



Information Technology

Why Trade Matters

INDUSTRY SECTOR REPORT

General information on exports.

U.S. firms exported \$134 billion in IT products in 2000 to more than 180 countries. The IT sector contributed about one-third of real U.S. GDP growth from 1997 to 2000.

Market development.

The world market for IT products rose steadily to \$1.3 trillion in 2000. It is

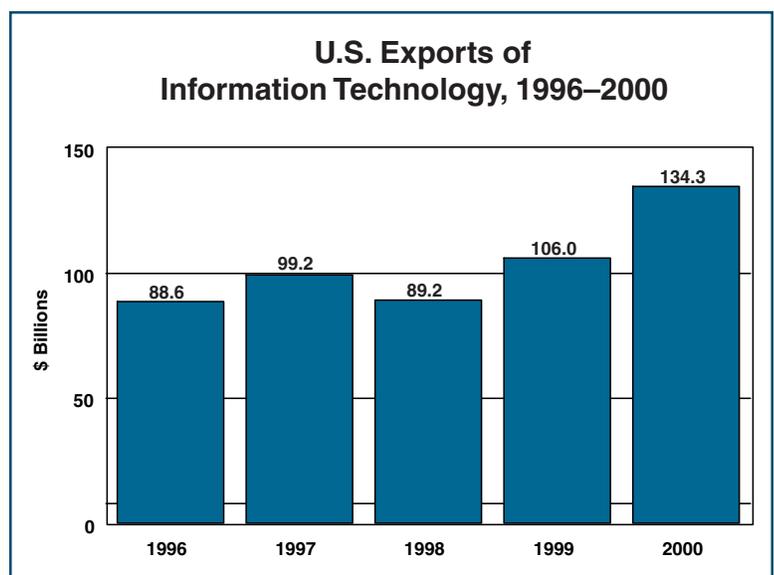
expected to continue to grow as organizations invest in IT to take advantage of the Internet and e-commerce.

Tariffs. Although 55 countries have joined the Information Technology Agreement, tariffs remain high in some nonsignatory countries, particularly key markets in Latin America.

For example, Brazil applies a tariff of 30.5 percent to seven categories of telecommunications products and a 19 percent tariff to most computer products.

Nontariff barriers. Major barriers include duplicative or discriminatory standards, testing, and certification requirements; lack of strong and effective intellectual property protection laws and enforcement; and in-country manufacturing, technology transfer, local content, or export requirements.

Small and medium-sized enterprises. The vast majority of firms in the IT sector are small and medium-sized enterprises, many of which work in niche technologies and markets.





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Research and development. The U.S. IT sector pioneered many of the technologies that are now integral parts of modern computer and communications networks around the world. The heavy investment in R&D can only be sustained by expanding markets.

Employment opportunities. U.S. IT sector employment rose 15 percent from 1997 to 2.3 million in 2000. More than half (1.5 percent) of the 2.6 percent increase in U.S. labor productivity between 1996 and 1999 was directly related to increased capital investments in IT.

Key producing states. California, Texas, Massachusetts, Utah, Virginia, Washington, Oregon, Colorado, Florida, New Jersey, New York

The sector. This sector covers the products in the ITA including computer and telecommunications equipment, software, and semiconductors and other electronic components.

BENEFITS AND EFFECTS FROM PREVIOUS TRADE AGREEMENTS:

- ▶ The opening of the Mexican market via NAFTA has created opportunities for U.S. IT firms, which dominate that market for computers, software, and electronic components. The Information Technology Agreement (ITA) eliminated IT tariffs that were bound as high as 7 percent in the EU and 30 to 40 percent in key markets in Asia.