News

ECIPE | EUROPEAN CENTRE FOR INTERNATIONAL POLITICAL ECONOMY

Avenue des Arts 40, 1040 Brussels
www.ecipe.org — info@ecipe.org

ECIPE - NEW POLICY BRIEF

The Economic Losses From Ending the WTO Moratorium on Electronic Transmissions

by Hosuk-Lee Makiyama and Badri Narayanan

Brussels, Belgium, 12th August 2019

A new ECIPE report shows digital tariffs lead to severe losses for developing countries.

Since 1998, the WTO Members have applied a moratorium against tariffs on international electronic transmissions (commonly referred to as the WTO 'E-Commerce' Moratorium). However, some WTO Members have recently debated whether the moratorium remains in their economic interest, given the potential revenues that might be generated by imposing tariffs on electronic transmissions.

The new ECIPE study (supported by the members of the Global Services Coalition) concludes that imposing such tariffs would be fiscally counter-productive. If countries ceased to uphold the moratorium and levied import duties on digital goods and services, they would suffer negative economic consequences in the form of higher prices and reduced consumption, which would in turn slow GDP growth and shrink tax revenues.

The payoff in tariff revenues would ultimately be minimal relative to the scale of economic damage that would result from import duties on electronic transmissions: India would lose 49 times more in GDP than it would generate in duty revenues. The figures are even more skewed for Indonesia, which would give up 160 times as much GDP as it would collect in tariffs, while South Africa would lose over 25 times more and China, seven times more.

The loss of tax revenues is estimated to be 51 times larger than the tariff revenues for India, 23 times for Indonesia, 12 times for South Africa and three times for China. In short, a tariff on electronic transmissions would prove to be a highly inefficient form of tax collection.

Publication details:
The Economic Losses From Ending the WTO Moratorium on Electronic Transmissions,
By Hosuk Lee-Makiyama and Badri Narayanan, ECIPE Policy Brief 03/2019

Media Contact: info@ecipe.org at +32 2 289 13 50