Trump's Goal for the WTO: Stopping Taxes on Big Tech

At the upcoming World Trade Organization's (WTO) 14th Ministerial Conference (MC14) in Cameroon, trade officials from every WTO country will meet to discuss the future of a global order that has been thrown into turmoil by the Trump administration's hostile trade policies.

One of the critical issues on the agenda at MC14 is the future of the WTO's E-Commerce Moratorium. As we have discussed previously, the Moratorium restricts countries from imposing import taxes on business-to-consumer and business-to-business transactions that take place across borders over the internet.[1]

While ostensibly a mechanism to limit barriers to global connectivity and thereby bring a wider choice of products and services to the global market, in practice, the Moratorium prevents countries from using customs duties as a means to raise revenues needed to support development and public services, while also reducing the policy tools available to governments to boost domestic tech industry growth amongst other policy goals. As electronic transmissions become a larger portion of the global economy, maintaining the Moratorium may not be in the national interest for many countries, particularly for developing countries that are net importers of digital services and have nascent technology service industries.

The Moratorium has been controversial and was only extended at the previous WTO Ministerial Conference at the last minute following intense negotiations. A failure to agree on a renewal would mean that the Moratorium would lapse following MC14.

The Trump administration, despite its seeming hostility towards the WTO itself, is pushing hard for the WTO to make the Moratorium permanent.[2]

This is part of a broader trend of the Trump administration — to stop other countries regulating U.S.-based Big Tech companies, while actively undermining regulation and enforcement efforts at home.[3] The administration's intent has been reiterated by several senior officials, with Vice President Vance stating that "The Trump administration is troubled by reports that some foreign governments are considering tightening the screws on U.S. tech companies with international footprints. Now America cannot and will not accept that."[4]

By Melanie Foley, Feb 11, 2026

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The Trump administration has followed through on these threats. Not only has President Trump explicitly used his “reciprocal tariffs” to demand removal of other countries’ tech regulations, the U.S. administration has also taken extreme steps such as visa bans and politically motivated trade investigations to oppose regulations imposed by foreign countries on the digital ecosystem.[5]

The U.S. administration has been especially aggressive against efforts to tax U.S. Big Tech companies, making it clear that it will take retaliatory action against countries that it claims are ‘extorting’ U.S. companies through common taxation policies. The U.S. has already flexed its muscle to secure wins for Big Tech — for instance, the Trump administration bullied Canada into dropping its digital services tax on Big Tech companies and is attempting to do so with several other jurisdictions. At the same time, Trump withdrew the U.S. from a global effort to limit tax evasion by multinational corporations under the “Base Erosion Profit Shifting (BEPS) framework organized through the Organization for Economic Cooperation and Development (OECD), which recently announced that U.S. companies would be exempted from the multilateral arrangement.[6] The U.S. has also consistently maintained its hostility towards a nascent United Nations-led global tax convention.

In a similar vein, the Trump administration has also demanded that countries support the Moratorium as part of the numerous opaque trade deals the U.S. administration is negotiating under threat of high tariffs. Countries that have negotiated “Agreements on Reciprocal Trade” with the Trump administration — including Argentina, Bangladesh, Cambodia, El Salvador, Guatemala, and Malaysia — have committed to support a permanent moratorium at the WTO. There are similar terms in the framework deals (still under negotiation) with Ecuador, the European Union, Indonesia, Korea, Thailand, and Switzerland.[7] This is particularly noteworthy in the case of Indonesia, which was a leading opponent of the Moratorium, and in fact is the only country in the world to require reporting of digital imports (seen by some as a first step towards imposing customs duties).

By using bilateral negotiations to whittle down opposition to the Moratorium, the Trump administration is actively pushing to secure a win for Big Tech at MC14. However, the position of other developing countries is less certain — with India, Pakistan and others possibly continuing to oppose the deal. India’s position appears uncertain given that the White House recently announced in a Joint Statement, that India agreed to support the Moratorium in its bilateral trade framework with the United States. However, a revised version of the Joint Statement released subsequently excluded this language, which suggests that India did not in fact agree to such a provision.

The Trump administration appears to have two routes through which it could push through the Moratorium — through a ministerial declaration (as has been done for the past two decades) or through WTO adoption of the Joint Statement Initiative on E-Commerce, a controversial plurilateral side agreement, which commits parties not impose customs duties on electronic transmissions.[8] The JSI route is unlikely.[9] During the Biden administration, the U.S. withdrew support for various provisions of the JSI's text.[10] While the Trump administration has once again embraced those pro-Big Tech provisions in bilateral deals, it is unlikely to support a JSI that does not include a national security exception (which it currently lacks). The JSI route would also provoke significant pushback due to the procedural and governance-based challenges that any joint statement initiative will face.

Countries should be wary of signing any deal to extend the Moratorium and should certainly oppose any deal to make it permanent. Doing so would jeopardize any notions of digital sovereignty and equitable distribution of the benefits of the digital economy.

A decision on the Moratorium is not a referendum about whether or not it is good policy for a country to apply customs duties to electronic transmissions. If the benefits to all parties of a Moratorium were as overwhelming as claimed by its proponents, a global agreement would not be necessary, as no government would impose such customs duties. Instead, what is at stake is the sovereign ability of states to decide if and how to regulate the digital ecosystem, and the critical issue of preserving the policy tools available to a state to implement public and economic policy in its national and public interest.

The effort to make the Moratorium permanent should therefore be seen as what it is — one more example of the Trump administration going to bat on behalf of Big Tech to stop countries from regulating this handful of massive and powerful companies.[11] In fact, the Trump administration's position on the substantive policy position behind the Moratorium has been laid bare by its declared intent to impose tariffs on the import of foreign films into the U.S. You can bet the Moratorium will not stop the U.S. from imposing such taxes if it so chooses, so why should others sign up to such a deal?[12]

Endnotes

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