

# Pursuing an ITA-3 to Bolster Global Economic Growth and Opportunity

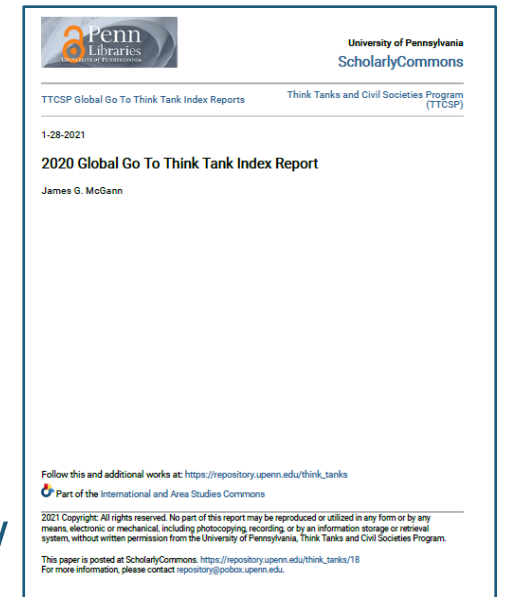
ITIF/SIA ITA-3 Symposium

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# About ITIF

- The world's leading science and technology policy think tank.
- Supports policies driving global, innovation-based economic growth.
- Focuses on a host of issues at the intersection of technology innovation and public policy across several sectors:
  - Innovation and competitiveness
  - ICT and data
  - Telecommunications
  - Trade and globalization
  - Manufacturing, life sciences, agricultural biotech, and energy



# Today's Presentation

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- 1 How ICT Drives Countries' Economic Growth
- 2 How the ITA Benefits Participating Countries
- 3 Modeling the Economic/Tariff Impact of ITA-3

# ICT Drives Economic Growth

- **Globally:** ICT accumulation = 20% of growth, 1995–2014.
- **Developing countries:** ICT added ~25% of growth, 2000–2010.
- **All Countries:** Study of 149 countries, 1980-2015: “ICT has positive and significant impact on economic growth.”



Sources: Richard Heeks, “ICT and Economic Growth: Evidence From Kenya”; The World Bank, “Kenya Economic Update”  
M. Cardona, T. Kretschmer, and T. Strobel, “ICT and Productivity: Conclusions From the Empirical Literature”

# ICT Exerts Outsized Impact on Productivity and Innovation

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- ICT is “super capital.”
- It exerts an outsized impact on productivity:
  - ICT capital has 3 to 7 times more impact on firm productivity than non-ICT capital.
  - ICT workers contribute significantly more to productivity than non-ICT workers.



Source: ITIF, Robert Atkinson and Andrew McKay, “Digital Prosperity: Understanding the Economic Impact of the IT Revolution”

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# How Joining the ITA Spurs Countries' Economic Growth

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1. Boosts Productivity and Innovation
2. Supports ICT Services Sectors and Exports
3. Spurs Participation in ICT Global Value Chains



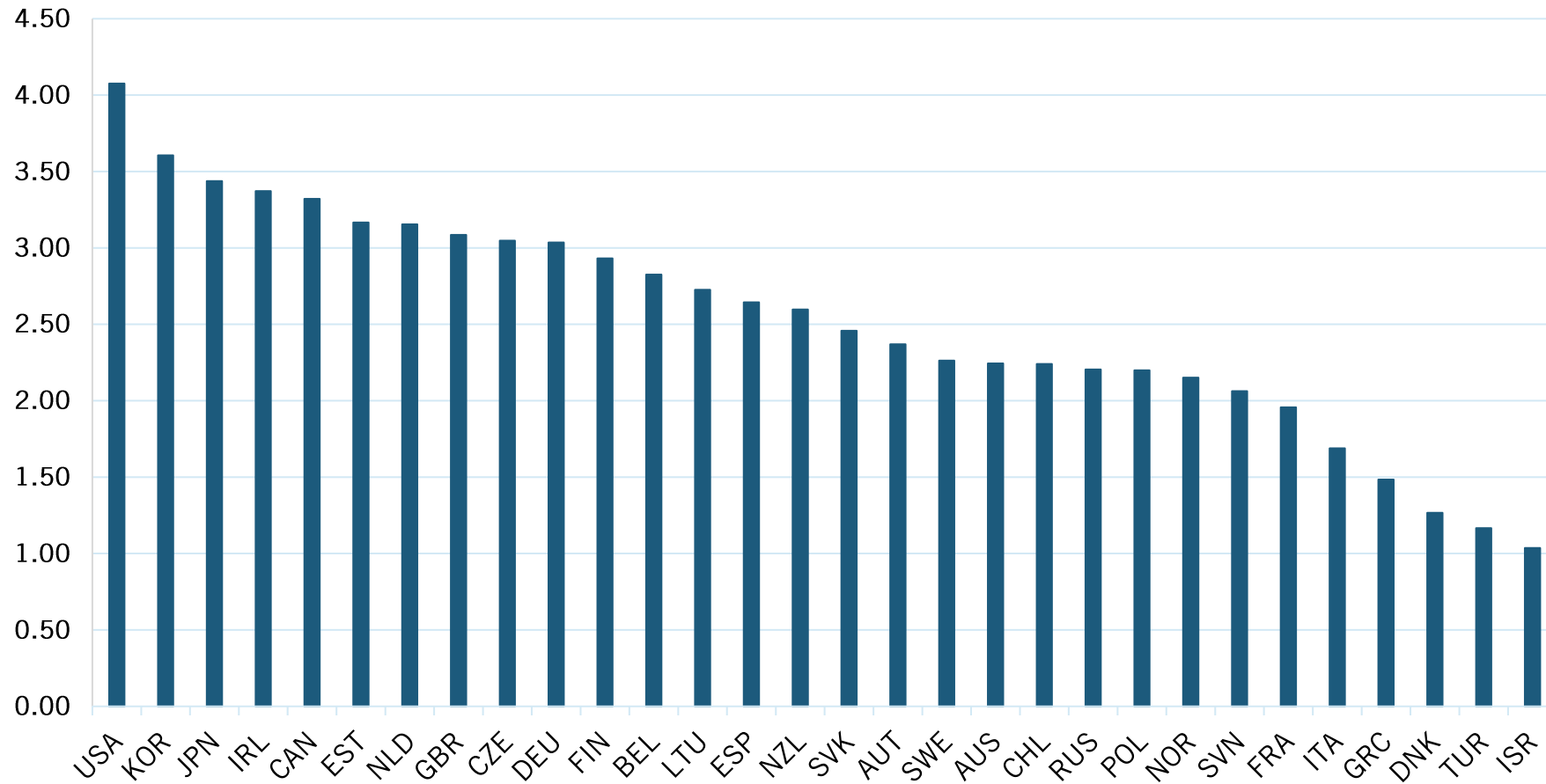
# 1. ITA Lowers ICT Prices, Increasing ICT Consumption





## 2. ITA Facilitates ICT Services Industries and Exports

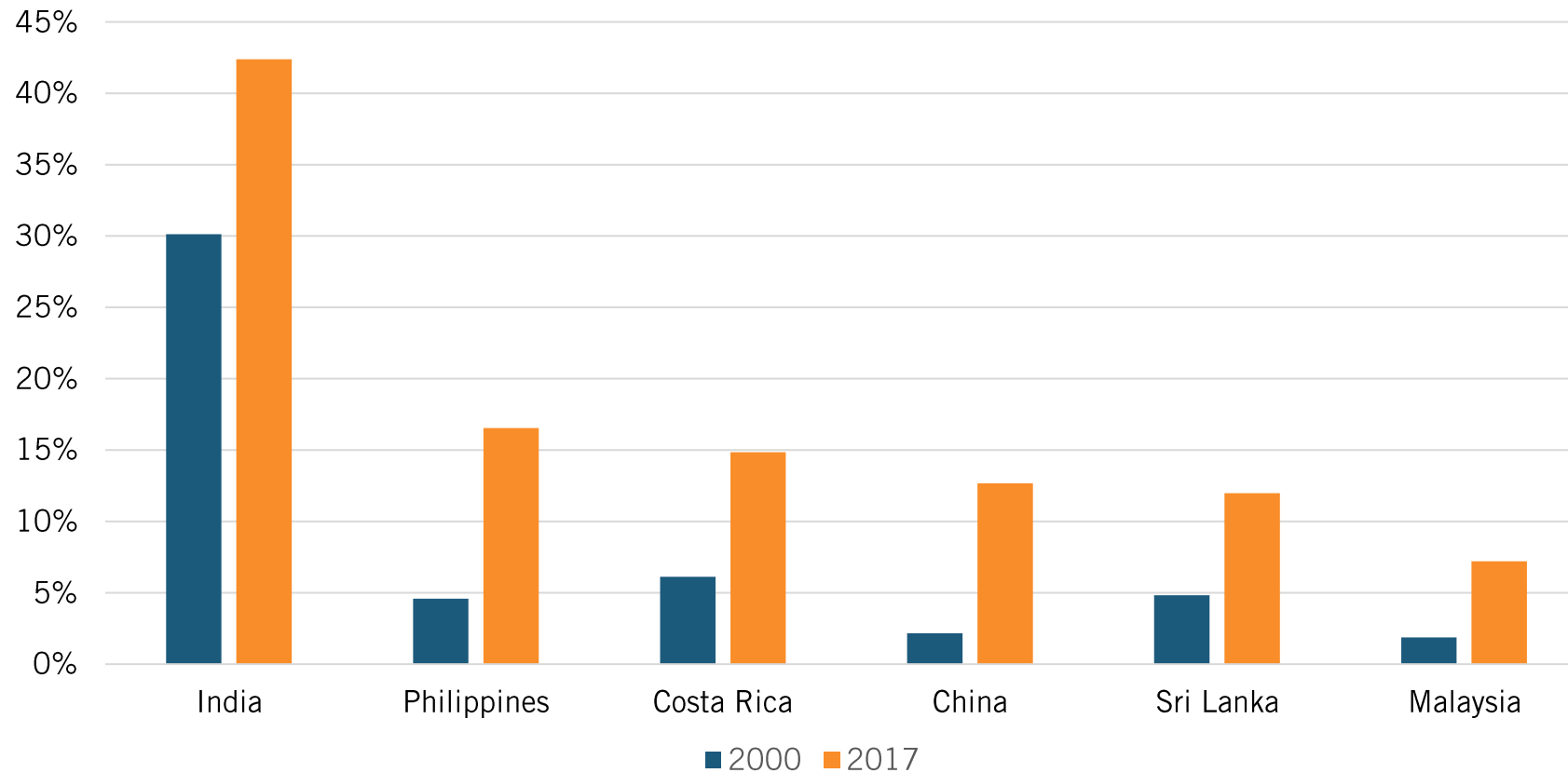
Percent Increase in Wages From a 10% Increase in ICT Task Intensity



Source: OECD

## 2. ITA Facilitates ICT Services Industries and Exports

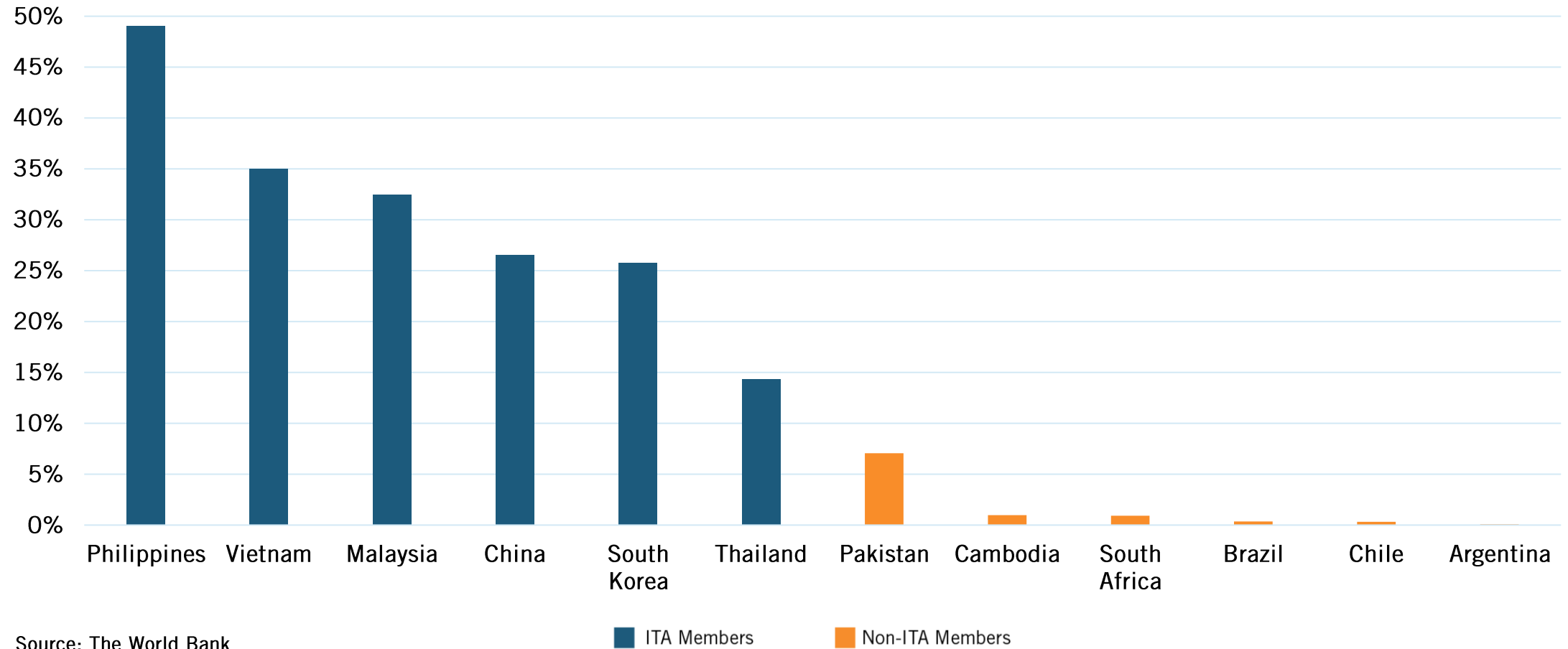
ICT Services Exports as a Percentage of Total Services Exports, 2017



Source: The World Bank

### 3. ITA Facilitates Participation in ICT Global Value Chains

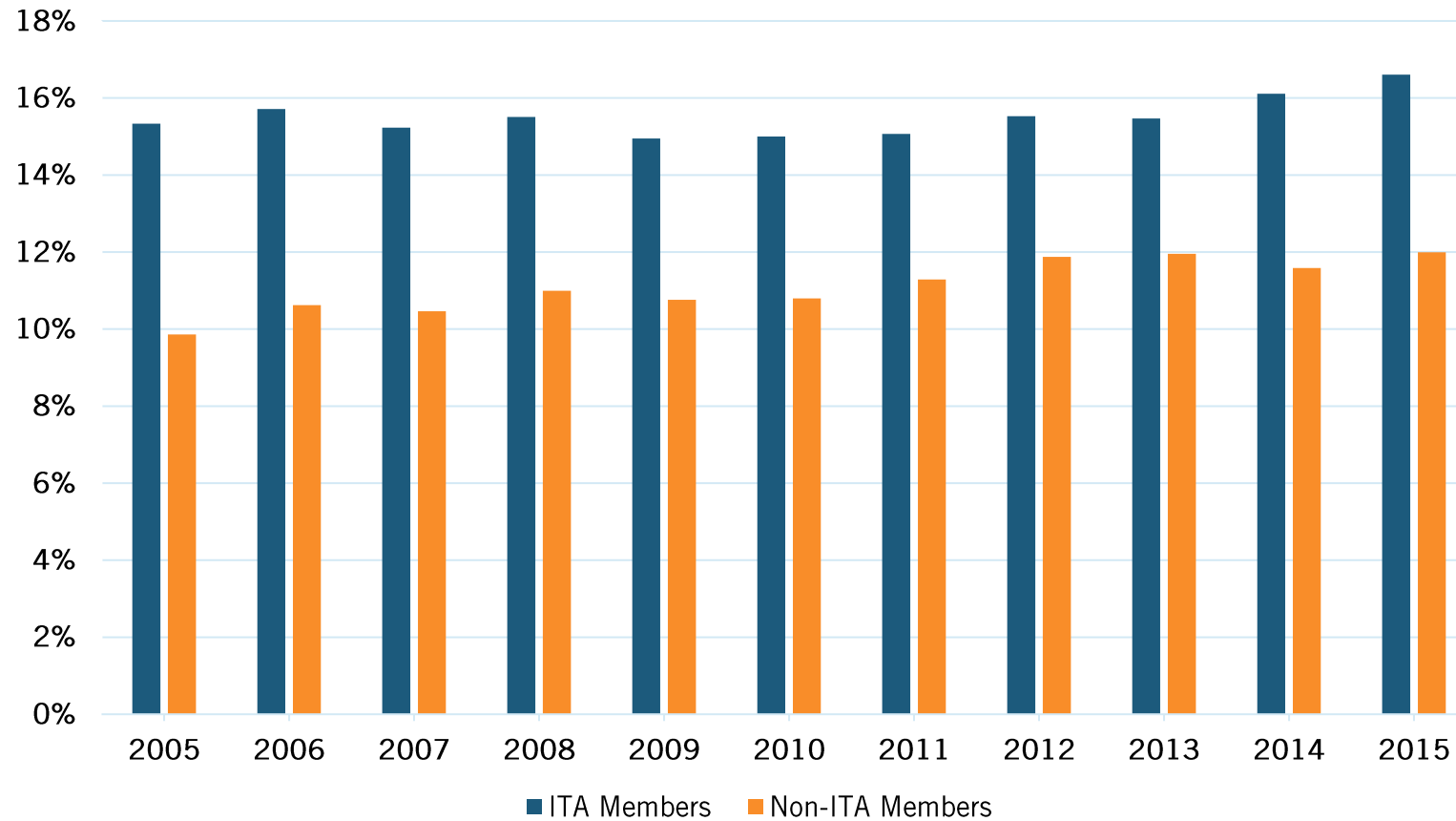
ICT Goods Exports as a Percentage of Total Goods Exports, 2019



Source: The World Bank

# 3. ITA Facilitates Participation in ICT Global Value Chains

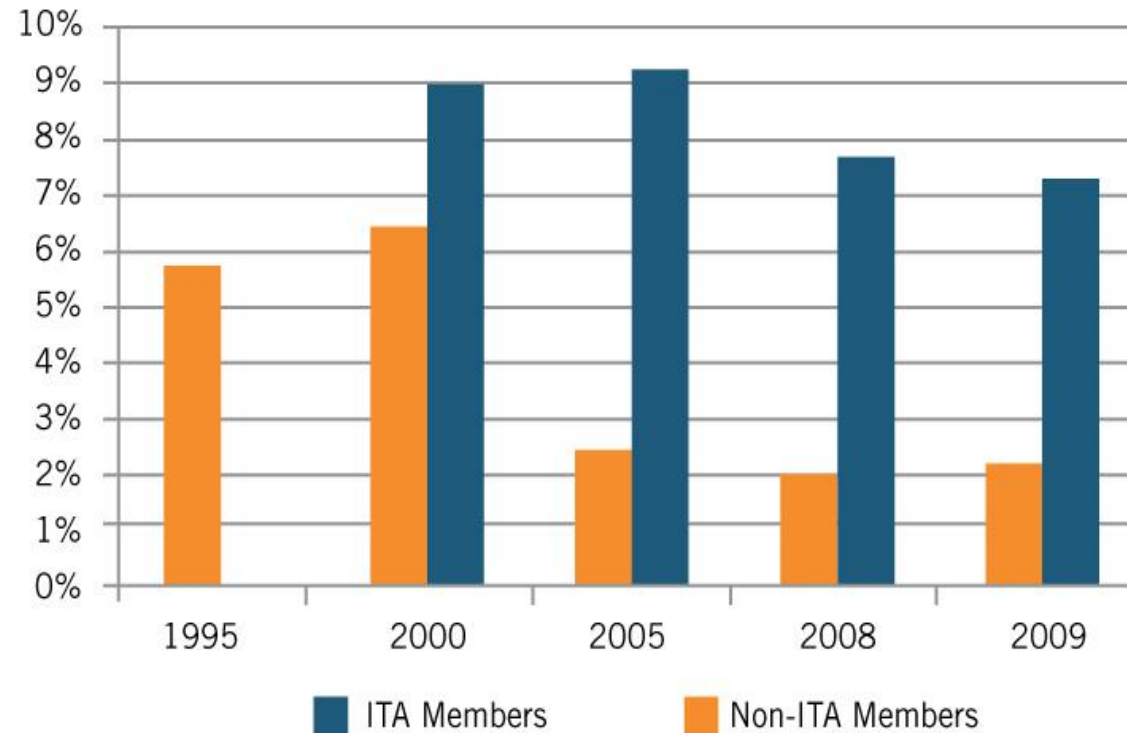
ITA Membership and GVC Participation Index for ICT Industries



Source: OECD, Trade in Value Added (TiVA) Principal Indicators

# 3. ITA Facilitates Participation in ICT Global Value Chains

Membership and Participation in ICT GVCs



\*ITA came into effect in 1996

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

# Today's Presentation

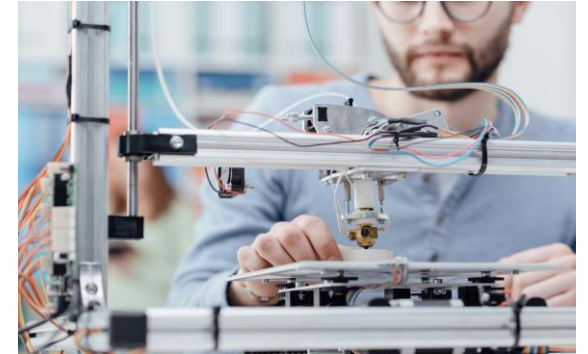
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# 250+ 6-Digit Product Codes Analyzed as ITA-3 Candidates

- Semiconductor Manufacturing Equipment & Materials
- Next-Generation Semiconductors
- Energy-Efficient Technologies (e.g., Storage Batteries)
- Additional Medical Technologies (Devices/Equipment)
- Industrial Robots
- 3D Printers (Additive Manufacturing)
- Commercial-Use UAVs
- Select Flat Panel Displays
- Additional Telecommunications Equipment



# Conceptual Framework for Economic Model

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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 Benefits of Potential ITA-3 Expansion

- An ITA-3 could boost global GDP by \$784 billion over 10 years.
- U.S. economy would be \$200 billion (0.83%) larger over a decade, with over 78,000 new jobs created.

[www.itif.org/ita3-report](http://www.itif.org/ita3-report)

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## How an Information Technology Agreement 3.0 Would Bolster Global Economic Growth and Opportunity

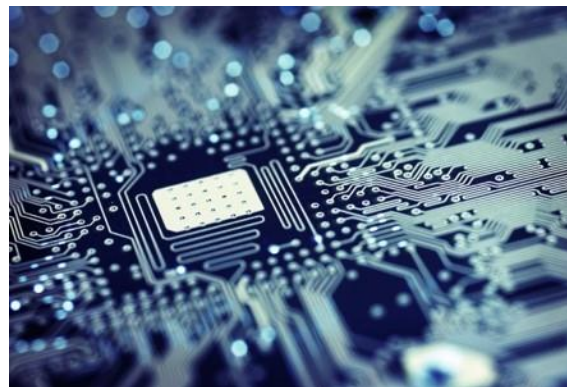
STEPHEN EZELL AND LUKE DASCOLI | SEPTEMBER 2021

Expanding the 25-year-old trade agreement that eliminates tariffs on ICT goods would spur broad-based growth for countries that sign on, because lowering prices increases ICT adoption, which spurs productivity and innovation throughout the economy.

### KEY TAKEAWAYS

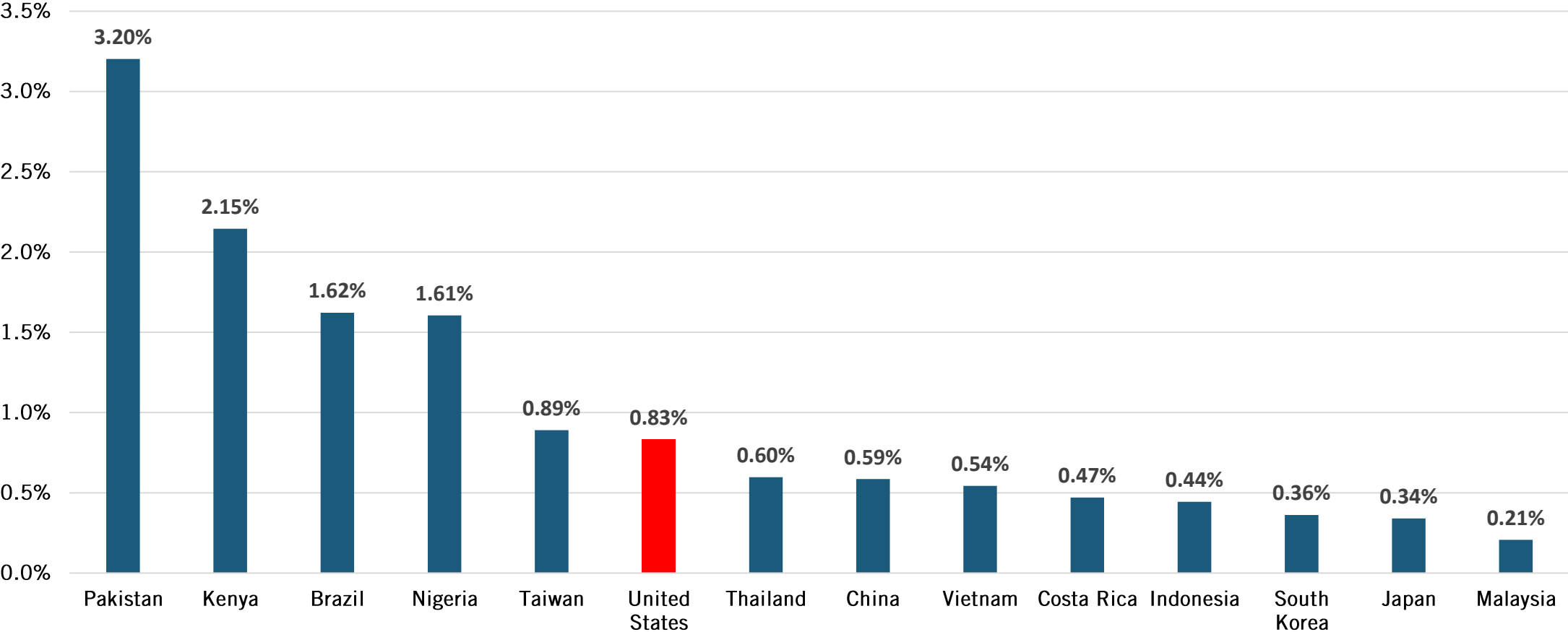
- The ITA has been one of the WTO's most successful plurilateral trade agreements. It has played a catalytic role in developing efficient global value chains and lowering prices for ICT goods that drive the digital economy.
- The vast majority of the economic benefits that ICT goods generate—more than 90 percent in developing countries—stem not from their production but from their adoption, as it spurs innovation and productivity gains in all sectors.
- If the 82 signatories of the original ITA were to join an ITA-3 that eliminates tariffs on another 250 six-digit product categories, the global economy would grow by \$784 billion over the ensuing 10-year period.
- Pakistan, Kenya, Brazil, and Nigeria would enjoy the largest relative GDP growth—3.2 percent, 2.2 percent, and 1.6 percent each, respectively, over 10 years.
- ITA expansion could help grow U.S. GDP by more than \$200 billion over a decade, while increasing exports of ICT products by \$3.5 billion, boosting revenues of U.S. ICT firms by \$12 billion, and supporting more than 78,000 new U.S. jobs.
- Brazil, China, Japan, Kenya, Pakistan, and the United States each could expect to generate more tax revenue because of the growth ITA expansion would spur than they would forgo in tariff revenue.
- Countries that joined the 1996 ITA and its 2015 expansion enjoyed statistically significant increases in their shares of total imports and exports.

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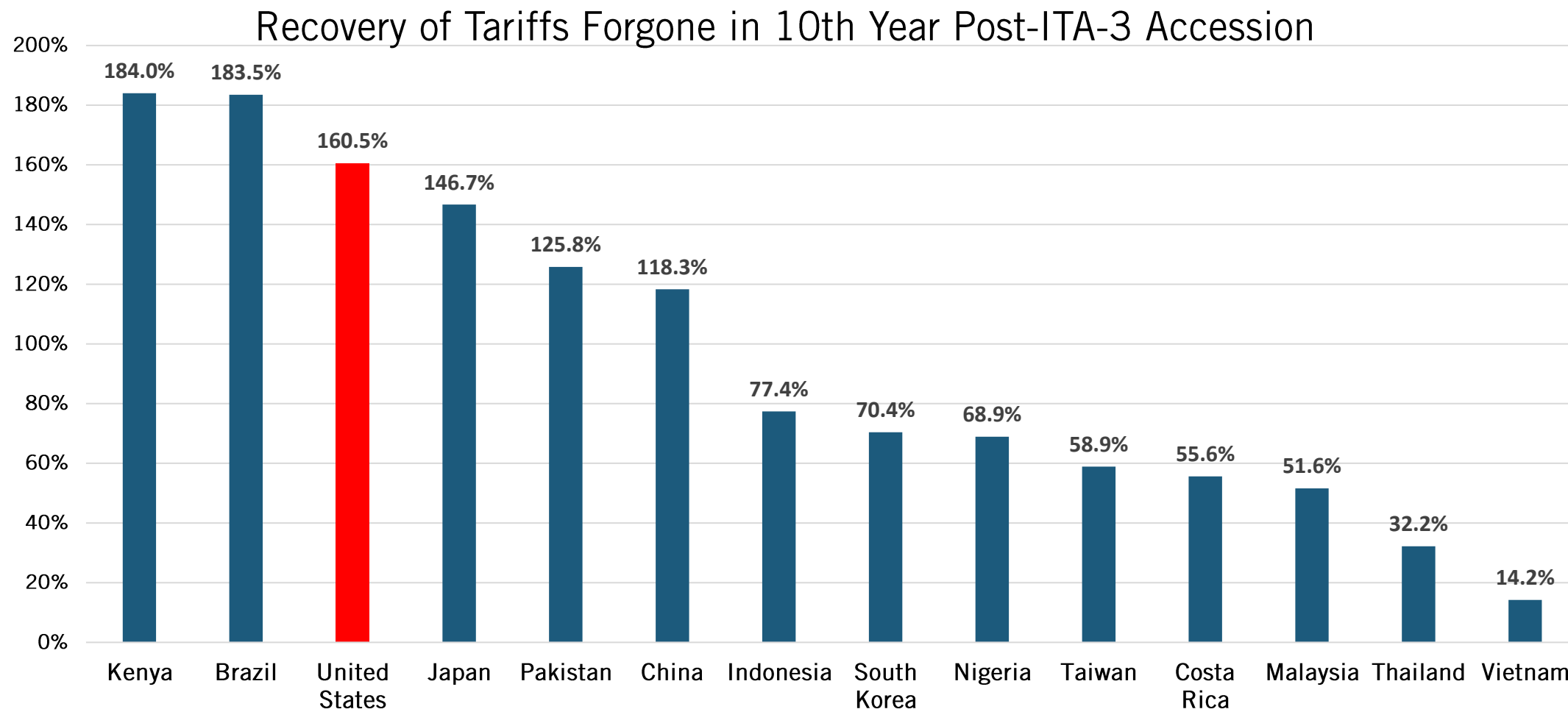
# GDP Growth After 10 Years of ITA-3 Expansion

ITA-3 Attributable GDP Growth, Cumulatively Over 10 Years



Source: ITIF, "How an Information Technology Agreement 3.0 Would Bolster Global Economic Growth and Opportunity," September 2021

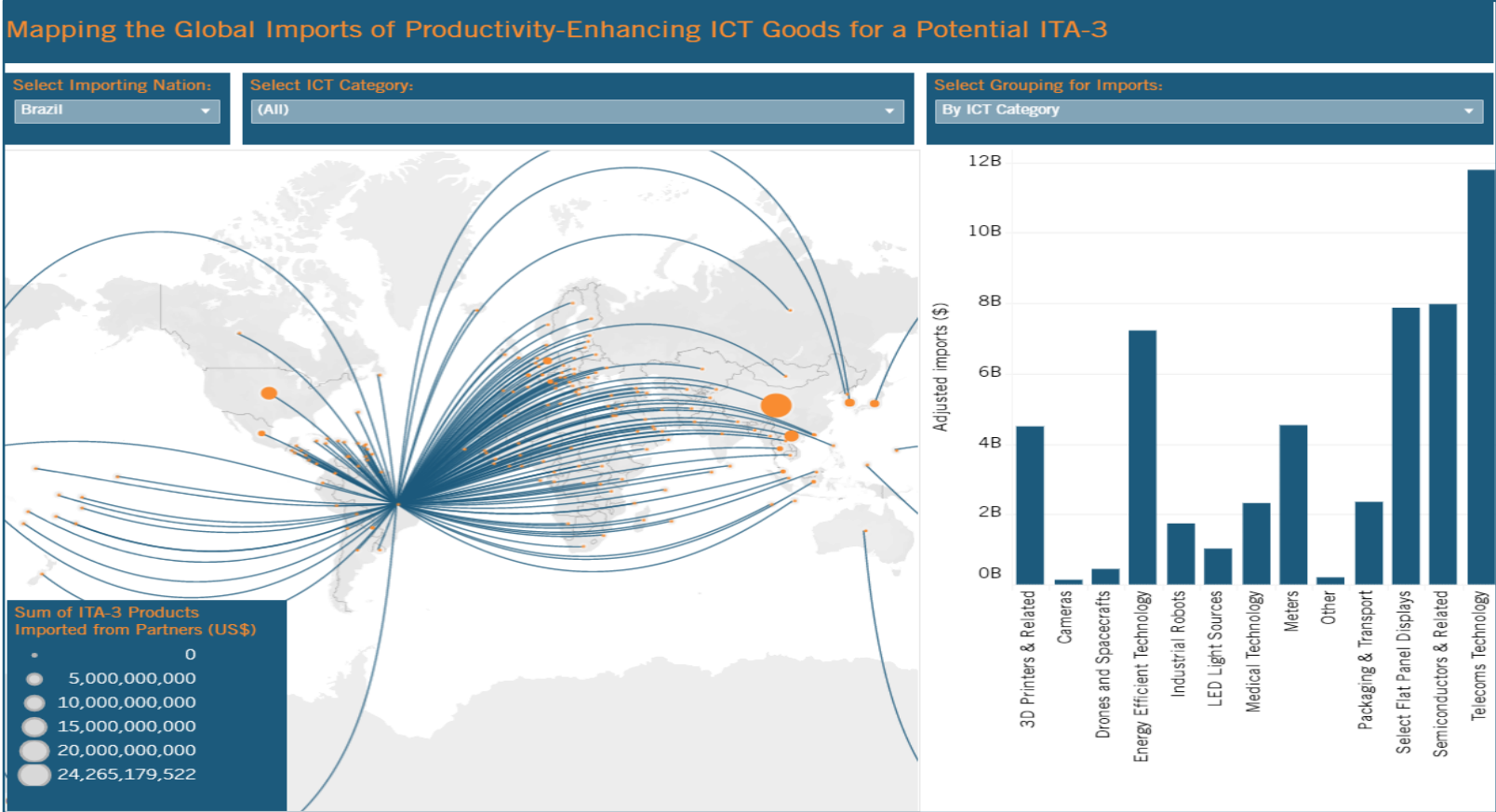
# Tax Revenues From Expanded Growth Replaces Tariffs Forgone



Source: ITIF, "How an Information Technology Agreement 3.0 Would Bolster Global Economic Growth and Opportunity," September 2021

# Interactive Data Visualization of ITA-3 Impact

<https://itif.org/mapping-global-imports-productivity-enhancing-ict-goods-potential-ita-3>





# Summary

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- ITA is perhaps the WTO's most successful free-trade agreement.
- Both ITA accession and ITA-3 expansion create a win-win-win for the governments, businesses, and citizens involved.
- It's time to begin pursuit of an ITA-3.

# Thank You!

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