Economic Implications of Terminating the WTO Moratorium on Electronic Transmissions: A Focus on Audio-Visual and Digital Services

Authors: Asha Abraham, Sumathi Chakravarthy, Karthikeyan Chandramohan,Badri N Gopalakrishnan

Contents

1. Introduction

2. Literature Review

3. Methodology

4. Results and Analysis

5. Conclusion

INTRODUCTION

History

- Electronic Transmissions refers to online deliveries of digitizable products and services.
- To encourage trade in ETs WTO in 1998 announced a two-year moratorium on the imposition of custom duties on electronic transmissions.
- This moratorium has been renewed every two years.
- There is a constant separation in terms of the need for continuing the moratorium:
  - Some countries such as OECD nations, China etc wat a permanent status on the moratorium
  - While countries such as India, Indonesia etc are seeking its termination.

Objective

1. The main aim of this study was to find the impact of removing the moratorium on eight key economies:
   - Argentina
   - Brazil
   - India
   - Indonesia
   - Kenya
   - Nigeria
   - South Africa
   - Thailand

2. The study focusses on looking at the audio visual and digital services sector.

LITERATURE REVIEW

Literature Review

Impact of removing the moratorium and levying tariffs on these services

2019 A

Banga

Loss in Customs revenue

Identified 49 online tradable goods based on HS code.

Estimated that the potential tariff revenue loss to WTO's developing members (59 countries) in 2019 was between 5.2 billion USD and 10.1 billion USD due to the moratorium on electronic transmissions

2019 B

Makiyama and Gopalakrishnan

Contest Banga's revenue loss estimate

Banga's estimates does not consider the negative economic consequences of levying an import tax on ETs.

Using CGE they estimate that India would lose 49 times more in GDP than it would generate in duty revenue, while the loss for Indonesia would be 160 times, for South Africa over 25 times and over seven times for China

Andrenelli and González

Support the moratorium

Tariffs are an unstable source of revenue (as compared to GST/VAT), they are associated with lower output and productivity, and the burden of payment usually falls on domestic consumers.

2023,2024,and 2025

Narayanan et al

Further support the moratorium

They use econometric panel data regression and estimate that increasing digital trade have a positive impact on MSME's GDP.

Methodology

Database Preparation

- GTAP 12 Database referenced to the year 2019. It covers data for 160 countries and regions and 65 sectors.
- In this study we aggregated 160 countries/regions into 10 countries/regions and retained all 65 sectors.
- Readjusted the base using GTAP Adjust program to 2023 using World Bank's GDP data.
- The UN Comtrade data was used for adjusting goods data.
- The SPLITCOM program was used to split the communication(cmn), recreational services (ros) and other business services (obs) sectors. The following are the sectoral disaggregation added to the database:
    A. Recreational Services sector was disaggregated to audio visual services and rest of ros.
    B. Other Business Services sector was disaggregated to digital services and rest of obs.
- To split we used production and trade (export and import) data for each of the selected countries. This data was sourced from OECD and UNCTAD respectively.

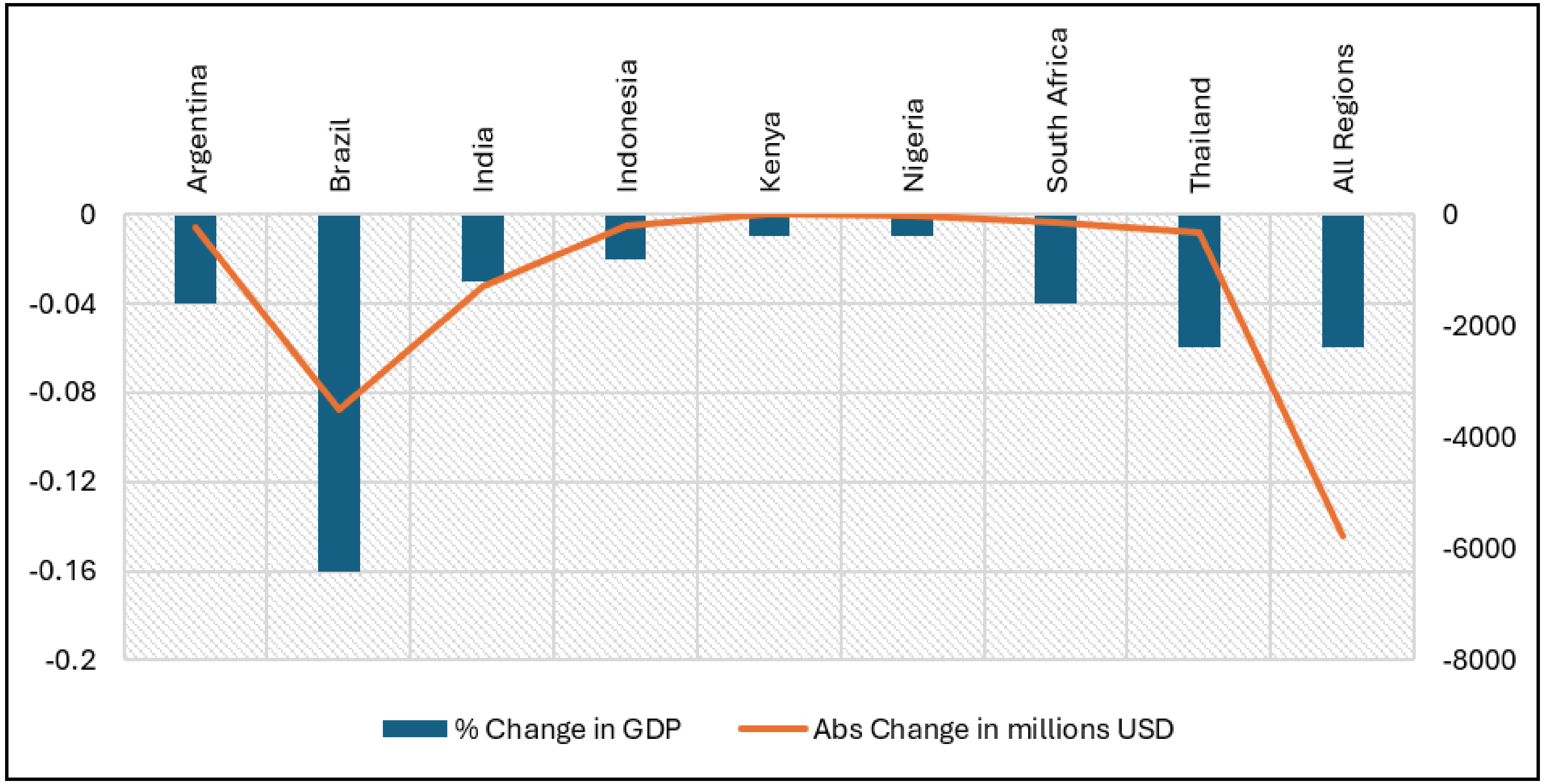
Scenarios

- Scenario 1 – Imposing tariffs on Audio, Visual, Digital and Streaming service imports
  1. Each country imposes tariffs on its imports of audiovisual, digital, and streaming services without any reciprocal tariffs from other countries.
  2. The tariff rate applied is the simple average MFN rate across digitizable goods for the countries of study.
- Scenario 2 - Reciprocal Tariffs on Audio Visual, Digital and Streaming services imports imposed by other countries
  1. Countries retaliate by imposing a reciprocal tariff on imports of audio visual, digital, and streaming services from the countries of study.
  2. The global average MFN rate across all countries for digitizable goods is applied uniformly for all countries as the reciprocal tariff.

Result and Analysis

Scenario 1: Imposing tariffs on Audio Visual, Digital and Streaming service imports

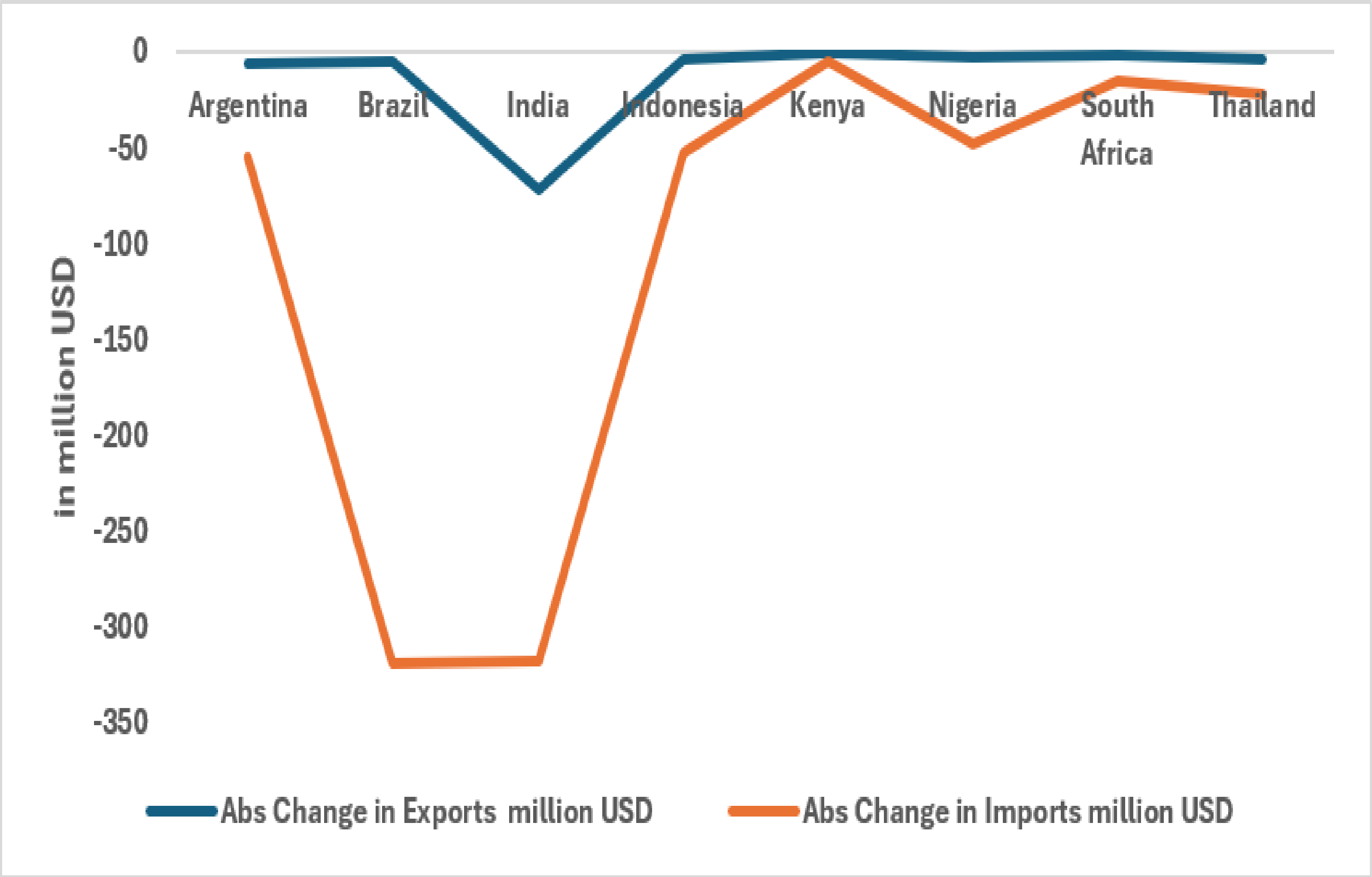
Due to the imposition of tariffs, countries with a higher share of global trade with respect to audiovisual services and digital services, along with a higher GDP base value, experience a larger decline in GDP.



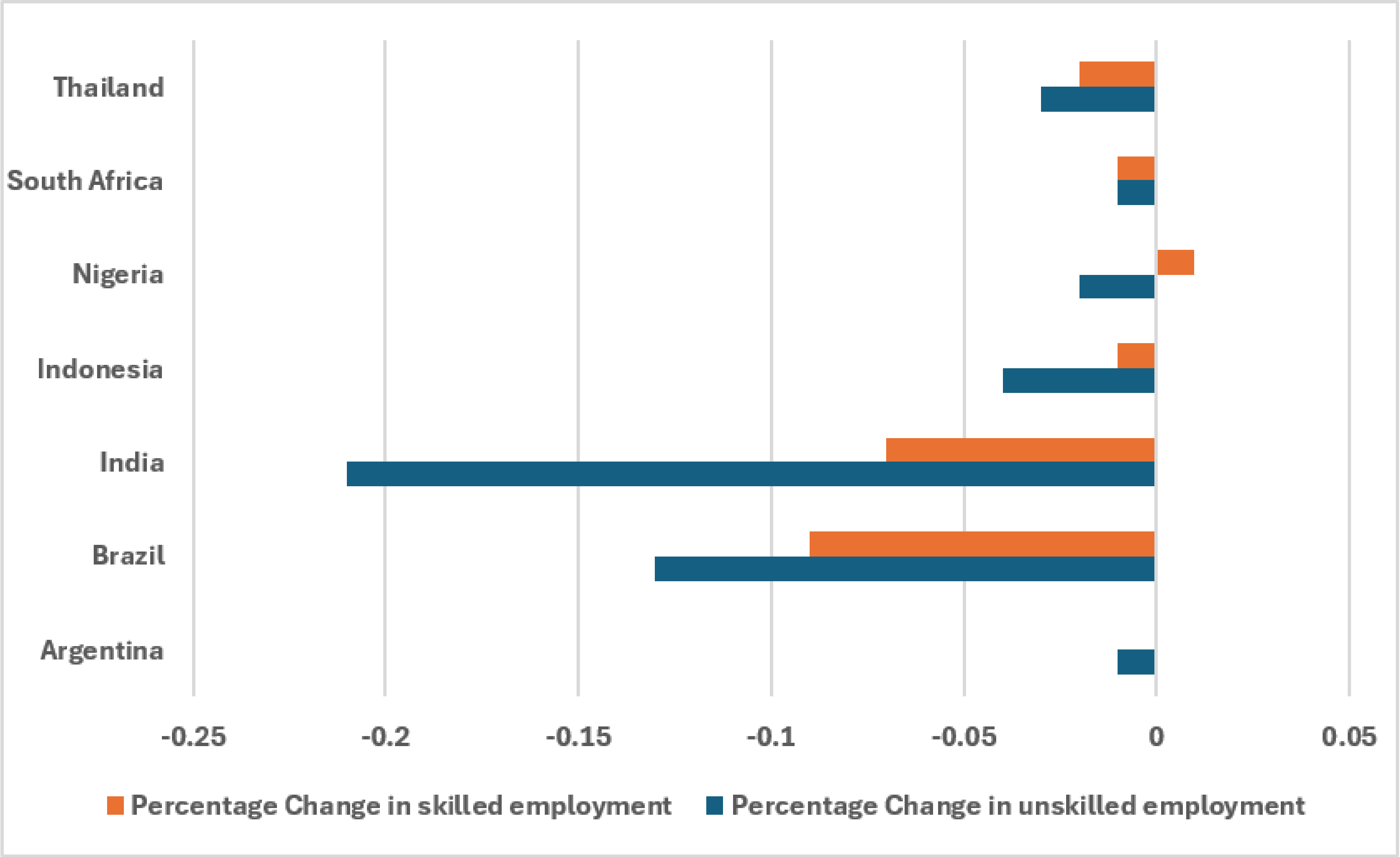
Export and Import Changes

Region	Exports		Imports	
	% Change	Abs Change in millions USD	% Change	Abs Change in millions USD
Argentina	-0.56	-445.00	-0.83	-480.96
Brazil	-0.07	-231.69	-1.15	-3045.28
India	-0.91	-3786.81	-0.50	-3326.78
Indonesia	-0.20	-539.55	-0.28	-614.33
Kenya	-1.46	-96.12	-0.25	-45.62
Nigeria	-0.40	-272.30	-0.41	-262.27
South Africa	-0.20	-214.44	-0.25	-242.86
Thailand	-0.21	-611.66	-0.24	-703.02

Macro economic Impact: Continued

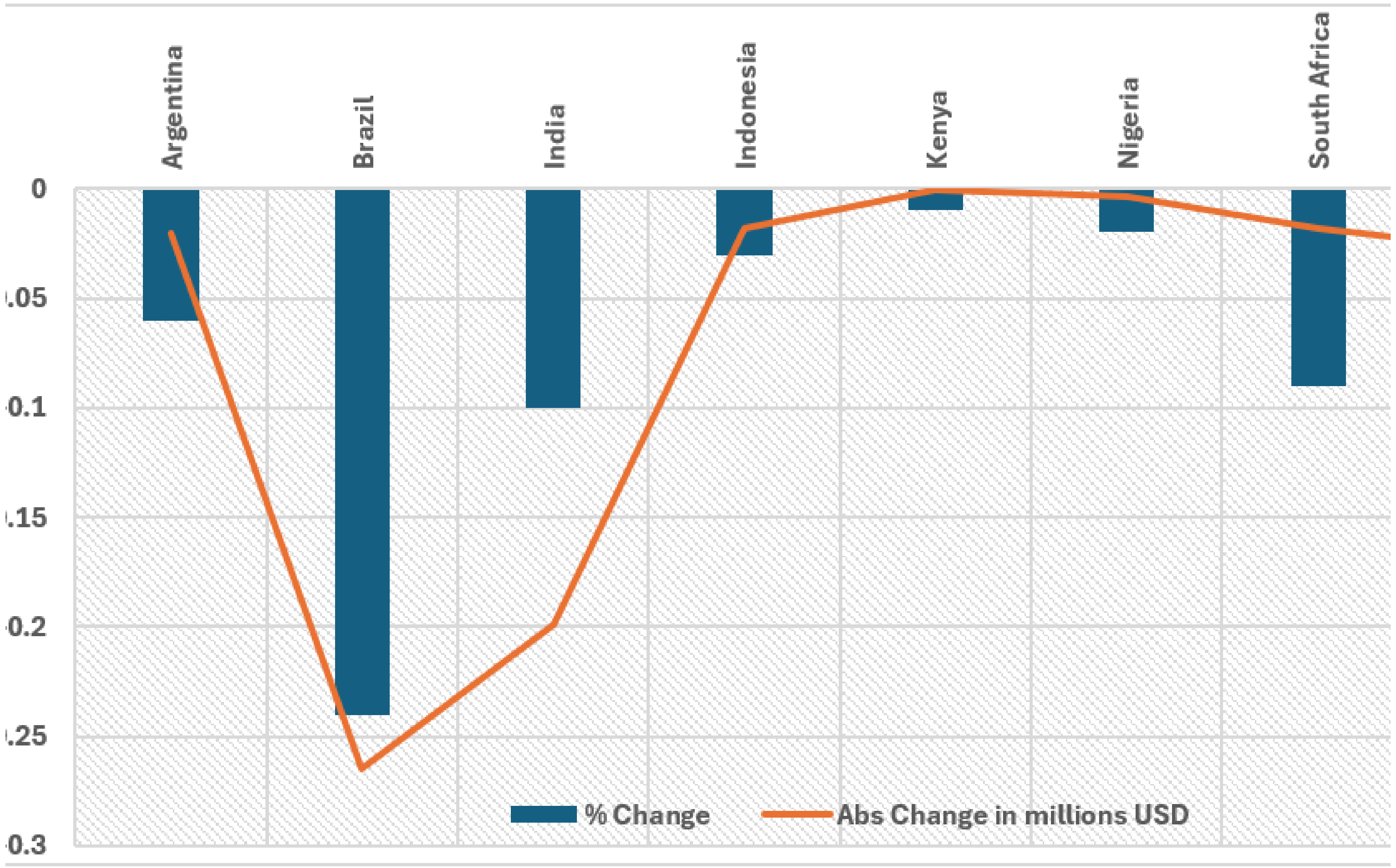


Change in trade (Audio Visual, Digital and Streaming Services)



Change in overall employment(Skilled Vs Unskilled)

Scenario 2: **Reciprocal Tariffs on Audio Visual, Digital and Streaming service imports**



- The decline in GDP is more marked in scenario 2 compared to scenario 1,.
- The imposition of retaliatory tariffs on digital service exports by other countries, as envisaged in scenario 2 is more reflective of practical realities, it is also possible that other countries retaliate by imposing reciprocal tariffs on more sectors and/or by imposing higher tariffs on digital and audio-visual service exports compared to the tariffs imposed by these eight countries

Comparative summary between the two scenarios over all the regions for GDP, Total Exports and Total Imports

	GDP (Absolute Change in million USD)		Exports (Absolute Change in million USD)		Imports (Absolute Change in million USD)	
	Scenario 1	**Scenario 2**	**Scenario 1**	**Scenario 2**	**Scenario 1**	**Scenario 2**
Argentina	-236.69	-407.56	-445.00	-505.08	-480.96	-623.55
Brazil	-3509.25	-5299.50	-231.69	-340.69	-3045.28	-4019.32
India	-1282.25	-3982.00	-3786.81	-3756.59	-3326.78	-6428.26
Indonesia	-221.63	-366.50	-539.55	-639.62	-614.33	-864.29
Kenya	-5.88	-13.16	-96.12	-103.66	-45.62	-63.50
Nigeria	-37.34	-73.38	-272.30	-313.13	-262.27	-348.58
South Africa	-161.06	-358.44	-214.44	-267.89	-242.86	-451.62
Thailand	-315.00	-558.06	-611.66	-701.22	-703.02	-1084.82

Conclusion

Findings

Region	Tariff Revenue Gains in millions USD	GDP Loss in scenario 1	GDP Loss in Scenario 2
Argentina	0.43	-236.69	-407.56
Brazil	14.66	-3509.25	-5299.5
India	28.36	-1282.25	-3982
Indonesia	1.11	-221.63	-366.5
Kenya	0.06	-5.88	-13.16
Nigeria	0.78	-37.34	-73.38
South Africa	0.13	-161.06	-358.44
Thailand	0.47	-315	-558.06

1. Imposing of tariffs, whether unilateral or reciprocal, is not beneficial to the economy as a whole.
2. The greater the electronic transmissions trade the more pronounced is the negative impact on the economy.
3. The revenue that countries are expected to earn is only a small fraction of the economic losses that they will experience from the imposition of tariffs.

Thank You

INFISUM

Literature Review

Determinants of digital and audio-visual services

2006

Towse

CULTURAL PROTECTION

Cultural protection policies shape trade in these services, requiring a balance between cultural sovereignty and economic competitiveness.

2010 – 2015

Felbermayr & Toubal | Hellmanzik & Schmitz

GRAVITY MODEL

Virtual proximity raises bilateral trade in cultural goods.

Doubling GDP lifts trade by **40%**; doubling distance cuts it by **45%**.

2017

Hoofd

PROTECTION VS LIBERALIZATION

Audio-visual and digital services are increasingly tradable, yet governments continue to regulate them through non-tariff barriers.