is another major player in the freelance market. Based in Israel, Fiverr hosts sellers from 160 countries, allowing SMEs in the United States and globally to export innovative digitally deliverable products. And, despite the market for digital exports being skewed to United States sellers up to this point, the many small businesses on the platform represent entrepreneurs based in a variety of countries.

The following examples are small businesses that are "top rated" on Fiverr's platform. Each also promotes their businesses via other social channels, including their own websites, LinkedIn pages, etc., and have managed to export their services internationally using the platform.

- **PARID Marketing** is an advertising agency based in Tirana, Albania founded and operated by Eduela Ferko, who has managed to garner international clientele for her social media management business. Eduela offers multiple tiers of service to her customers, with the lowest tier offering 200 USD for 1 post a day on 1 social platform for a month.

With nearly 500 5-star reviews including those from individuals in India, Pakistan, Germany, and the United States, Eduela has managed to export her services globally through the platform.

- **Michael Tjanaka** is a musician and composer based in Indonesia. An active seller on Fiverr since 2017, the original piano compositions he offers start at \$15 and have received over 1,500 reviews from customers everywhere from the United States to Singapore.
- **Squareko** is a web development firm based in Bangladesh founded by Walid Hasan. With nearly 800 5-star reviews from countries including the United States, United Kingdom, China, and Costa Rica, the online profile offers web design services starting at \$100.

Example 2: The Role of Independent Content in the Entertainment Sector

As platforms deliver digital services directly to customers, social media has simultaneously enabled a wave of digital entrepreneurship, often dubbed the "creator economy." The creator economy, while still rapidly developing, represents an ecosystem of individuals who monetize their passions via online platforms. From influencers to filmmakers and podcasters, digital platforms have lowered the barrier to entry to the entertainment sector to the point where innovative individuals may only need a smartphone and an Internet connection to make a living online.

From beauty product reviews on TikTok to sports newsletters on platforms like Substack, internet users consume digital media from a variety of sources with little regard to the nationality of the content's origin. Because of this, the potential

for growth in creative exports, and the large proportion of young workers, the United Nations Conference on Trade and Development – the same UNCTAD that, from a different branch, is pitching taxation of digital content – describes the creative economy as being “a critical sector for sustainable development” and for the promotion of social inclusion and cultural diversity.¹⁶

While most individuals posting online have no intention of turning their commentary into a full-time job, quite a lot do exactly that. Estimates show that the creator economy may be anywhere from 50 million to 200 million individuals worldwide¹⁷ – a count similar to America’s 157 million workers as 2024 begins. Analysis by Goldman Sachs values the sector at roughly \$250 billion in 2023, with an expectation that it could reach \$480 billion by 2027, in line with the share of advertising dollars being spent on digital influencer marketing. This would make the creator economy the fastest-growing sub-industry within digital media.¹⁸

In 2024, the creator economy is largely kept afloat via brand deals in which companies pay influencers directly to promote their products, empowering individuals to harness their talents to build their own brands. This has become a massive sector in the U.S., with brands allocating an estimated \$4.92 billion for influencer marketing in 2023, making up 1.8% of their total digital ad spending for the year.¹⁹ Aside from brand deals, other potential sources of revenue include ad revenue from a creator’s platform of choice, direct donations, and monetization of a creator’s own brand or products advertised via social channels.

It should be acknowledged that factors including a lack of digital infrastructure have contributed

to less involvement in the creator economy from entrepreneurs in developing countries. But, even still, they are not absent from the picture. Stripe, a financial services company that manages payout for several large global creator platforms, has reported that while the growth rate for creators in the U.S. declined 25% year over year as of 2023, it still accelerated elsewhere. Their data shows that the fastest-growing creator countries include Thailand, Brazil, and Romania.²⁰ UNESCO has also reported that influencer marketing is a growing industry on the African continent, particularly in English-speaking African countries, with the acknowledgment that the industry is likely to offer opportunities to influencers and small businesses across the African continent with the expansion of online access.²¹

TAXATION OF DATA: TECHNICAL QUESTIONS AND IMPLICATIONS

So altogether the first quarter-century of digital trade policy looks like a winner, whether measured by the growth of trade value or by the entries of small firms and individuals. To be sure, these are far from the only things governments or WTO members should care about. The White House’s 2022 *Declaration for the Future of the Internet* provides a useful review of next-generation challenges: completing universal access, developing effective regulatory policies to address disinformation and use of digital technologies by hate groups, effective law enforcement to combat cyber-crime, ensuring competition among providers, promoting rising levels of cross-border data flows “with trust,” and so on.²²

The WTO’s role in these next-generation policies is limited, but important – and its members should use their energy in finding ways to

address them, rather than attempting to fix things that are working perfectly well. And here it is useful to think about the arguments against the ‘duty-free cyberspace’ principle and the likely results of a decision to abandon it.

The main argument against continuing the moratorium, made by India and South Africa in the months before the “MC-12” Ministerial Conference in 2022, is a pretty simple one: it unfairly deprives developing countries of tax revenue. Their submission rests on a paper written by a UNCTAD staffer in 2019, which claims that refraining from taxation of digitizable products — CDs, music, books, entertainment, and media, which are now widely available in digital form as well as embedded in physical plastic and paper — costs the world’s governments somewhere between \$5 billion and \$10.6 billion each year in revenue.

More specifically, UNCTAD’s writers estimate \$10.6 billion if WTO members applied “bound” tariff rates to these products — that is, the maximum possible tariff rate a country can apply under WTO rules — and \$5.0 billion under the “applied” tariff rates countries actually now use. About \$10.3 billion of the \$10.6 billion under “bound” rates would have gone to developing countries — mainly India at \$467 million, China at \$453 million, and Thailand at \$301 million²³ — and a modest \$212 million to wealthy-country governments.²⁴

The India/South Africa paper does not, however, limit its ambition to digital products with physical counterparts. It instead goes on to observe that “there is no agreed definition nor any common understanding amongst the membership of what is covered under ‘electronic transmissions.’”²⁵ The implication here is that breaching the duty-free cyberspace principle could mean an opening

to tax not only digital products analogous to physical products, but all digital products and services — e.g., imposing particular tax rates on specific services, such as music downloads, telemedicine diagnoses, or on-line classes, as the Harmonized Tariff Schedule assigns tariff rates to automobiles, hairbrushes, computers, and salt — or simply to tax all electronic transmissions of any sort based on volume of data or some other principle.

Taxes of this sort would likely be costly and technically difficult, but may not be impossible. Succeeding, however, would come with a high cost: directly, in reducing the flow of digital trade; secondarily, in placing heavier relative tax burdens on small firms and creative innovators than on large firms and established businesses; and beyond this, in reducing the Internet’s capacity to create entirely new industries, new employment categories, and new forms of business.

Global data transmission requires a network of servers, data centers, and transmission infrastructure — all of which host and carry data around the world. The technology needed to do this is no small feat, requiring thousands of miles of ultra-pure glass fiber, massive computing power, energy, specialized ships, satellites, and more. Companies that provide digital services, especially small ones, must rely on content delivery networks — often operated by third parties — to bring their services to a user’s device. These are utilized in tandem with cloud service providers, which provide infrastructure for websites and applications through the maintenance of international data centers. Though some companies own and operate their own international data centers, it is more common to outsource this to a third party with established, sizable networks.

With this in mind, a tariff on digital services may be especially difficult to implement. Particularly if based on the amount of data transmitted, a tax on digital products will need to be extremely specific in defining which piece of the process is being taxed.

Consider the example of music downloads. In the modern day, the process required to listen to a song on your device relies on an incredibly interconnected global web of content delivery infrastructure, making it difficult to define both what is being exported and by whom. Spotify, for example, is currently the most popular music streaming platform in the world with a reported 31% global market share,²⁶ 574 million users and 226 million paid subscribers.²⁷ The Swedish company, headquartered in Stockholm, claims to operate in 180 markets and hosts content from artists of all sizes around the world. They utilize the paid subscription model in which users can listen to and download unlimited music. Though Spotify has operated its own data centers in Sweden, the United Kingdom, and in Virginia, they have since moved to rely on Google Cloud for the transmission of their services, which operates data centers globally.

In the case of Spotify, a tariff on digital commerce would need to answer some foundational questions. For example, should the tariff be applied based on volume of data transmitted? Does it matter that the data is being transmitted by a company of Swedish origin or by an American cloud service provider? Does this change based on the physical location of the data center hosting the content, requiring companies to establish local facilities in each market they operate in? Additionally, with consumers paying a flat rate for subscription services regardless of the amount of content consumed, how are tariffs applied in a way that

reflects the data being transmitted?

This example is analogous to any industry currently using a subscription model – a universe encompassing everything from entertainment streaming providers like Netflix to paid digital services such as Chegg which provide online tutoring and homework help for students. In these cases, without a high degree of data localization, it is difficult to imagine how a tariff could be implemented in a way that does not produce a significant adverse effect on the ability for domestic contribution to international streaming or subscription services or jeopardize the globalized system as we know it. And, even in cases where digital products are sold as one-time purchases – say, an individual iTunes download – the same questions apply in terms of content delivery networks.

REVENUE IMPLICATIONS OF MORATORIUM ARE NOT SIGNIFICANT

Returning now to UNCTAD's pitch for tax revenue – would the \$5 billion or \$10 billion be worth it? Clearly not. For technical reasons, this form of taxation might prove expensive to collect; and more important, when matched against the potential economic harm to growth, the revenue involved looks trivial.

If UNCTAD's figures are correct, the potential revenue from taxation of electronic transmissions is between \$5 billion and \$10.6 billion. Per the World Bank, India's tax revenue in 2018 (that is, at the time UNCTAD did its calculations) was about 12% of a \$2.7 trillion GDP in 2018, which would be \$324 billion.²⁸ A data tax, with the \$0.2 billion to \$0.5 billion estimated for India specifically, might bring this total to \$324.2 billion or possibly \$324.5 billion. In this case, (again assuming the paper's figures are correct) India has foregone about 0.1% (applied rate) or

0.2% (bound rate) of potential revenue because of the moratorium even before attempting to calculate the cost of levying these taxes to the Indian government.

Meanwhile, the export value India receives from developing its own digitally enabled services exports, and the earning it receives from low-cost financial transfers alone, are both an order of magnitude larger. Other countries' decision to refrain from taxing imports of India's digitally delivered services has helped India develop a \$254 billion services export economy²⁹ which must deliver far more than \$0.47 billion in revenue through income tax and VAT receipts. On the other side of the ledger, Indians and Indian Americans living overseas sent remittance payments to India totaling \$111 billion last year, about ten times the \$10 billion in pre-moratorium 1998. Digital financial services are not the only way to deliver this money, but they are the cheapest – World Bank figures show seven of the ten least costly remittance paths from the U.S. to India are Internet-based – and create competition that has lowered the cost of remittances by about 20% in the last 15 years.

What about a more general revenue argument for “developing countries”? It isn't any more persuasive than an “India-alone” argument. The same World Bank tables report that in 2018, low- and middle-income countries had a combined GDP of \$31.4 trillion, with revenue share of 10.9%. This means they collected about \$3.4 trillion in revenue. The \$5 billion here is again about 0.1% of revenue, and trivial next to either remittance receipts or services exports.³⁰

Meanwhile, as the cost of accessing the internet and downloading services, entertainment, and digital products rises, the relative burden on

small businesses and individuals would grow. One of the Internet's great successes of the past 25 years – the ability of individuals with ideas to find audiences and customers, and the ability of smaller firms to find global customer bases and suppliers through digital contacts – would be diminished in its next 25 years.

Digital trade and connectivity are, relatively, most valuable to small businesses and individual entrepreneurs who lack the capital budgets to invest internationally but can use search, data analytics, and digital advertising to reach potential customers. Taxation of digital connectivity in the same way is likely especially damaging to these types of businesses, and to individuals trying to access telemedicine, entertainment, distance education, and so on. Developing countries seeking additional tariff revenue would be therefore reducing their own access to health services, education, and other high-value inputs; imposing new taxes on well-meaning overseas nationals sending money home to family; encouraging foreigners to tax their own fastest-growing exports; and reducing their own businesses' ability to find overseas customers.

RENEW THE MORATORIUM

So: As WTO members think about digital trade, they do have many areas in which activist policy would be useful.

The 2024 world of 6 billion Internet users, and an electronic commerce value likely approaching that of global GDP, is vastly different from the 150-million-user, experiments-with-email world of 1998. In this changed world the WTO governments have much to do; were an economist to say only “stand there,” that economist would be wrong. Users need privacy protection, governments need to regulate in

the public interest, creators need intellectual property rights protection, and service providers need liability protection and stable and predictable rules.

On the other hand, in some cases standing there is still good advice. In 2024, just as in 1998, everyone needs low-cost and easy access to the Internet. It is still a good thing for smaller

firms to see entry costs fall, and still a positive thing for individual entrepreneurs with ideas to get a chance to try them out. Continuing to give them these opportunities, simply by refraining from unneeded grabbing and tampering, should be easy. In this regard, the moratorium remains “foundational” and practical, and the WTO members ought to renew it.

ABOUT THE AUTHOR

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