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

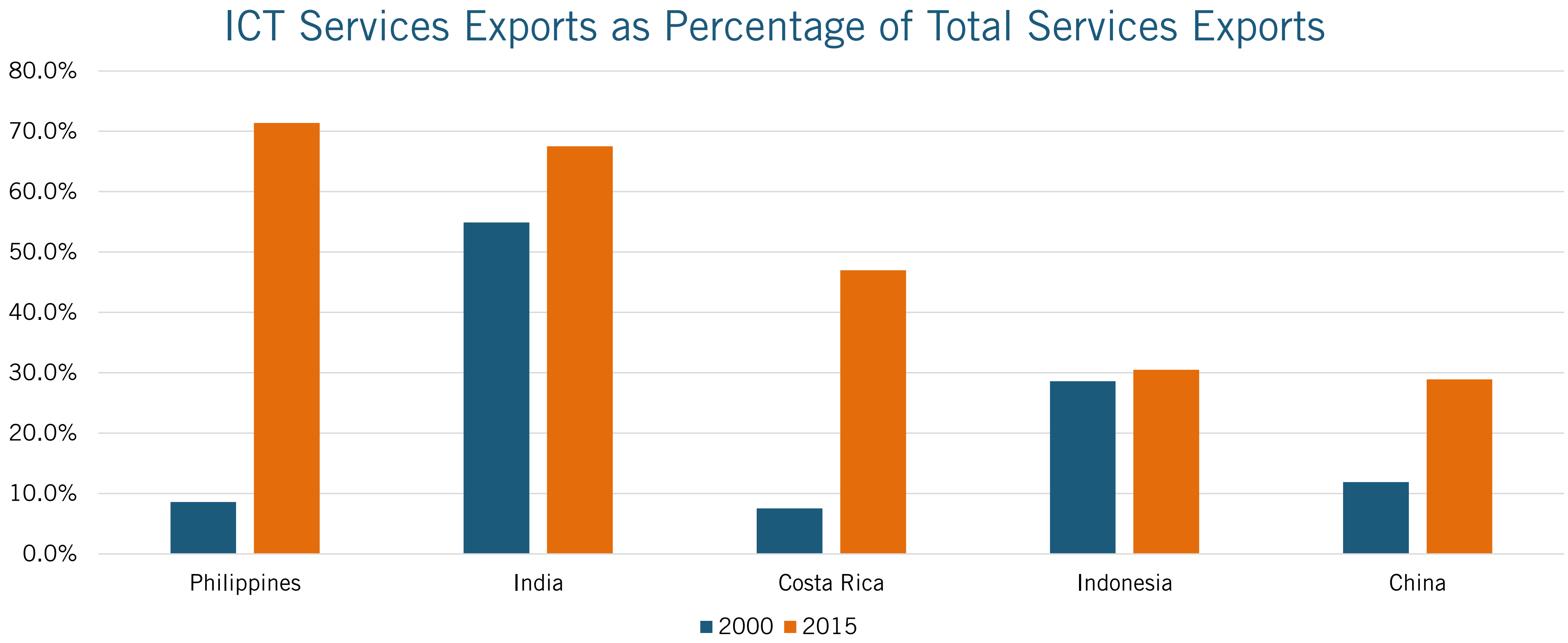
1. Supports ICT Services Sectors and Exports

2. Spurs Participation in ICT Global Value Chains

3. Empowers Domestic Manufacturers

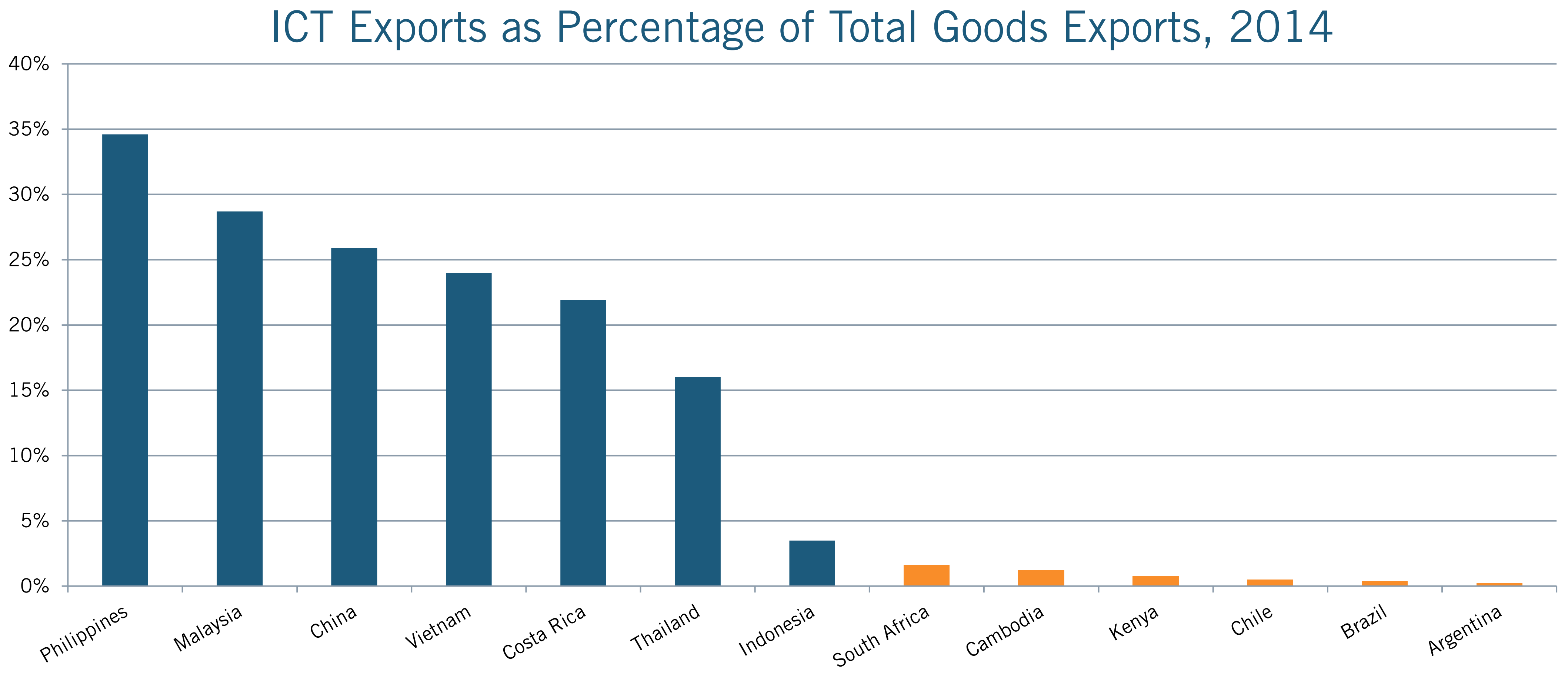
4. Boosts Countries' Economic Growth

ITA Facilitates ICT Services Industry and Exports



Source: World Bank

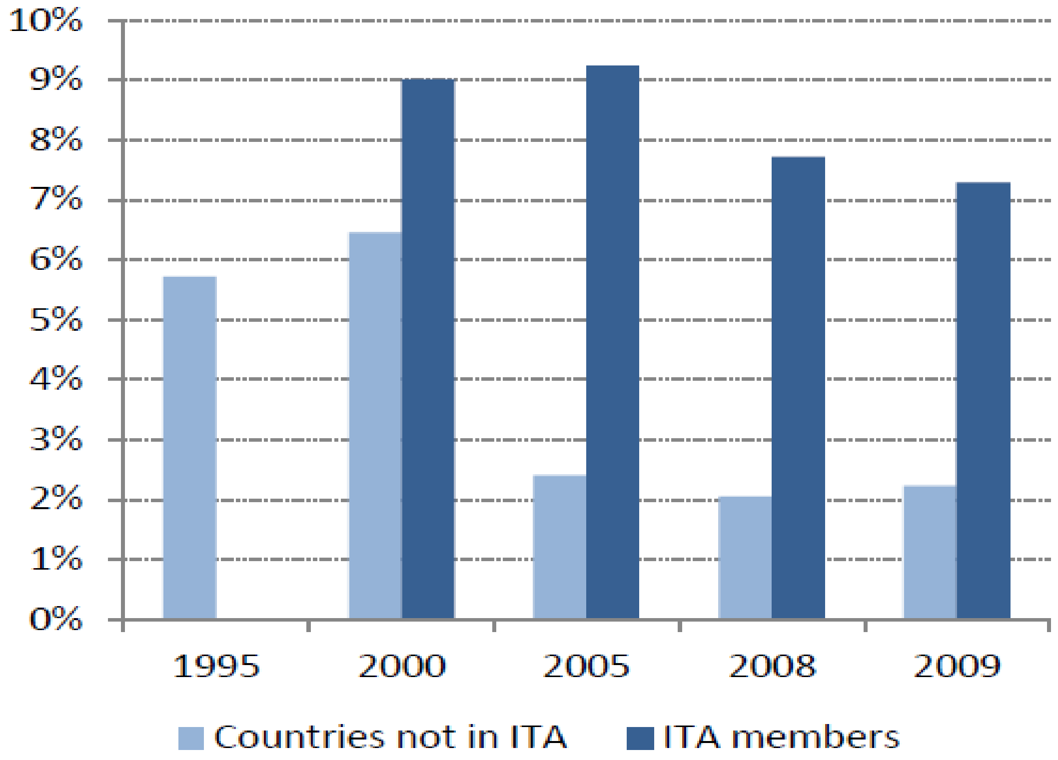
ITA Facilitates Participation in ICT GVCs



Source: World Bank

ITA Facilitates Participation in ICT GVCs

Membership and Participation in ICT GVCs



Source: OECD, *Implications of Global Value Chains for Trade, Investment, Development, and Jobs*, 2013

Benefits Producers Using ICTs as Inputs for Mfg. Goods

- E.g., Over 50% of semiconductors imported into China are inputs into re-exported products.

HUAWEI

CloudEngine
12800 Series
High-Performance
Core Switches

How Joining the ITA Spurs Growth in Developing Nations

ITIF
INFORMATION TECHNOLOGY & INNOVATION FOUNDATION

How Joining the Information Technology Agreement Spurs Growth in Developing Nations

BY STEPHEN J. EZELL AND J. JOHN WU | MAY 2017

By reducing costs, the ITA leads to increased use of ICT goods, which spurs productivity and economic growth in signatory nations, while deepening their enterprises' participation in global value chains.

Implemented in 1996, the Information Technology Agreement (ITA) has played a pivotal role in facilitating global trade in information and communications technology (ICT) products. Under the ITA, 82 signatory countries have agreed to fully eliminate tariffs on hundreds of ICT products. By reducing their costs, the ITA leads to increased use of ICT goods, which spurs productivity and economic growth in signatory nations, while deepening their enterprises' participation in global value chains (GVCs) for the production of ICT goods and services. Recognizing these benefits, 53 nations agreed in December 2015 to reduce tariffs on an additional 201 ICT tariff lines (including hundreds of products, parts, and components) as part of an expanded list of goods covered by the ITA. Yet, despite its proven benefits, some developing countries have remained on the sidelines of the initial ITA and its recent expansion. In this report, ITIF analyzes the effects of six developing nations—Argentina, Cambodia, Chile, Kenya, Pakistan, and South Africa—joining the original ITA as well as its recent expansion. It finds that doing so will boost economic growth for each of these countries, while generating tax revenues from new economic growth in the 10th year following accession that more than offset tariff losses for two of the six nations, while recovering most tariff losses for another three.

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Conceptual Framework of Economic Model

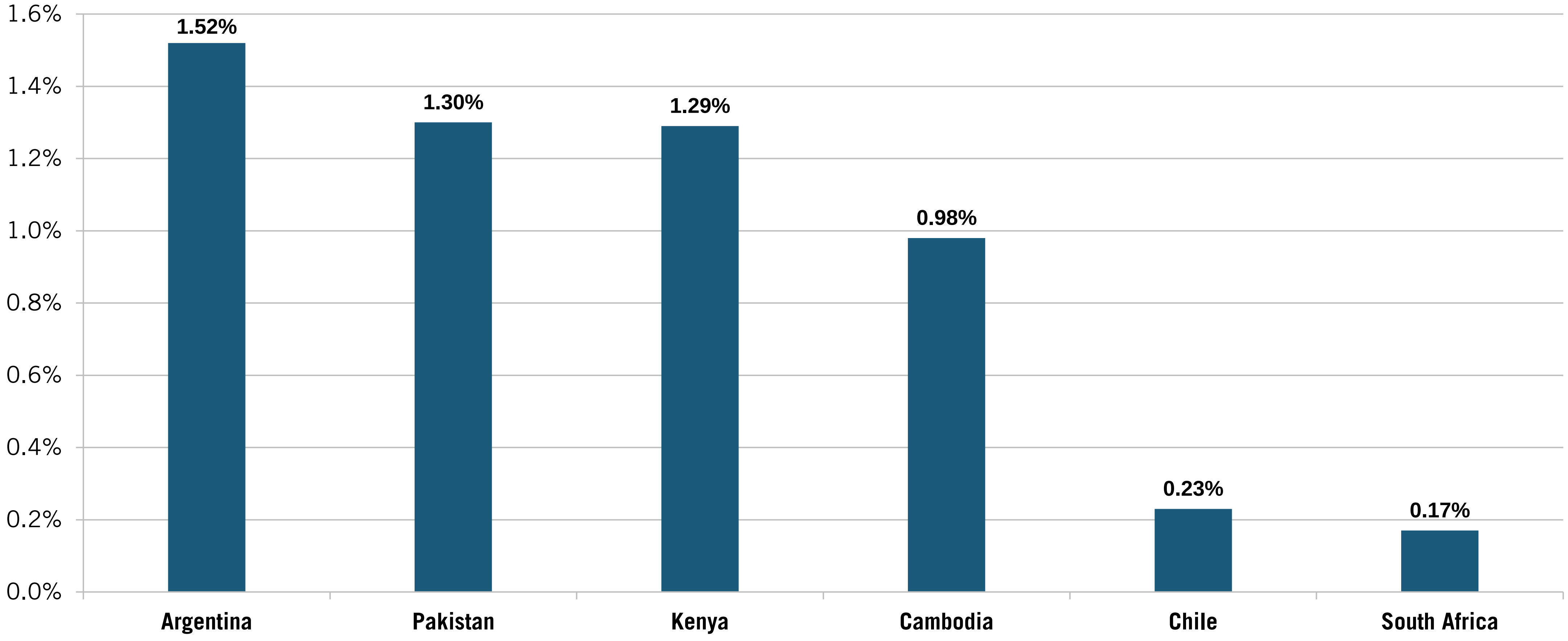
Eliminating tariffs lowers ICT prices.

Lower ICT prices stimulate increased ICT consumption.

Greater ICT consumption increases ICT capital stock, leading to increased productivity, and thus, economic growth.

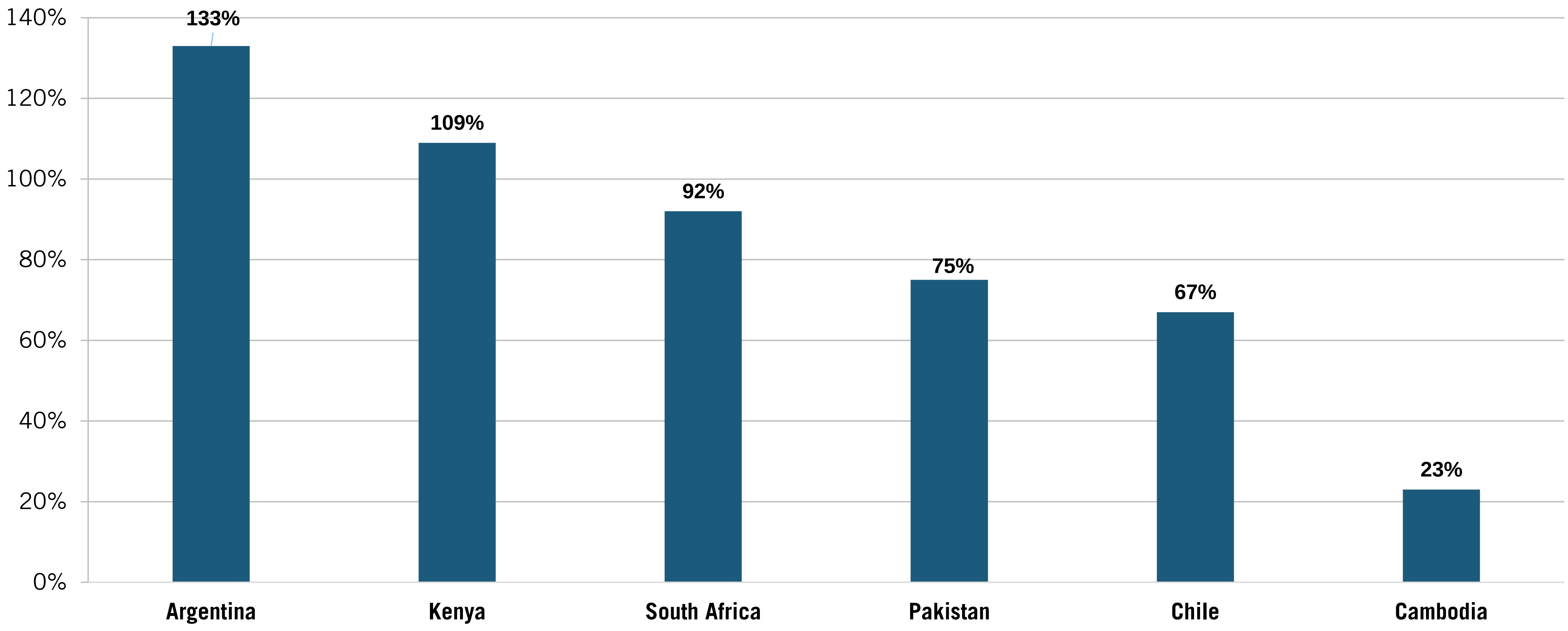
Increased economic growth produces tax revenues replacing tariff income forgone.

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



Source: ITIF, *How Joining the Information Technology Agreement Spurs Economic Growth in Developing Nations*

Thank You!

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