How Joining the ITA Spurs Economic Growth in Developing Nations

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Today’s Presentation

1. How ICTs Drive Developing Country Economic Growth
2. How the ITA Benefits Developing Countries
3. Modeling Economic and Tariff Impact of ITA Accession
ICTs Strongest Growth Drivers in Developing Countries

- ICTs have been responsible for 25% of Kenya’s economic growth since 2000.

- ICT usage accounted for 25% of the increase in Chinese GDP growth from 2000-2007, and 40% of TFP growth.

- “ICTs contributed approximately one-quarter of GDP growth in many developing countries from 2000-2010.”
  – Richard Heeks, Oxford University
ICTs Are A Key Driver of Productivity and Innovation

ICT is “super capital” which has a much larger impact on productivity than other forms of capital.

- ICT capital has up to 7 times more impact on firm productivity than non-ICT capital.
It’s Better To “Eat” Than “Cook” the Tech

- Over 80% of the economic benefits from ICT are related to its use by organizations and consumers, rather than its production by tech firms.
How Joining the ITA Spurs Growth in Developing Nations

1. Supports ICT Services Sectors and Exports
2. Spurs Participation in ICT Global Value Chains
3. Empowers Domestic Manufacturers
4. Boosts Countries’ Economic Growth
ITF Facilitates ICT Services Industry and Exports

ICT Services Exports as Percentage of Total Services Exports

Source: World Bank
ITA Facilitates Participation in ICT GVCs

ICT Exports as Percentage of Total Goods Exports, 2014

Source: World Bank
ITA Facilitates Participation in ICT GVCs

Membership and Participation in ICT GVCs

Benefits Producers Using ICTs as Inputs for Mfg. Goods

- E.g., Over 50% of semiconductors imported into China are inputs into re-exported products.
How Joining the ITA Spurs Growth in Developing Nations

By reducing costs, the ITA enables increased use of ICT goods, which has productivity and economic growth in signatory nations, while opening their industries to global value chains.
Conceptual Framework of Economic Model

- Eliminating tariffs lowers ICT prices.
  - Lower ICT prices stimulate increased ICT consumption.
    - Greater ICT consumption increases ICT capital stock, leading to increased productivity, and thus, economic growth.
      - Increased economic growth produces tax revenues replacing tariff income forgone.
Economic Growth After 10 Years of ITA Membership

Source: ITIF, How Joining the Information Technology Agreement Spurs Economic Growth in Developing Nations
Recovery of Foregone Tariffs After 10 Years

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Thank You!

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