WTO OMC

Information Technology Agreement (ITA)

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1. **What is the ITA?**

2. **How the ITA operates**

3. **Impact of the ITA**

4. **Challenges**

1. What is the ITA?

- **The ITA was established through a Ministerial Declaration on Trade in Information Technology Products which was concluded on 13 December 1996 at the WTO Singapore Ministerial Conference by 14 States or separate customs territories and the European Communities (15).**

- **<u>The original signatories include:</u>**

Australia	**Indonesia**	**Singapore**
Canada	**Japan**	**Switzerland (On behalf of the customs union Switzerland and Liechtenstein)**
European Communities (15 member states)	**Korea**	**Turkey**
Hong Kong, China	**Norway**	**United States**
Iceland	**Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu**	

1. What is the ITA?

- **The ITA is a plurilateral agreement which requires each participant's trade regime should evolve in a manner that enhances market access opportunities for information technology products.**

- **Each participant shall <u>bind</u> and <u>eliminate</u> customs duties and other duties and charges of any kind, within the meaning of Article II:1(b) of the GATT 1994, with respect to all products classified (or classifiable) and specified in both Attachments A and B to the Annex to the Singapore Ministerial Declaration on Trade in IT Products.**

- **Elimination of customs duties for ITA products, through rate reductions in equal steps, began in July 1997 and completed by 2000. All "other duties and charges" (ODC) eliminated by 1 July 1997**

1. What is the ITA?

- **Under the ITA, there is no clear definition of what is an IT product.**
- **Products covered by the ITA are specified by their inclusion in Attachments A and B and fall into 7 categories:**
    - ***Computers***
    - ***Telecommunication equipment***
    - ***Semiconductors***
    - ***Semiconductor manufacturing and testing equipment***
    - ***Software***
    - ***Scientific Instruments***
    - ***Parts and accessories***

ITA Main Product Categories

Source: Ministerial Declaration on Trade in Information Technology Products.

ITA Product Coverage:

203 items in 2 Attachments

Attachment A

"Attachment A lists the HS headings or parts thereof to be covered."

Section 1: IT products

112 items that correspond to 110 HS1996 Subheadings (i.e.6-digits), including 24 partially covered (i.e. "ex-outs").

Section 2: Semiconductor manufacturing and testing equipment; parts

78 items that correspond to 45 HS1996 Subheadings, including 38 that are partially covered. Of these, 42 items are labeled "**For** Attachment B".

Attachment B

"Attachment B lists specific products to be covered by an ITA wherever they are classified in the HS"

13 items are listed "in" the Attachment without HS codes; overlap with HS codes listed in Attachment A.

ITA membership

With the most recent participation of Tajikistan, the ITA membership has been increased from its original 29 to today's 76. Enlargement of the ITA membership mainly due to:

1) **WTO accession negotiations, such as Oman, China, Saudi, Viet Nam;**
2) **Bilateral FTA negotiations, between US and some Central and Latin American countries:**
3) **EU enlargements.**

ITA PARTICIPANTS (49)	
Albania	Macao, China
Australia	Malaysia
Bahrain, Kingdom of	Mauritius
Canada	Moldova
China	Montenegro
Colombia	Morocco
Costa Rica	New Zealand
Croatia	Nicaragua
Dominican Republic	Norway
Egypt	Oman
El Salvador	Panama
European Union[1]	Peru
Georgia	Philippines
Guatemala	Saudi Arabia, Kingdom of
Honduras	Singapore
Hong Kong, China	Switzerland[2]
Iceland	Chinese Taipei
India	Tajikistan
Indonesia	Thailand
Israel	Turkey
Japan	Ukraine
Jordan	United Arab Emirates
Korea, Republic of	United States
Kuwait, the State of	Viet Nam
Kyrgyz Republic	

[1] The schedule of the European Union comprises the commitments of the 27 member States.
[2] On behalf of the customs union of Switzerland and Liechtenstein.

2. How the ITA operates

- **Although the ITA is a plurilateral agreement outside of the WTO, its duty-free commitments are bound within the meaning of Article II:1 (b) of the GATT 1994) as modifications to the Schedule of the participants concerned, in accordance with the Decision of 26 March 1980 on *Procedures for Modification and Rectification of Schedules of Tariff Concessions* (BISD 27S/25) (Para. 2 and Annex Para. 2 of the ITA).**

- **In other words, the ITA duty-free commitments are enforced under the relevant GATT Articles and Decisions.**

2. How the ITA operates

90% target or criteria

- "Participants shall meet as soon as practicable and in any case no later than 1 April 1997 to review the state of acceptances received and to assess the conclusions to be drawn therefrom. Participants will implement the actions foreseen in the Declaration provided that participants representing approximately 90 per cent of world trade in information technology products have by then notified their acceptance, and provided that the staging has been agreed to the participants' satisfaction." (para. 4 of the Annex to the ITA)

2. How the ITA operates

90% target or criteria

- The ITA concessions have to be implemented on an MFN basis, thus, there is a potential “free-rider” problem: WTO Members who do not join the ITA can enjoy the benefits of zero tariffs on their exports of ITA products to ITA participants without offering reciprocal benefits. For this reason, the original ITA participants specified that the agreement would enter into force only if participants representing 90 per cent of world trade in the covered ITA products accepted the agreement.

2. How the ITA operates

The ITA Committee was established on 26 March 1997 and its main tasks are:

1. ***Regular review of the status of implementation***
2. ***Review product coverage***
3. ***Work programme on NTBs***
4. ***Examine divergences in classification***
5. ***Enlargement of the participation to the ITA***

3. Impact of the ITA?

- **Today, ITA membership has increased from its original 29 to 76 (or 14 to 49).**

- **They account for approximately 96 % of world trade in information technology products**

- **About 90% of IT products are imported duty free**

3. Impact of the ITA
- *Benefits and Implications*

- Experiences of the participants show that the ITA has helped their development and economic growth
  - *e.g. ASEAN countries (Malaysia, Thailand, etc.)*

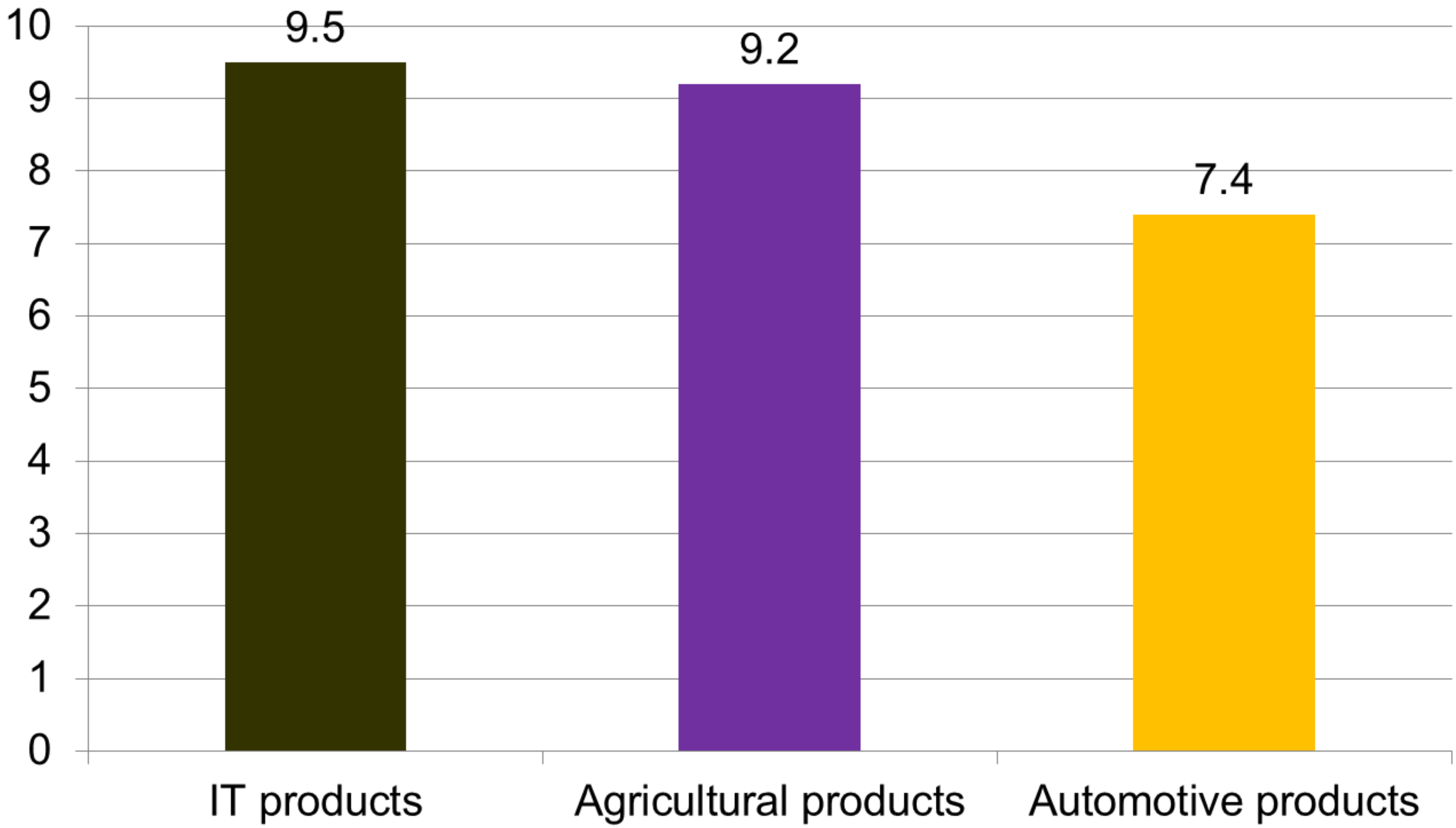
- Experience has also shown that for small economies who are participants to the ITA, they benefited from the globalisation in the IT sector
  - *e.g. Costa Rica*

3. Impact of the ITA

- According to a recent WTO publication: ***15 Years of the Information Technology Agreement – Trade, innovation and global production networks,*** Exports of IT products reached an estimated US$ 1.4 trillion in 2010 – almost triple the 1996 value, and accounted for approximately 9.5 per cent of global merchandise exports.

- Trade in IT products expands faster than trade in other goods

Share of IT products in world merchandise exports, 2010



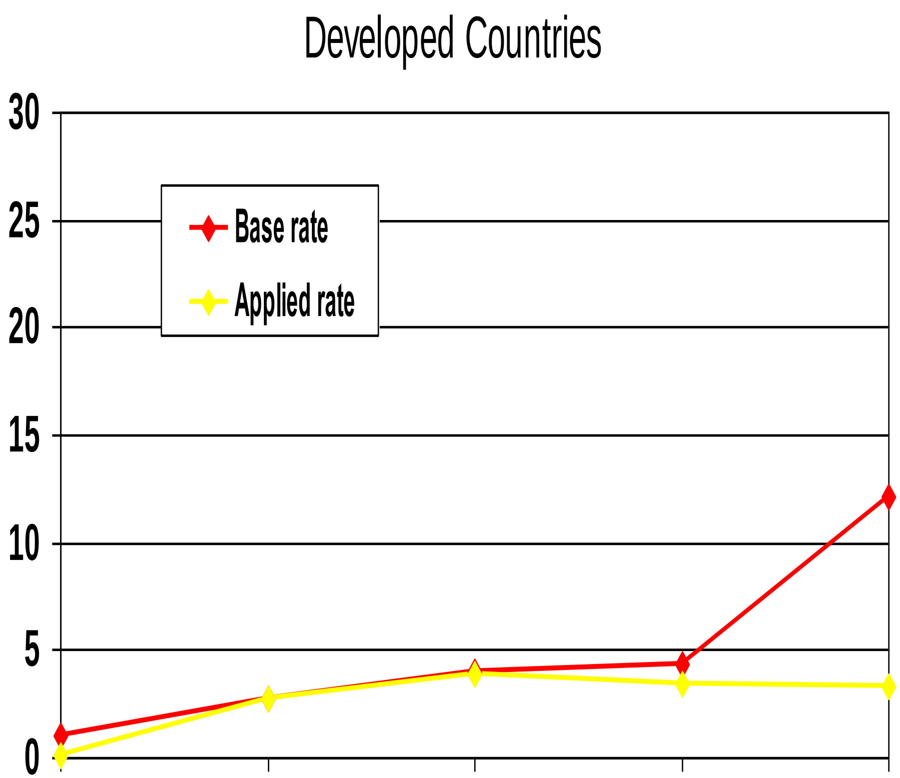
Source: WTO Secretariat, based on UN Comtrade and WTO estimates.

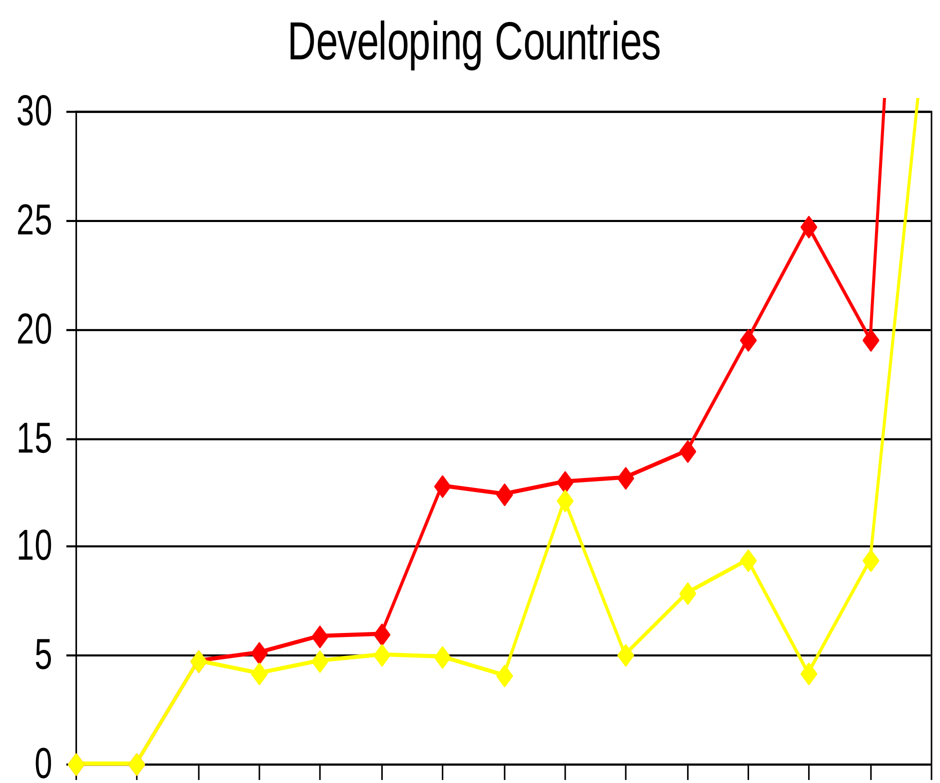
3. Impact of the ITA
- *Benefits and Implications*

- **Elimination of customs tariffs**
  - ***Tariffs have been reduced to zero from about 4% in developed countries;***
  - ***more important tariff cuts in developing counties***
- **Lower costs to consumers and importers**
- **Cheaper inputs for exporters of highly sophisticated technological products**
- **Improvement in productivity and efficiency**
- **Creation of global market, production networks, and supply chains**

Base rate and applied tariff rate for ITA products, 1996

(Per cent)





3. Impact of the ITA

- *Benefits and Implications*

- Growing importance of developing countries in the IT sector.
- Increased trade, exports, jobs, and investment, particularly in many Asian economies
- While the IT sector continued to be a significant and growing share of the investment in developed countries, IT spending had increased most rapidly in emerging economies
- Developing countries and economies benefited from the application of IT-enabled industries and services, including their SMEs

3. Impact of the ITA

- *Benefits and Implications*

- The rapid evolution in ICT has made a great difference in all aspects of our lives today.

- The creation of wireless technology and access to cheap mobile phones has empowered millions of people around the world.

- For instance, in southern India, mobile phones have helped fishermen address information asymmetries with traders and consumers. Better market coordination has resulted in increased profits for the fishermen, lower fish prices for poor consumers, as well as a reduction in wastage of fish.

3. Impact of the ITA

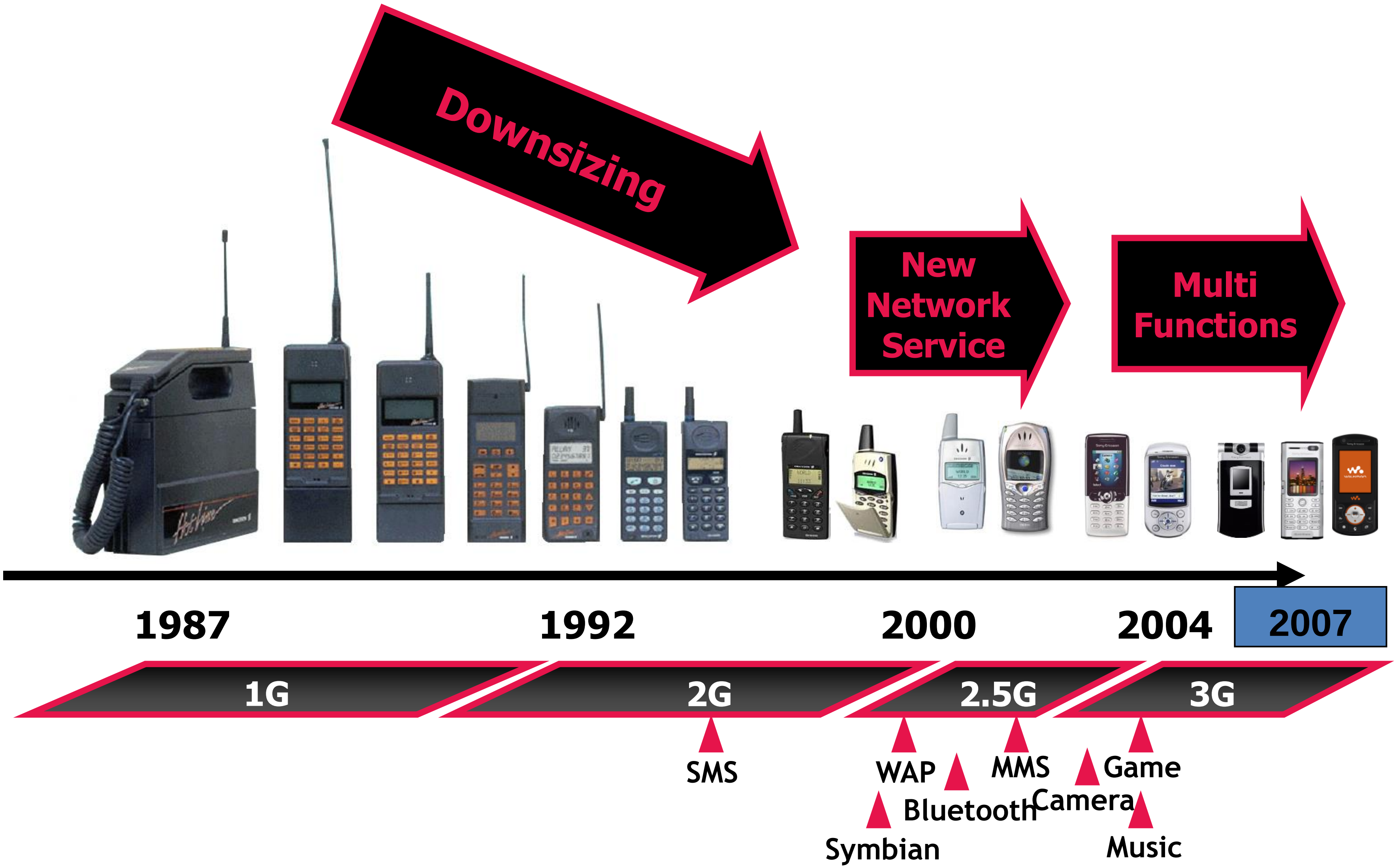
- *Benefits and Implications*

- **Even countries that have not joined the ITA have benefited indirectly from the trade opportunities generated by the large economies of scale of global production networks, bringing more affordable high-quality products and leading to the establishment of new IT-enabled industries and services.**

- **For examples, farmers selling grain in Niger, dairy products in Bhutan, onion in Ghana, and the Ethiopian Commodity Exchange. Many people have prospered through such a transformation.**

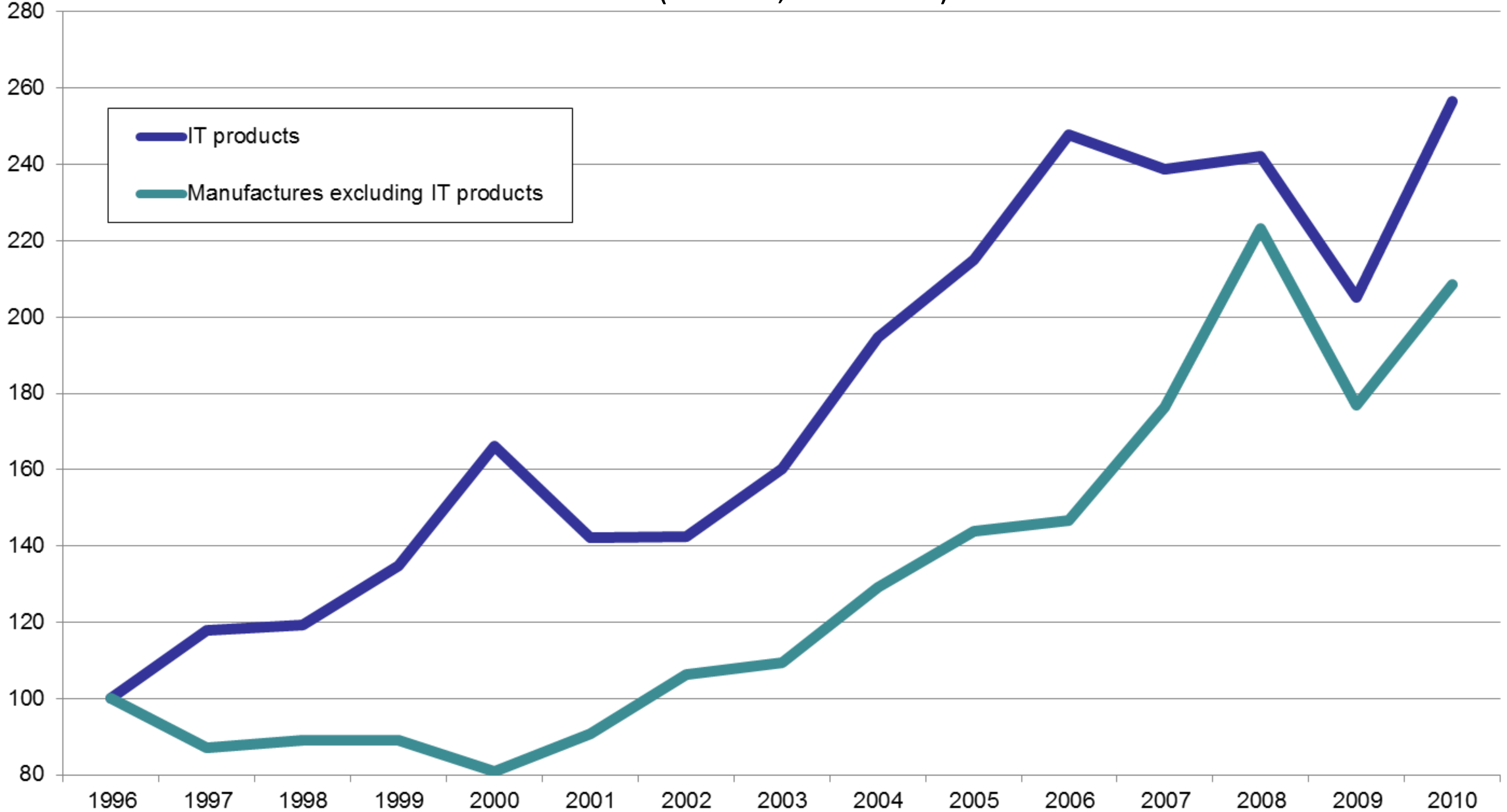
- **Mobile micro insurance to farmers in Kenya and mobile money transfer services run by Safaricom are also more examples of new IT-enabled services in Africa worth mentioning too.**

History of mobile phone



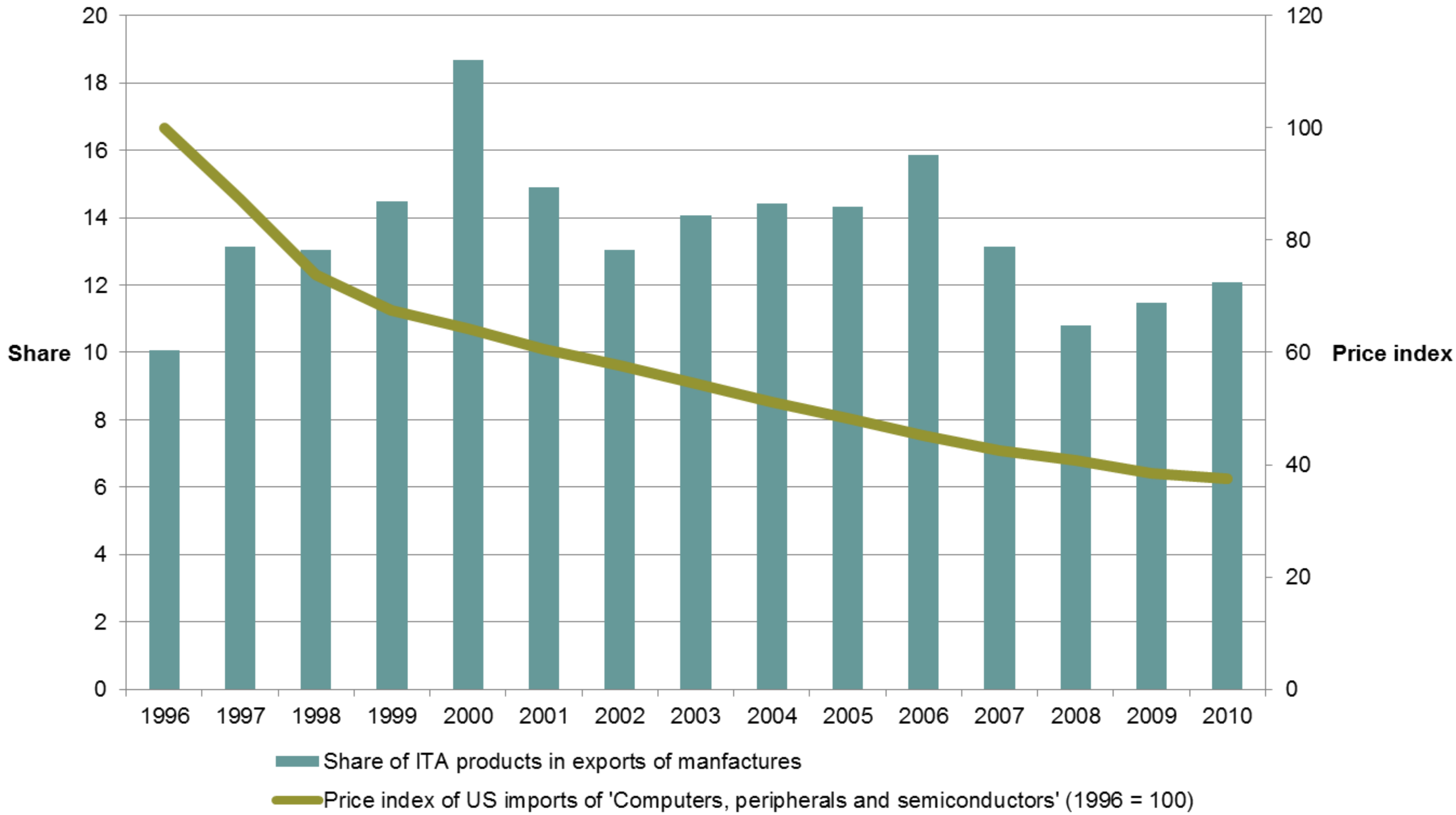
The expansion of world exports of IT products and other manufactures, 1996-2010

(indexes, 1996=100)



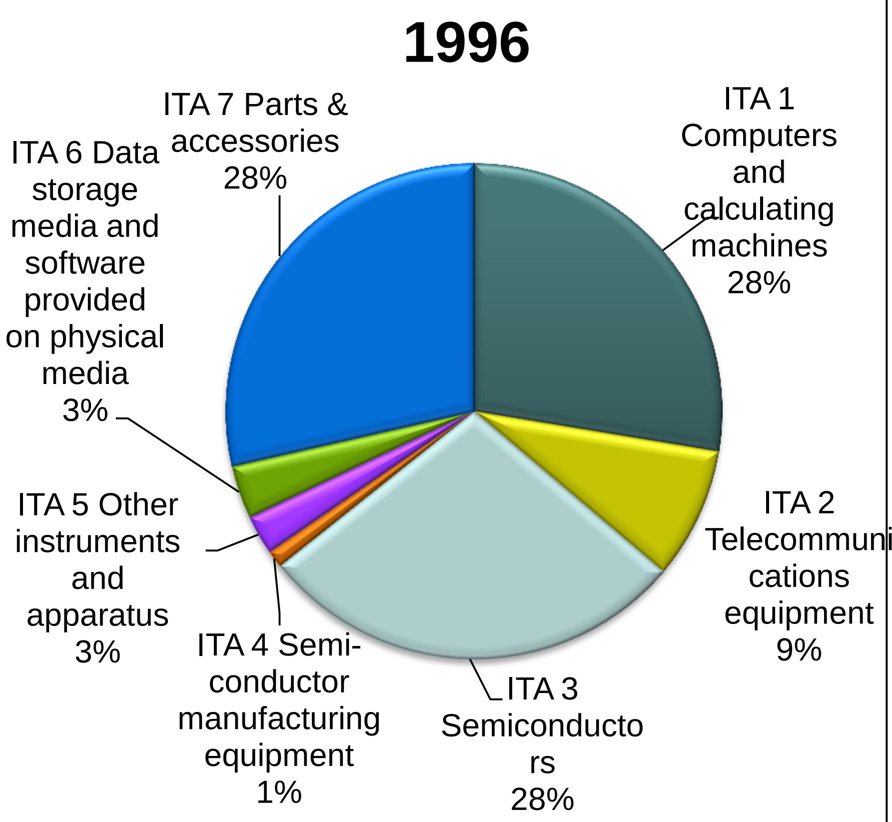
Source: WTO Secretariat, based on UN Comtrade and WTO estimates

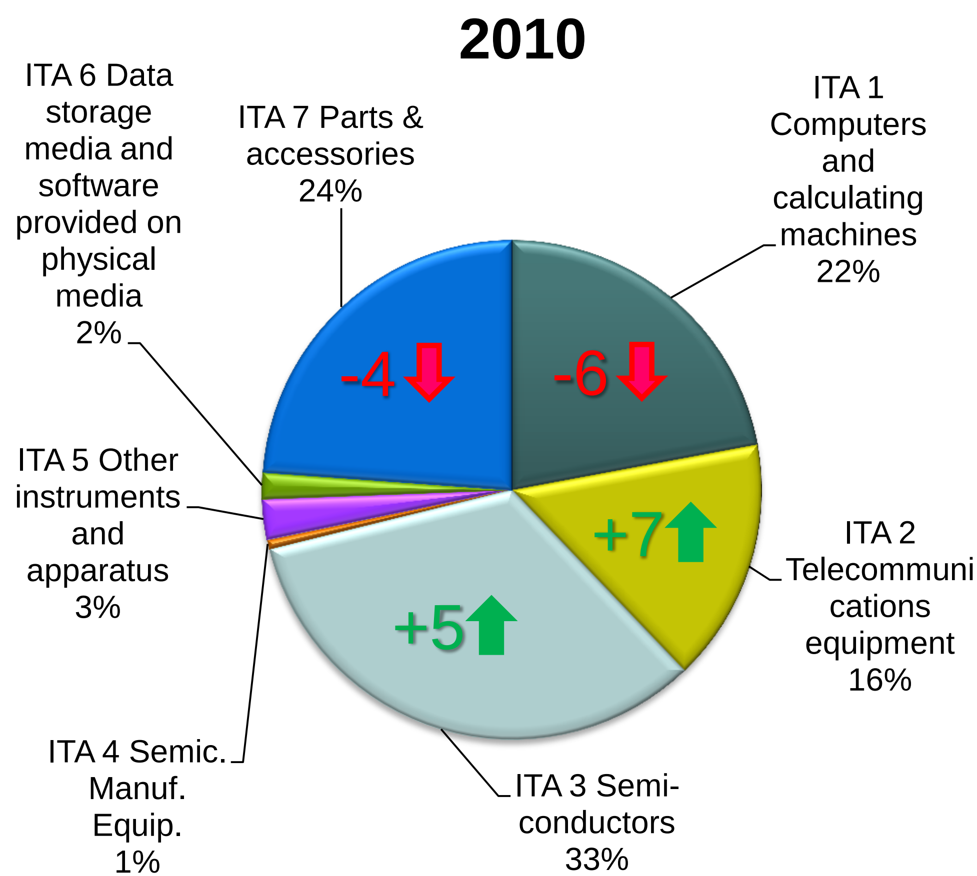
Share of IT products in exports of manufactures and price index of US imports of computers, peripherals and semiconductors



Source: WTO Secretariat, based on UN Comtrade, WTO estimates and US Bureau of Labor Statistics.

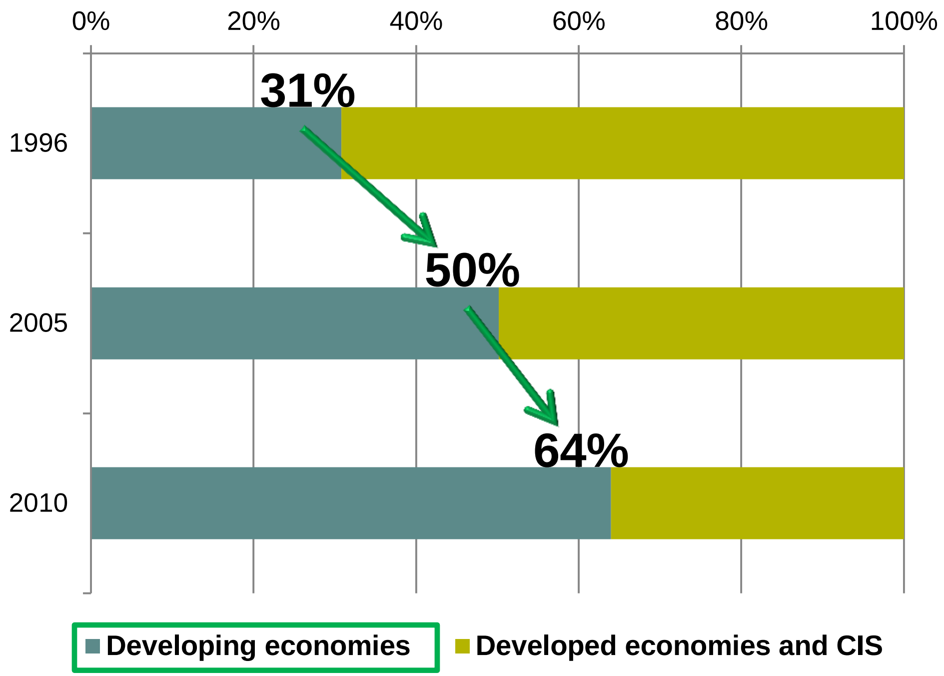
World exports of IT products, by product category

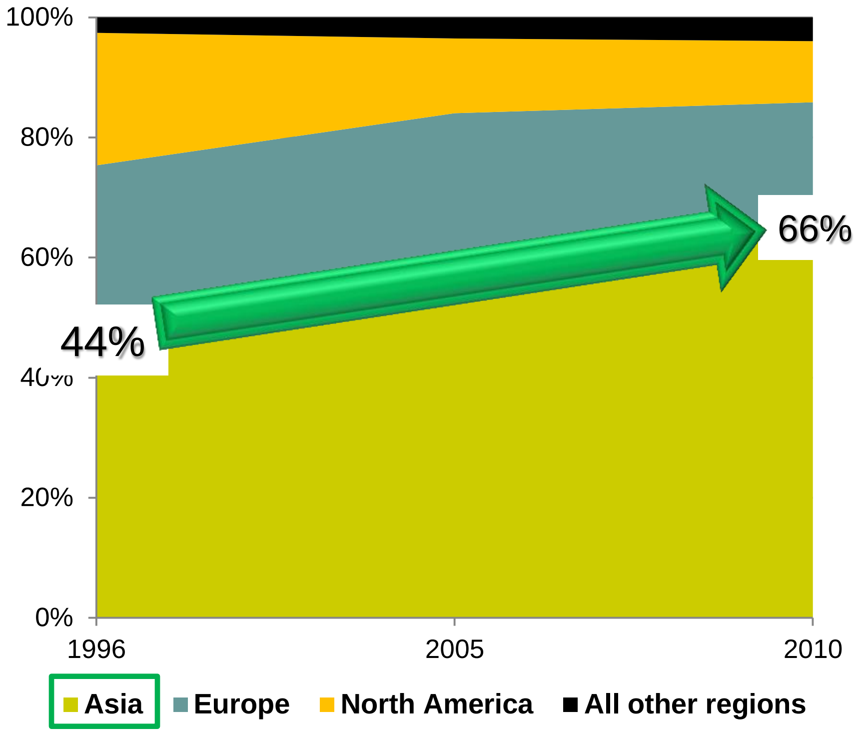




Source: WTO Secretariat, based on UN Comtrade and WTO estimates.

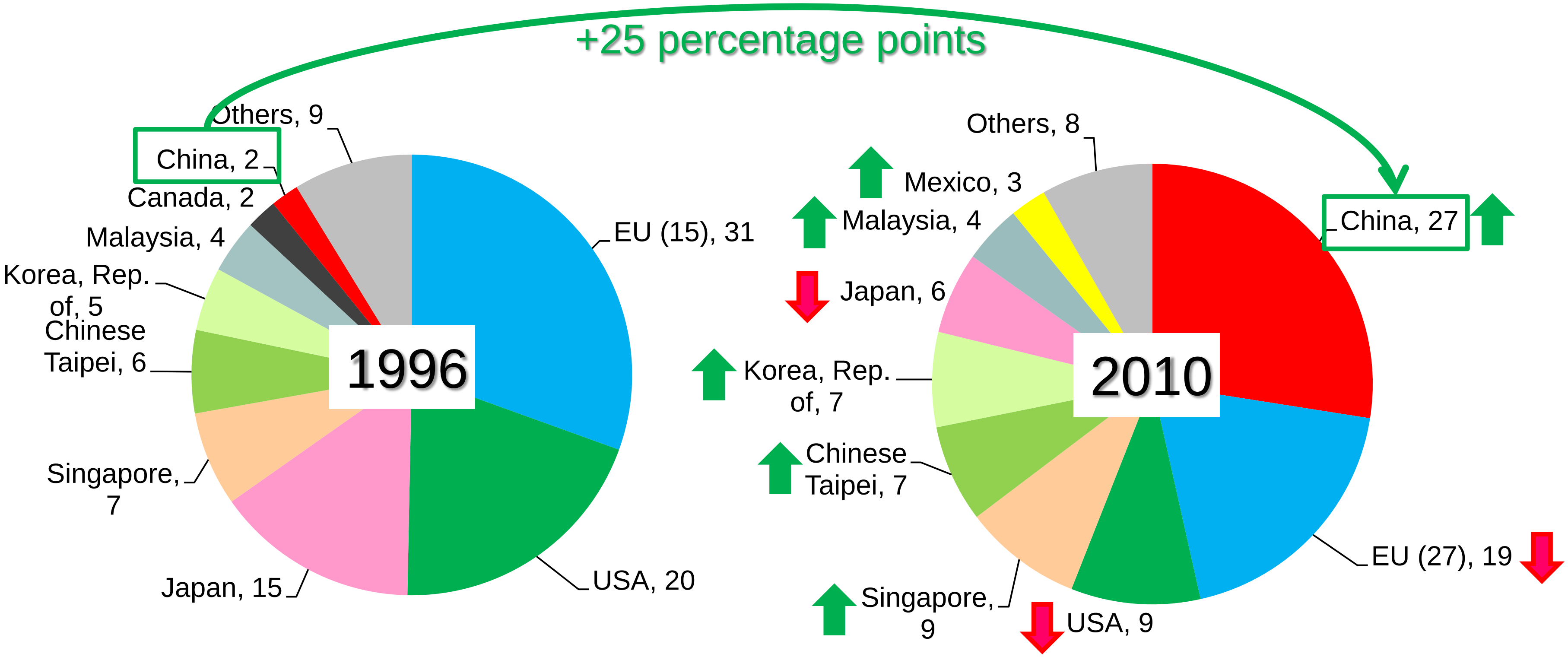
Exports of IT products by economic and geographic region





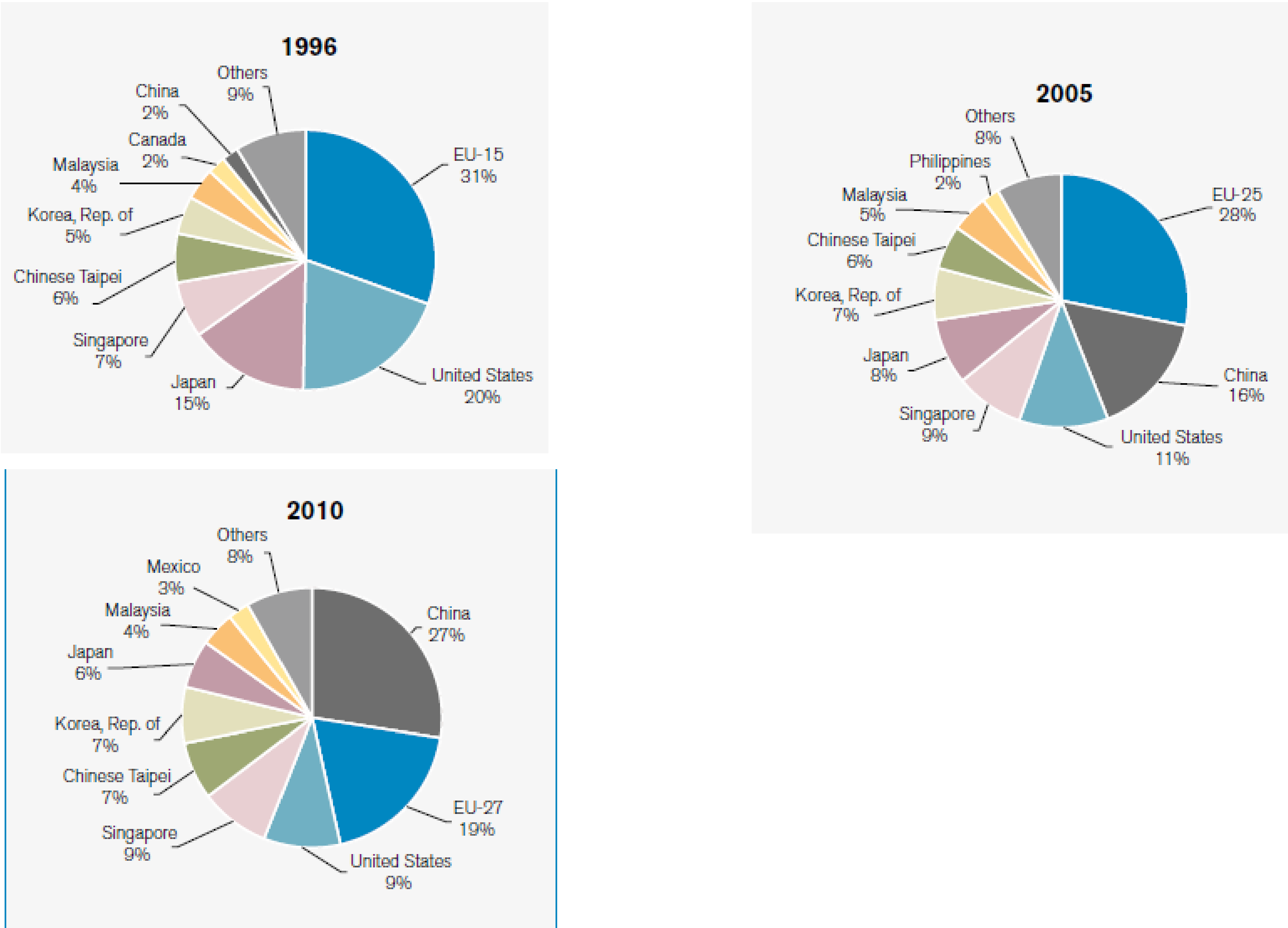
Source: WTO Secretariat, based on UN Comtrade and WTO estimates.

Leading exporters of IT products: shares in world exports of IT products



Source: WTO Secretariat, based on UN Comtrade, WTO estimates and US Bureau of Labor Statistics.

Figure 3.10. Leading exporters of IT products: shares in world exports of IT products



Source: WTO Secretariat, based on UN Comtrade and WTO estimates.

The thirty leading exporters of ITA products[1] in 2011

(Billion dollars and percentages)

Rank	Main exporter	Value 1996	Value 2005	Value 2010	Value 2011	Share 1996	Share 2005	Share 2010	Share 2011	Annual percentage change 1996-2011	Annual percentage change 2005-2011
1	China	11.3	186.8	386.5	433.3	2.1	15.8	27.5	29.3	27	15
2	EU (27)	170.0	333.2	267.4	290.3	31.0	28.3	19.0	19.7	4	-2
	Extra-EU27 exports	61.0	120.2	94.9	107.0	11.1	10.2	6.8	7.2	4	-2
	Intra-EU27 exports	109.0	213.0	172.4	183.4	19.9	18.1	12.3	12.4	4	-2
3	United States	108.6	133.3	133.6	139.5	19.8	11.3	9.5	9.5	2	1
4	Singapore[2]	38.1	103.9	122.5	121.1	6.9	8.8	8.7	8.2	8	3
5	Taipei, Chinese	33.4	66.0	100.6	109.0	6.1	5.6	7.2	7.4	8	9
6	Korea, Rep. Of	25.6	78.3	97.9	98.5	4.7	6.6	7.0	6.7	9	4
7	Japan	81.9	98.7	84.5	80.3	14.9	8.4	6.0	5.4	0	-3
8	Malaysia	21.7	56.2	60.5	60.5	4.0	4.8	4.3	4.1	7	1
9	Mexico	9.5	25.0	37.5	38.7	1.7	2.1	2.7	2.6	10	8
10	Thailand	8.9	21.9	31.3	30.2	1.6	1.9	2.2	2.0	8	6
11	Philippines	8.6	26.1	29.2	12.9	1.6	2.2	2.1	0.9	3	-11
12	Canada	12.4	13.5	9.6	10.1	2.3	1.1	0.7	0.7	-1	-5
13	Viet Nam	0.0	1.2	5.0	8.9	0.0	0.1	0.4	0.6	47	39
14	Israel	3.1	3.1	6.8	7.3	0.6	0.3	0.5	0.5	6	15
15	India	0.5	1.0	4.3	6.4	0.1	0.1	0.3	0.4	19	37
16	Switzerland	3.1	4.8	5.2	6.1	0.6	0.4	0.4	0.4	5	4
17	United Arab Emirates[2]	0.1	4.4	2.6	3.5	0.0	0.4	0.2	0.2	29	-4
18	Indonesia	1.6	4.7	3.9	3.4	0.3	0.4	0.3	0.2	5	-5
19	Norway	1.0	1.5	3.2	2.9	0.2	0.1	0.2	0.2	7	11
20	Australia	2.1	1.7	1.9	2.2	0.4	0.1	0.1	0.2	1	4
21	Costa Rica	0.1	1.6	1.9	2.1	0.0	0.1	0.1	0.1	24	5
22	Brazil	0.4	3.5	1.8	1.7	0.1	0.3	0.1	0.1	10	-12
23	Hong Kong, China	4.9	3.9	1.9	1.0	0.9	0.3	0.1	0.1	-10	-21
24	Morocco	0.4	0.7	0.7	0.9	0.1	0.1	0.0	0.1	6	5
25	Russia	0.1	0.5	0.7	0.9	0.0	0.0	0.0	0.1	15	11
26	Turkey	0.2	0.2	0.7	0.9	0.0	0.0	0.1	0.1	9	26
27	Tunisia	0.0	0.2	0.7	0.7	0.0	0.0	0.0	0.0	23	20
28	South Africa	...	0.5	0.6	0.6	...	0.0	0.0	0.0	...	5
29	New Zealand	0.2	0.3	0.3	0.4	0.0	0.0	0.0	0.0	6	4
30	Saudi Arabia	0.1	0.1	0.3	0.4	0.0	0.0	0.0	0.0	10	22
	WORLD[3]	**548**	**1179**	**1406**	**1481**	**100**	**100**	**100**	**100**	**7**	**4**

1) As defined by the Information Technology Agreement; calculations based on Table 2 of ITA Model List in HS1996 (see JOB(07)/96). Figures exclude those IT products that are grouped together with other non-IT products in tariff and trade classifications, with exception of HS1996 codes 852990 and 845610 which are completely included. The 2010 world trade value of these excluded ITA products is estimated to be below 140 billion dollars for each flow.

2) Includes significant re-exports.

3)World totals include intra-EU trade but exclude re-exports of Hong Kong (China). Estimates for missing reporters are based on mirror data.

Source: UN Comtrade and WTO Secretariat.

The thirty leading importers of ITA products[1)] in 2011

(Billion dollars and percentages)

Rank	Main importer	Value				Share				Annual percentage change	
		1996	2005	2010	2011	1996	2005	2010	2011	1996-2011	2005-2011
1	EU (27)	194.0	379.9	387.0	403.1	35.3	30.4	25.0	24.4	5	1
	Extra-EU27 imports	103.9	203.4	235.0	239.6	18.9	16.3	15.2	14.5	6	3
	Intra-EU27 imports	90.1	176.6	152.0	163.5	16.4	14.1	9.8	9.9	4	-1
2	China	12.9	169.3	291.7	321.2	2.3	13.6	18.8	19.4	24	11
3	United States	122.9	190.4	241.3	241.3	22.4	15.2	15.6	14.6	5	4
4	Singapore[2)]	25.4	75.6	86.7	86.8	4.6	6.0	5.6	5.3	9	2
5	Japan	40.6	64.3	69.1	73.6	7.4	5.1	4.5	4.5	4	2
6	Taipei, Chinese	14.3	46.3	56.5	59.0	2.6	3.7	3.6	3.6	10	4
7	Korea, Rep. Of	19.7	45.1	54.5	58.8	3.6	3.6	3.5	3.6	8	5
8	Mexico	10.7	36.1	54.5	57.0	1.9	2.9	3.5	3.5	12	8
9	Malaysia	14.2	44.3	50.2	48.8	2.6	3.5	3.2	3.0	9	2
10	Canada	19.8	24.1	25.7	29.5	3.6	1.9	1.7	1.8	3	3
11	Thailand	6.6	20.2	26.9	28.1	1.2	1.6	1.7	1.7	10	6
12	India	1.0	10.5	16.7	25.7	0.2	0.8	1.1	1.6	24	16
13	Brazil	4.4	8.3	16.4	19.3	0.8	0.7	1.1	1.2	10	15
14	Australia	7.8	11.5	15.5	18.7	1.4	0.9	1.0	1.1	6	8
15	Russia	2.3	6.1	15.8	18.1	0.4	0.5	1.0	1.1	15	20
16	United Arab Emirates[2)]	0.8	5.6	12.6	16.5	0.1	0.4	0.8	1.0	22	20
17	Indonesia	2.1	1.8	11.5	12.9	0.4	0.1	0.7	0.8	13	38
18	Hong Kong, China	10.7	10.9	14.1	12.9	1.9	0.9	0.9	0.8	1	3
19	Switzerland	6.4	8.4	8.7	10.0	1.2	0.7	0.6	0.6	3	3
20	Viet Nam	0.3	2.1	6.3	10.0	0.1	0.2	0.4	0.6	27	29
21	Turkey	1.8	6.5	8.6	9.5	0.3	0.5	0.6	0.6	12	6
22	Saudi Arabia	0.7	3.4	6.5	9.2	0.1	0.3	0.4	0.6	18	18
23	Philippines	7.7	22.9	18.8	8.6	1.4	1.8	1.2	0.5	0.7	-15
24	South Africa	...	5.6	6.5	7.4	...	0.4	0.4	0.4	...	5
25	Israel	3.2	4.3	4.9	6.2	0.6	0.3	0.3	0.4	5	6
26	Argentina	1.9	3.0	4.4	5.5	0.4	0.2	0.3	0.3	7	11
27	Norway	2.7	4.1	4.5	5.2	0.5	0.3	0.3	0.3	5	4
28	Chile	0.8	2.1	3.2	3.9	0.1	0.2	0.2	0.2	11	11
29	Colombia	1.2	2.4	2.9	3.6	0.2	0.2	0.2	0.2	7	7
30	Costa Rica	0.1	2.1	2.4	3.2	0.0	0.2	0.2	0.2	23	7
	WORLD[3)]	**550**	**1250**	**1548**	**1652**	**100**	**100**	**100**	**100**	**8**	**5**

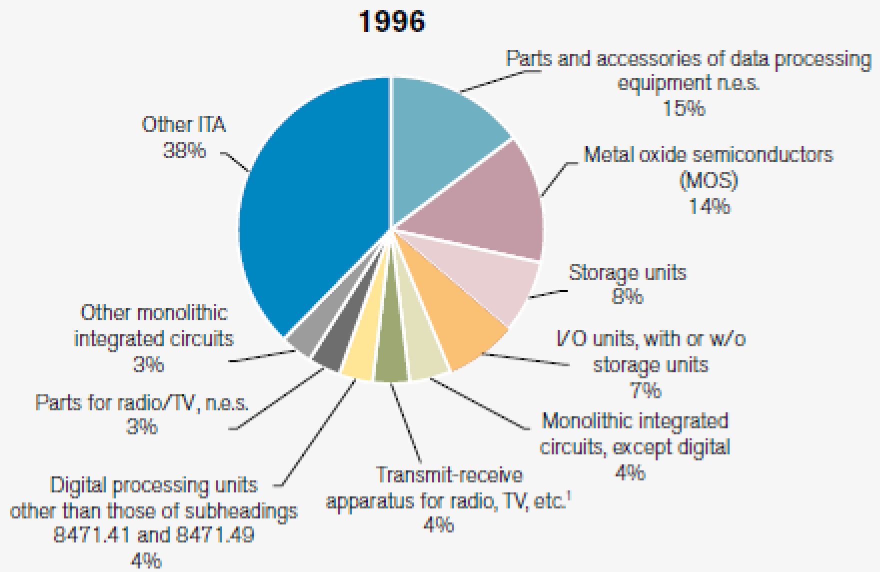
1) As defined by the Information Technology Agreement; calculations based on Table 2 of ITA Model List in HS1996 (see JOB(07)/96). Figures exclude those IT products that are grouped together with other non-IT products in tariff and trade classifications, with exception of HS1996 codes 852990 and 845610 which are completely included. The 2010 world trade value of these excluded ITA products is estimated to be below 140 billion dollars for each flow.

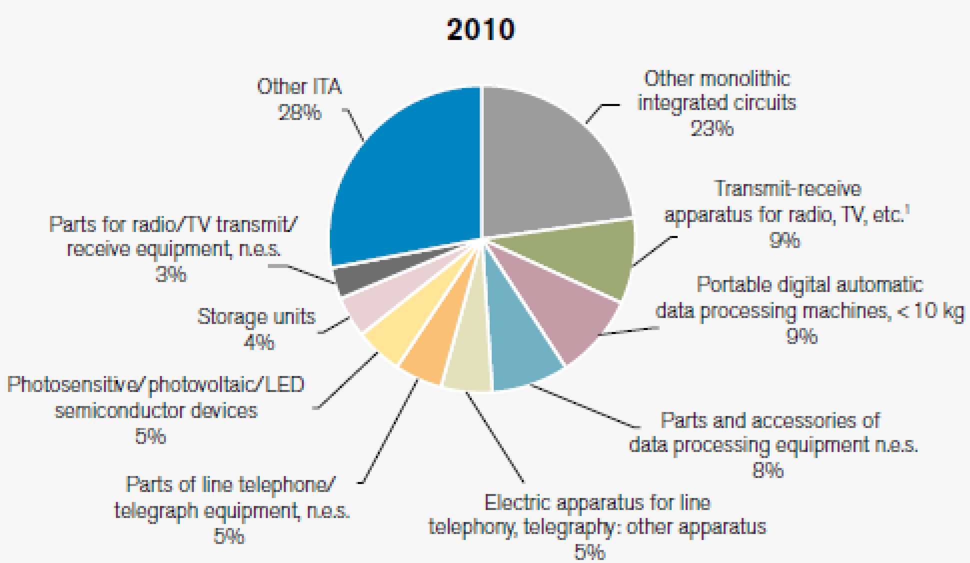
2) Includes significant re-exports.

3)World totals include intra-EU trade but exclude re-exports of Hong Kong (China). Estimates for missing reporters are based on mirror data.

Source: UN Comtrade and WTO Secretariat.

Figure 3.14. World exports of IT products: top 10 HS subheadings

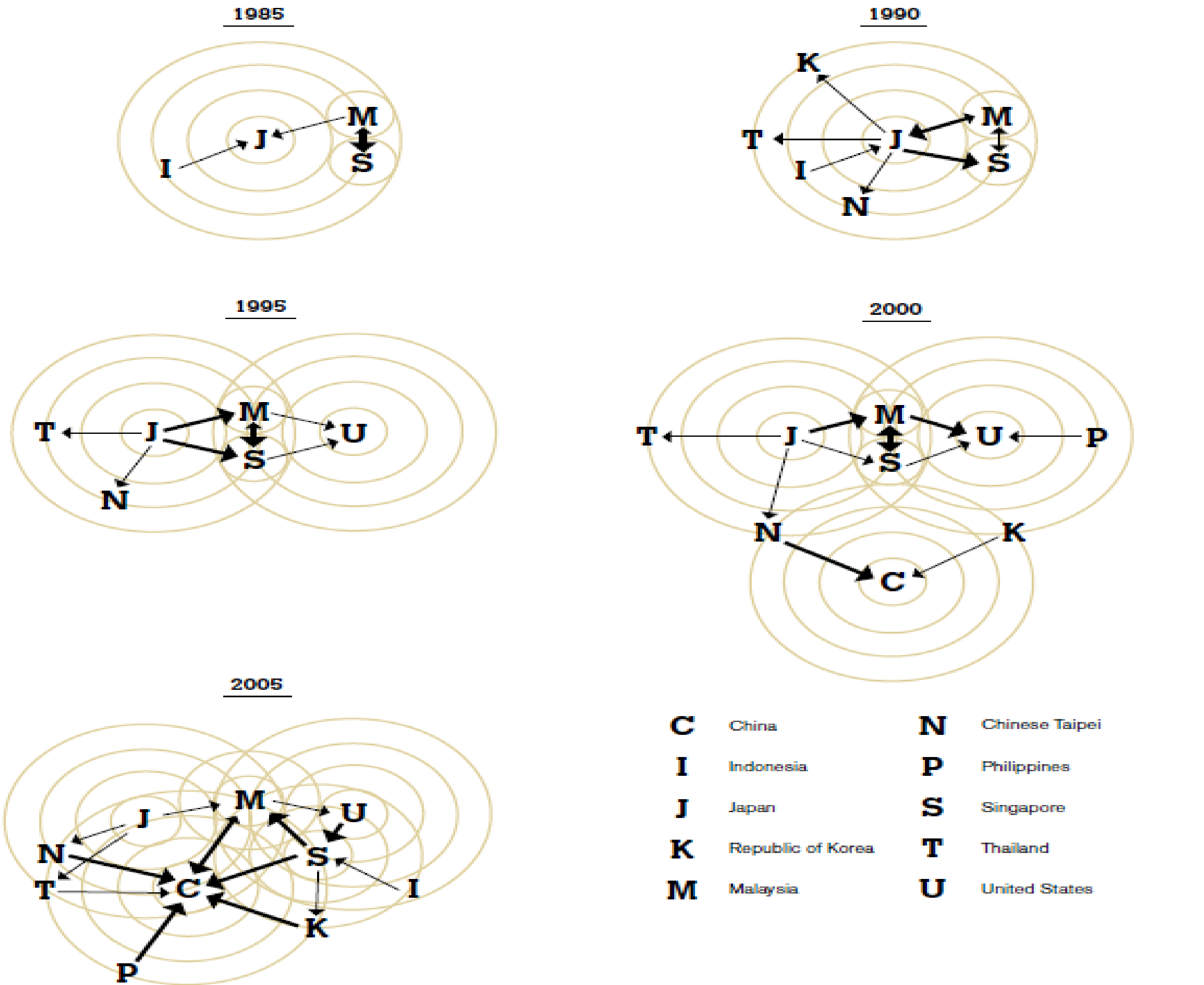




Source: WTO Secretariat, based on UN Comtrade and WTO estimates.

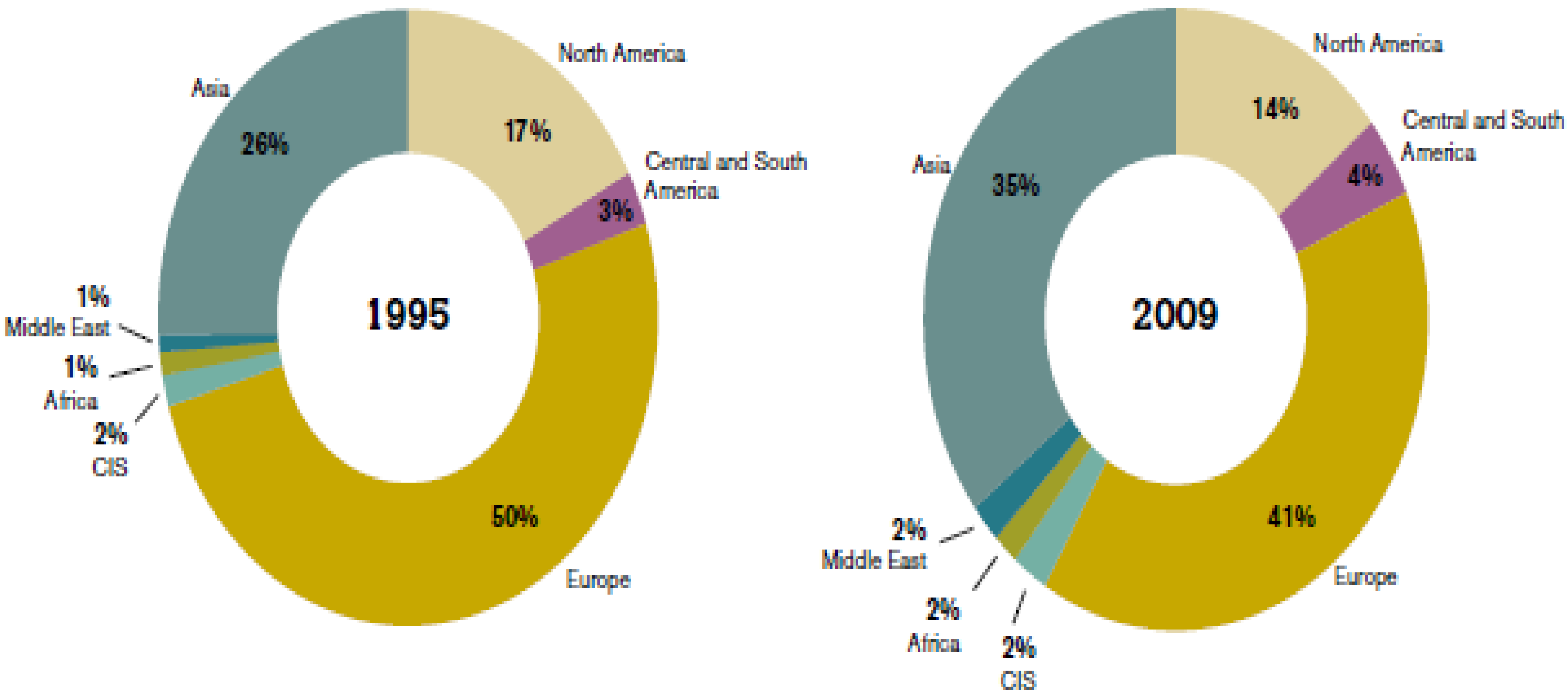
Notes: [1]Includes mobile phones, base stations, etc.

Evolution of regional production networks, 1985-2005



Source: IDE-JETRO.

Regional shares in world exports of intermediate goods (percentage)

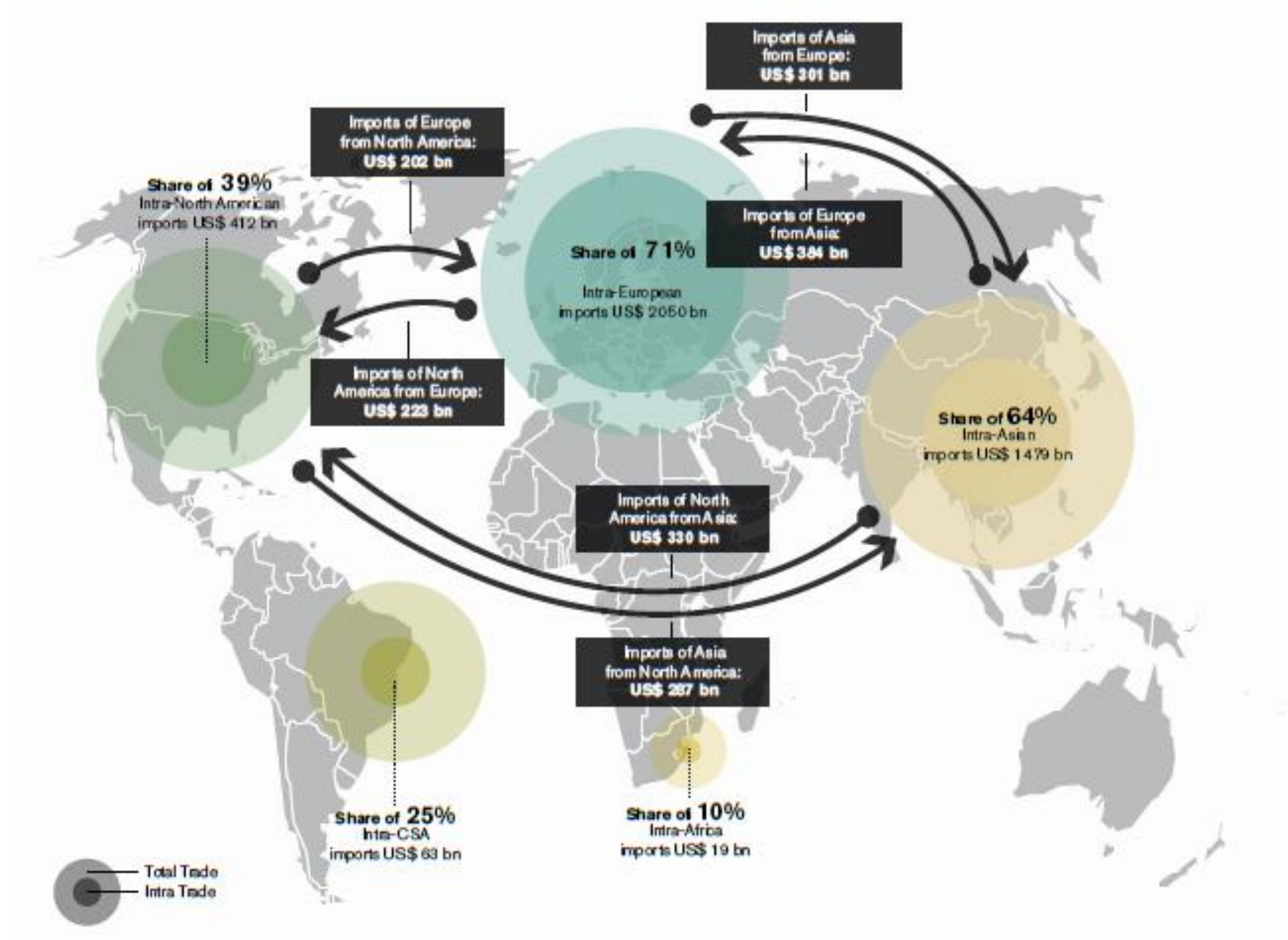


Sources: UN Comtrade Database and WTO estimates.

The level of imports of intermediate goods for Central and South America, Africa, and Australia and Oceania was low, especially for intra-regional exchanges – all with shares of below 30 per cent of total imports of intermediate goods. This reflects the fact that these regions are still newcomers to international production chains.

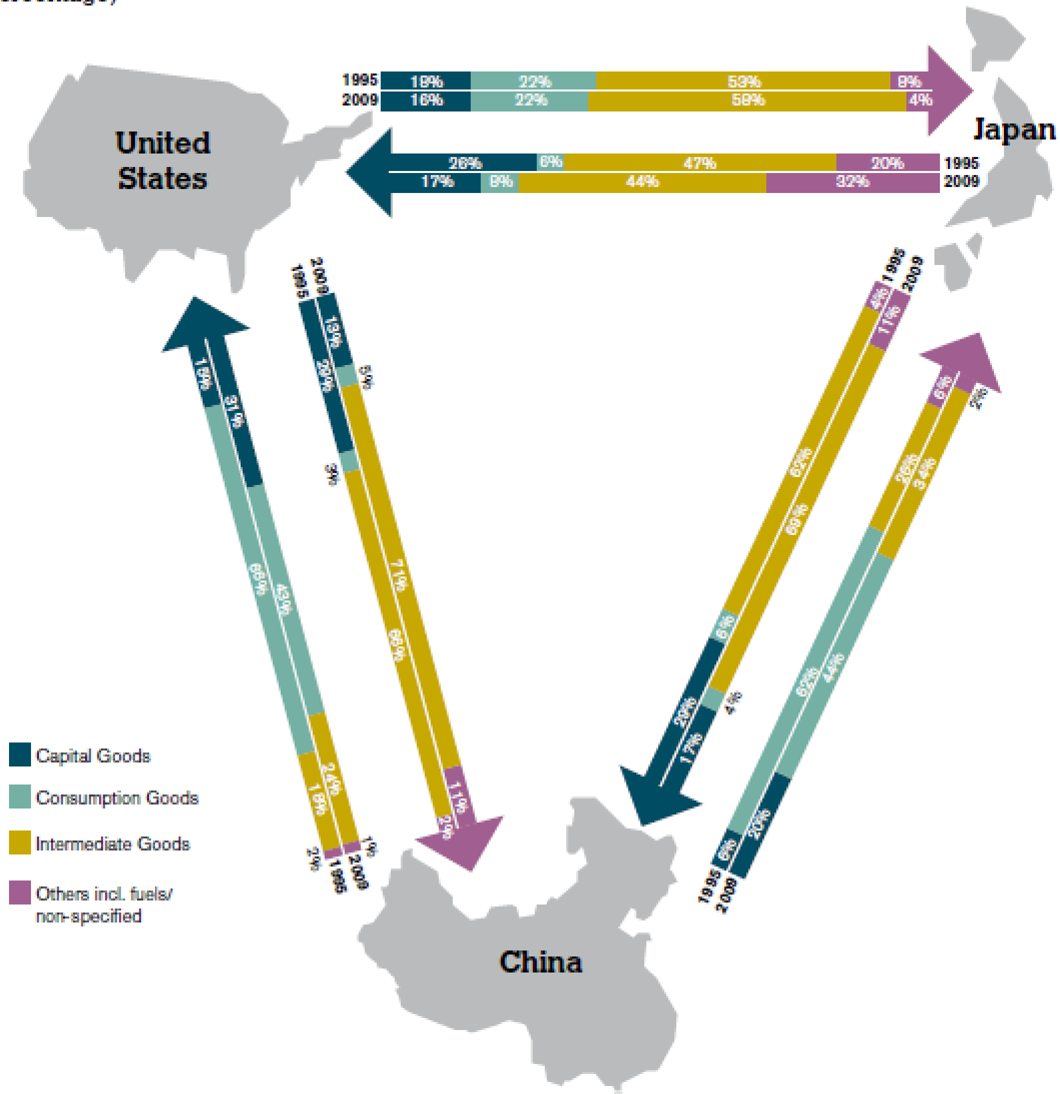
Figure 7

Intra-regional and major inter-regional imports of intermediate goods, 2008 (in billions of US$)



Sources: UN Comtrade Database and WTO estimates.

Bilateral trade flows between China, the United States and Japan, 1995 versus 2009, by type of good (percentage)



Source: UN Comtrade Database.

To summarise

- Trade in ITA products almost tripled in the last 16 years, changing trade patterns in terms of main traders and products. Developing countries' share is now at 64 per cent of exports…Semiconductors are the largest ITA product group, followed by computers and telecom. equipment.
- Many finished electronic products are produced in GPNs. This makes the elimination of tariffs and other barriers to trade, as well as good infrastructure services and trade facilitation, ever more important.
- Supply chains can be disrupted through protectionist policies. The smooth functioning of GPNs requires strengthened global governance.

4. Challenges

- **The IT sector is the most dynamic sector.**

- **New IT products enter the market everyday**

- **When signing the ITA, participants agreed to:**

  "... meet periodically under the auspices of the Council on Trade in Goods to review the product coverage specified in the Attachments, with a view to agreeing, by consensus, whether in the light of technological developments, experience in applying the tariff concessions, or changes to the HS nomenclature, the Attachments should be modified to incorporate additional products... " (Paragraph 3 of the Annex of the Ministerial Declaration).