

Does MFN Free Riding Plague the Information Technology Agreement?

(報告要旨)

The Information Technology Agreement (ITA), enacted in 1997 as one of a few World Trade Organization (WTO) agreements realized after the Uruguay Round, lifted tariffs on a broad range of IT products such as telecommunication equipment and computers. As part of the General Agreement on Tariffs and Trade (GATT)/WTO system, the ITA is built on the most-favored nation (MFN) principle. However, since participation is not mandatory, any WTO member country can potentially free ride on the agreement. This paper empirically explores the extent to which the ITA has boosted trade in IT products. It then asks to what extent, if at all, the MFN free-rider problem has hampered the ITA's success. Using panel data on bilateral trade among 160 countries over the 1993-2007 period, we find that the ITA's trade creation effect can be observed for imports by developing countries. However, the result is fragile and depends on empirical specifications. When multilateral resistance is more appropriately controlled, the ITA's trade creation effect becomes weak or even disappears. Interestingly, there is little evidence demonstrating the existence of the MFN free-rider problem even when the trade creation effect was observed.

Link to the full paper, <http://www.rieti.go.jp/jp/publications/nts/14e003.html>