

Briefing note: The Expansion of Trade in Information Technology Products (ITA Expansion)

Participants to the Expansion of Trade in Information Technology Products (ITA Expansion) announced today in Nairobi the conclusion of discussions to liberalize trade on information technology (IT) products beyond the original ITA of 1996.

Under the new WTO agreement, import duties will be eliminated on 201 high-tech products whose annual trade is estimated at \$1.3 trillion, accounting for approximately 10 per cent of world trade in goods. Products covered by the ITA Expansion include: new generation multi-component integrated circuits (MCOs), touch screens, GPS navigation equipment, portable interactive electronic education devices, video game consoles, and medical equipment, such as magnetic resonance imaging products and ultra-sonic scanning apparatus.

The ITA Expansion will result in the rapid and meaningful liberalization of trade in new generation IT products. According to preliminary estimates by the WTO Secretariat, 95.4 per cent of Participants' imports on these products will benefit from duty-free treatment by 2019.

Negotiations were conducted by 24 Participants, which represent 53 WTO Members, including both developed and developing WTO Members, and account for approximately 90 per cent of world trade in these products. (See Annex 1) This agreement is open to any other WTO Member wishing to join it.

1. ITA expansion negotiations

In May 2012, on the occasion of the 15th anniversary of the ITA, it was recognized that technological innovation had resulted in the development of new categories of IT products, many of which did not fall under the scope of the 1996 agreement. A group of WTO Members, therefore, considered that the ITA should be revisited to expand its product coverage and take account of this new reality.

On 24 July 2015, Participants to the expansion negotiations reached an agreement on a list of 201 additional products that will benefit from duty-free treatment. The communication embodying these results spelled out the steps that would be followed to implement the agreement. Following this roadmap, Participants engaged in the review of "draft schedules", a process where each of them described over what period of time and how they intended to implement the duty elimination on these products (i.e. the so-called "staging").

To date, participants to the ITA Expansion agreement, with the assistance of the WTO Secretariat, were able to review and approve 24 draft schedules and to conclude negotiations on staging.

2. Rapid and meaningful tariff elimination

Some of the products covered by the ITA Expansion have relatively high import duties in certain key markets. For instance, tariffs on certain parts of telephone handsets are 8.5%; video game consoles and DVD recorders are 14%; compact disc players are 30%; and video cameras are 35%.

Under the agreed package, import tariffs for most of the 201 IT products will be eliminated either immediately or progressively over three years. The WTO Secretariat estimates that more than 65.3 per cent of tariff lines, accounting for 88 per cent of imports, will be immediately eliminated by 1 July 2016, when most Participants will implement the first tariff cut. By 2019, these figures will reach 88.8 per cent of the tariff lines and 95.4 per cent of imports, thereby showing the profound impact that the ITA expansion will have on trade in these products. (See Annex 2) For a very limited number of sensitive products, tariffs will be progressively eliminated over a period of 5 years, and 7 years for the most exceptional cases.

3. What will be the impact of the ITA expansion?

Beyond the monetary savings for the IT industry resulting from the elimination of import duties on these products, investors and traders would also gain from significantly improved market access and predictability. This is because a number of these products are either currently unbound (i.e. they are not subject to a legal maximum limit at the WTO) or are bound at high tariff levels. The zero-tariff policy will also drive down costs for consumers globally, who will have cheaper and easier access to the latest in technology and innovation.

The 53 WTO Members that are participating in the ITA expansion have the legal obligation not to impose import duties on covered products. The new tariff commitments will be recorded in each Participant's WTO schedule and applied on the MFN basis, which means that all 162 WTO Members will benefit from duty-free access in those markets.

Expanding the ITA will benefit participants by lowering the production cost of IT products used by their industries as intermediate and capital goods, thereby improving the competitiveness of their economies and, in particular, their manufacturing and services sectors.

The ITA Expansion agreement also contains a commitment to work to tackle non-tariff barriers in the IT sector, and to keep the list of products covered under review to determine whether further expansion may be needed to reflect future technological developments.

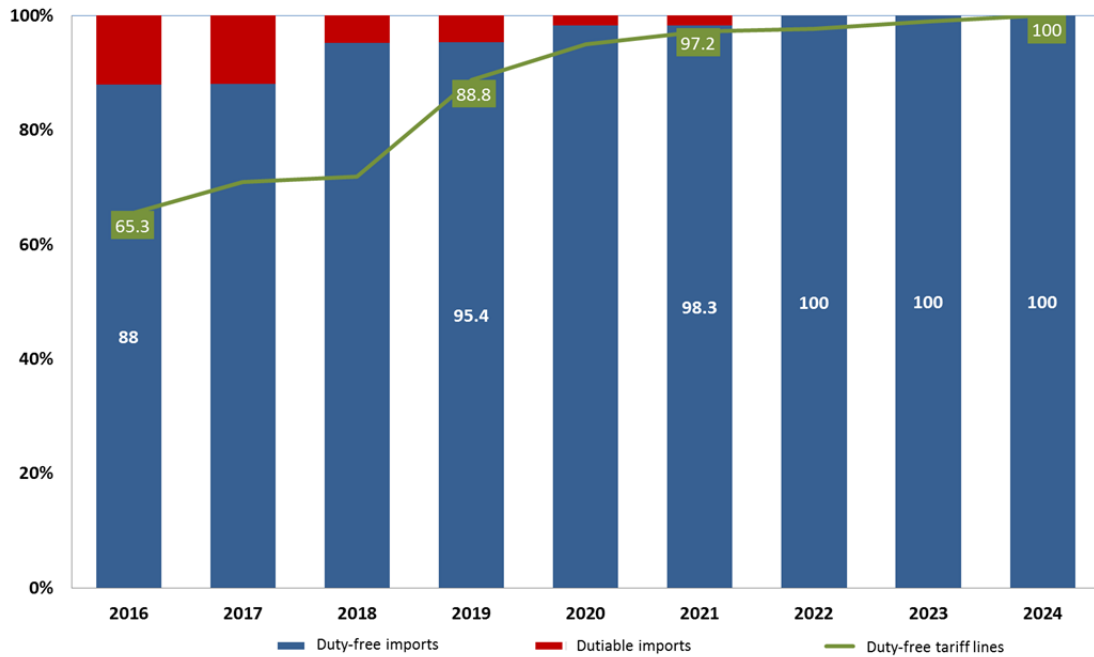
4. Additional information on the original ITA (1996)

For more information, see: https://www.wto.org/english/tratop_e/inftec_e/inftec_e.htm

Annex 1 List of Participants to the ITA Expansion

| WTO Members participating in the ITA Expansion | |
|--|-------------------------------|
| Albania | Malaysia |
| Australia | Montenegro |
| Canada | Mauritius |
| China | New Zealand |
| Colombia | Norway |
| Costa Rica | Philippines |
| European Union + 28 member States | Singapore |
| Guatemala | Switzerland and Liechtenstein |
| Hong Kong, China | Chinese Taipei |
| Iceland | Thailand |
| Israel | |
| Japan | United States |
| Korea | |

Annex 2 ITA Expansion Estimated share of tariff lines and imports in duty-free conditions All 24 Participants, by implementation year



Source: WTO Secretariat based on WTO-IDB data (imports) and Participants' draft schedules (tariff lines), as of 16 December 2015.