There is fiscal revenue forgone on goods tariffs – not just from digitalisation, but also from services and investments, or from technology overall.

But a new external tariff also leads to measurable increases in domestic prices.

- Digitally-delivered content (software, music, films), business services (storage, hosting, processing); e-commerce and intermediation services (retail, search, publishing, advertising).
- No forced localization or denial of service – or change in innovation.

Impact – slower economic activities, loss of consumption

- From marginally higher consumer prices (welfare loss from lower consumption)
- Business inputs (lower turnover and lower employment).

Revenue at the border or in the market?
A COMPARISON

• Example of India*
  • UNCTAD tariff estimates – $39 million or $174~497 million

• Generates losses of
  • Sectoral output – $716 million (0.03%)
  • Employment loss – 433,000 full time employees equiv. (0.08%)
  • Lost welfare – $770 million
  • Internal tax revenues lost – approx. $200-340 million**
QUESTIONS

• What should be the baseline – uninventing the internet?
  • Not all printed matter (incl. colouring books, postcards), memory circuits, optical-mechanical media or NAMA can be digitised.
  • Not all digitizable products and services are replacements of existing goods, or traded.

• Extrapolation of future fiscal revenue loss based on today’s (or yesterday’s) prices?
  • Windows 95 cost 3 times more than Windows 10 in today’s prices. CD cost 2.6 times more than iTunes downloads. Streaming is ‘free’, i.e. advertising-paid.
  • Competing office productivity suites are freeware/online services.

• Trajectory of 3D printing
  • Still limitations in 20 years.
  • Data and printers are a fixed ‘cost’. Inputs (‘ink’) is a variable costs that must be produced and traded
  • Bigger impact on domestic taxes rather than tariffs.
QUESTIONS

• Tax policy and trade
  • Internet increase tax base by moving the grey economy into the regular, taxed economy
  • Trend towards corporate income taxes and sales taxes. Are countries still depending on fiscal revenue in 20 years?
  • WTO will duplicate work with BEPS

• Policy space
  • Are the digital services and products actually traded – or just subscribed, shared or experienced – and without actual cross-border transaction (transfer of ownership).
  • Every agreement in the WTO limits the policy space of the members
  • TRIPS NVC moratorium