The Value of Expanding
The Information Technology Agreement
An Industry Viewpoint

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From 1996 to 2008, total global ICT trade has risen >10% per year, from $1.2 to $4 trillion.

By lowering ICT prices, the ITA has
- enabled broad use of ICT, and
- empowered the global economy

ITA expansion is expected to affect an additional $800 Billion in two-way ICT trade*
- Thus enlarging the global GDP by $190 billion
- Missing products include new ICT like multichip ICs, core ICT such as DRAMs, and consumer ICT like audio speakers, DVD payers, video cameras, etc.
- Missing countries include Brazil, Mexico, Chile, S. Africa
ITA & Innovation

• The internet economy amounted to 4.1% of GDP across the G-20 nations ($2.3 trillion) in 2010*

• The more vibrant the digital activity in a country the greater the impact on per capita GDP

• ICT investment contributes multiplier effects to the economy, which in turn boosts profitability and enables innovation

• High tariffs impede productivity / innovation. The ITA increases exports and drives innovation

EXHIBIT 2 | Internet Prowess Correlates with Economic Strength

BCG e-Intensity score

Natives
- South Korea
- United Kingdom
- Iceland
- Japan
- Netherlands
- United States
- Denmark

Players
- Norway
- Luxembourg
- Hong Kong
- Germany
- France
- Singapore
- Australia
- Canada
- Switzerland

Nascent natives
- Czech Republic
- Estonia
- Slovenia
- New Zealand
- Belgium
- Austria

Aspirants
- China
- Morocco
- Egypt
- Indonesia

Laggards
- Saudi Arabia
- Greece
- Italy

Sources: ComScore; Economist Intelligence Unit; Euromonitor International; Gartner; International Monetary Fund; ITU; Magnaglobal; Ovum; Pyramid Research; Speedtest.net; United Nations; World Bank; World Economic Forum; BCG analysis.
IT producing industries spur growth

IT Producing Industries are: Semiconductors, Computers, Communications, and Software.
ITA Benefits to an Economy

Trade

No ICT tariffs and Lower prices mean greater ICT demand and more profits to invest in ICT

Investment

More ICT trade and investment leads to more ICT exports, jobs and competition

Innovation

More ICT jobs and competition leads to more innovation and better ICT products

More ICT innovation leads to more economic growth and greater trade

Expanding the ITA will increase these benefits
The ITA’s Broader Benefits

- By lowering the price of a key input, the ITA has helped emerging ICT software and services industries in India, Indonesia, Malaysia, Philippines, Costa Rica, etc.

- ITA has empowered a global ICT supply chain

- ITA membership is associated with stronger ICT exports (see graph next slide)
  - From 1996 to 2008, developing country ITA exports expanded at 33.6% per year
  - E.g., exports of ICT = 54% of Philippines total goods exports, 38% of Malaysia’s, and 20% of Thailand’s
ICT Goods Exports as Percentage of Total Goods Exports, 2009 (Source: ITIF 03/2012)

Note: ITA members are in blue; Non-ITA members are depicted in orange.
Semiconductor Demand Drivers: 2011 Growth

Smartphones and Tablets Drive Convergence

**Smartphone Shipments**
+63% (units)
Smartphone shipments overtook PC shipments in 2011

**PC Shipments** +0.5% (Units)
Consumer shift away from traditional concept storage devices

**Tablets**
+254% (Units)
2010: 19.4M Units
2011: 68.7M Units

**LCD TV** +7% (Units)
10% of LCD TV panels were 3D Capable in 2011

Percent of Semiconductor $ Demand

- Communications 26%
- PC/Computer 38%
- Consumer 16%
- Industrial/Gov’t 11%
- Automotive 9%

2011 Total Worldwide Semiconductor Market $300B

Sources: WSTS/ Gartner/Canalys/IDC/DisplaySearch
Note: Military is <1% and is included in Industrial.
World Imports of ITA Products
($ in billions)

Quality Adjusted Prices for Selected IT Products (2000-2008)

Producer Price Indexes
Q1 2000 - Q4 2008

Notes: All price index series are normalized to the same value in Q1 2000 and measured in natural log units. The figure in the box reports the annualized compounded quarterly rate of price change from Q1 2000 to Q4 2008 in percent per year. Data are not seasonally adjusted. Data for Q3 and Q4 2008 are preliminary.

Conclusion

- ICT Industries are highly competitive, which has driven the continual innovations that have enabled the best technologies to be delivered to consumers at the lowest possible prices.

- Tariffs impede the benefits of competition and reduce the pace of innovation, while raising costs to consumers.

- The success of the ITA is well documented: Increasing its coverage and enlarging membership will enable those benefits to multiply even more across the globe.