

Communication from the European Communities

Review of the Information Technology Agreement (ITA)

In this Communication, the European Communities set out some initial views concerning possible negotiations for an update of the Information Technology Agreement. These concern in particular the elimination of non-tariff barriers (NTBs), the expansion of product coverage to take account of technological evolution and convergence, the failure to address effectively classification divergences, and the expansion of its membership.

One of the successes of the 1st WTO Ministerial Conference held in Singapore in December 1996 was the Ministerial Declaration on trade in Information Technology Products, commonly described as Information Technology Agreement (ITA). The ITA includes forty-three participants¹, a considerable increase from the fourteen original signatories.

The success of the ITA is best illustrated by one figure: from \$ 600 billion in 1996, today IT products account for over \$ 1500 billion world exports, i.e. one fifth of total world exports of manufactured products. This impressive increase has been accompanied by major shifts among principal traders, in particular in Asia where the success of countries such as China and India is the best example of integration into the global economy with beneficial effects on long term growth. The expansion of its membership should lead to a further growth of the global IT market and of trade in IT products.

Despite its success, even during the early years some elements of the ITA started to pose major challenges to all participants. The focus of such difficulties were product coverage issues, the absence of any progress in addressing non-tariff barriers (NTBs), which have remained a significant obstacle for trade in IT products, as well as the non-membership of important countries active in the trade in IT products.

The ITA intended to deal with issues created by technological convergence, i.e., the increasing number of functions performed by some products possibly blurring the principal function of a product. However, in practice the mechanisms under the ITA Agreement for the incorporation of new IT products since the ITA was negotiated² and the resolution of classification divergences have not worked effectively. Some of the difficulties arose from the compromises achieved in 1996, under which certain IT products (such as optical fibres) were excluded from its coverage.

¹ ITA participants include 70 Members and States or separate customs territories.

² The ITA does not entail automatic product coverage extension. Attachments A and B of the ITA deal with product coverage. Whilst in Attachment A products are referred to by tariff heading, in Attachment B products are referred to through descriptions. Following the signing of the Agreement, Participants had to communicate the tariff lines implementing Attachment B commitments in their schedules.

In sum: the ITA has been very successful, but experience so far has shown that none of the mechanisms contained in the Agreement has really helped it to keep pace with technological progress in products or to dismantle existing NTBs.

The European Communities proposes that ITA participants and other WTO Members initiate negotiations with a view to:

- eliminate all and prevent the creation of new non-tariff barriers affecting these products;
- review the product coverage;
- establishing effective mechanisms to keep the agreement up to date and to ensure that in future it takes into account technological development and convergence;
- include major producers of IT products still outside the ITA.

All these issues need to be addressed together to produce a balanced outcome where the different interests of Members are dealt with satisfactorily.

Rapidly evolving technologies make these negotiations particularly urgent in order to solve the problems faced in trade in these products. The European Communities therefore proposes to start negotiations immediately in order for results to be reached in the shortest possible period of time; it could also be included as an outcome of the DDA negotiations. Among the issues to be tackled, the European Communities proposes to give priority to some key topics, such as:

- on product coverage, negotiating the inclusion of products that present specific challenges for ITA Members, and in particular of multi-functional products;
- on NTBs, agreement on substantive provisions concerning the recognition of internationally agreed standards and of methods of conformity assessment, in order to avoid multiple testing and enable greater economies of scale without compromising on product safety.