ITC Survey on the impact of the ITA on SMEs Competitiveness in the ICT Sector

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ITC is 100% Aid For Trade
Kenya
Uganda
Rwanda
Sri Lanka
Bangladesh
Nepal

IT & ITES Projects of ITC:

- Netherlands Tust Fund III
- SITA
- EC Project
- AIM for Results
ITO & BPO market trends

IT Services End-User Spending by Service Type, 2013-2019 (USD million)

Source: Gartner, A.T. Kearney
Survey Outlook: Sector/Countries/Skills

The Impact of joining the ITA on the competitiveness of SMEs active in the IT and business process outsourcing (BPO) sectors of Six Economies

Companies require

- Skilled human resources
- Office space
- IT hardware and internet connectivity

Bangladesh  Kenya  Mauritius  The Philippines  Senegal  Vietnam
Survey: Participants/Products

Directed to:
1) Relevant Industry associations
2) IT companies both ITA participants and non-participants

- The 2016 A.T. Kearney Global Services Location Index (offshore supply side)
- ITC’s networks in developing countries
- 4 Basic IT Products as Tariff comparison

<table>
<thead>
<tr>
<th>ITA participants</th>
<th>Non-ITA participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Philippines (7th)</td>
<td>The Information Technology and Business Process Association of the Philippines (IBAOAP)</td>
</tr>
<tr>
<td>Mauritius (30th)</td>
<td>Outsourcing and Telecommunications Association of Mauritius (OTAM)</td>
</tr>
<tr>
<td>Viet Nam (11th)</td>
<td>Vietnam Software Association (VINASA)</td>
</tr>
</tbody>
</table>
### Table 1.2: MFN applied tariffs and preferential duties on selected products

<table>
<thead>
<tr>
<th>ITEM (HS code)</th>
<th>Rate of duty</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Local area network cable HS 8544.42</strong></td>
<td>25.00% MFN duty (applied) 0% PT for EAC countries 0% PT for COMESA countries members of the FTA 0% PT for COMESA countries not members of the FTA 2.50%</td>
</tr>
<tr>
<td><strong>Network Switch HS 8517.62</strong></td>
<td>0% MFN duty (applied) 0% PT for APTA countries 4.50% PT for ECOWAS countries 0%</td>
</tr>
<tr>
<td><strong>Server HS 8471.70</strong></td>
<td>0% MFN duty (applied) 0% MFN duty (applied) 2.00% MFN duty (applied) 5.00%</td>
</tr>
<tr>
<td><strong>Personal computers HS 8471.30</strong></td>
<td>0% MFN duty (applied) 2.00% MFN duty (applied) 5.00% PT for SAFTA countries 0% PT for ECOWAS countries 0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Location Index Ranking</th>
<th>Kenya</th>
<th>Bangladesh</th>
<th>Senegal</th>
<th>India</th>
<th>Philippines</th>
<th>Mauritius</th>
<th>Vietnam</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016 A.T. Kearney</td>
<td>39</td>
<td>22</td>
<td>45</td>
<td>1</td>
<td>7</td>
<td>30</td>
<td>11</td>
</tr>
</tbody>
</table>
## Survey Responses: Highlights & Common Features

<table>
<thead>
<tr>
<th>OTAM (ITA member) Mauritius</th>
<th>BASIS Bangladesh</th>
<th>KITOS Kenya</th>
<th>OPTIC Senegal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supportive of decision of joining ITA</td>
<td>Members were not aware of the ITA agreement</td>
<td>Members were aware of the ITA at the time of the survey</td>
<td></td>
</tr>
<tr>
<td>Most ITC-related imports are exempted from custom duties</td>
<td>Statutory rate of import duty should be diminished to zero</td>
<td>Current tariffs imposed on ICT products are unreasonable and produce concerns</td>
<td></td>
</tr>
<tr>
<td>ITA helps cut capital expenditure</td>
<td>Workshops and training programmes for the public and private sectors should be arranged</td>
<td>Misclassification of IT products resulting in applications of import tariffs</td>
<td></td>
</tr>
</tbody>
</table>
Parallel Interviews

Bangladeshi and Kenyan SMEs operating in the IT and BPO sector

Reduction of Tariffs: positive impact on their competitiveness

Governments trying to create favourable environments

Non-Tariff Barriers:

- The availability to specialized human resources
- Access to credit
- Connectivity and supply shortages
In conclusion, how ITA participants and non-participants see it:

- Lowering or eliminating import tariffs and other taxes on IT products and inputs
  - Increases competitiveness of SMEs
  - Contributes to more affordable access to IT products for consumers

- SMEs face other major challenges in terms of Non-tariff barriers
  - Lack of human resources with specialized skills
  - Access to credit
In a nutshell, what policy makers can do to support their IT & ITES industry:

- Zero duties on imports of IT hardware
- Specialized human resources & Access to credit

= Improved competitiveness of IT & ITES companies
Thank you!!

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