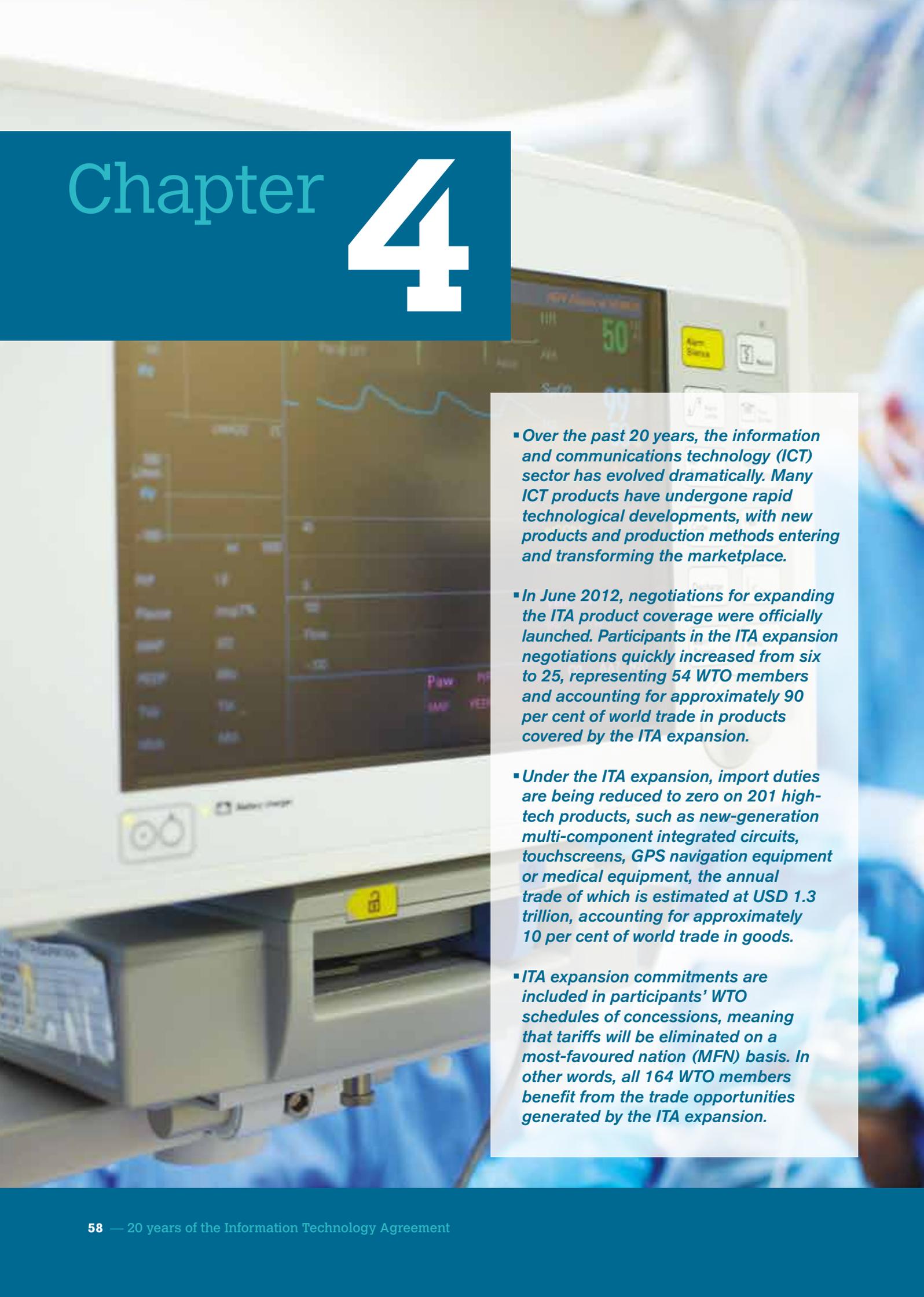


Chapter 4

- 
- *Over the past 20 years, the information and communications technology (ICT) sector has evolved dramatically. Many ICT products have undergone rapid technological developments, with new products and production methods entering and transforming the marketplace.*
 - *In June 2012, negotiations for expanding the ITA product coverage were officially launched. Participants in the ITA expansion negotiations quickly increased from six to 25, representing 54 WTO members and accounting for approximately 90 per cent of world trade in products covered by the ITA expansion.*
 - *Under the ITA expansion, import duties are being reduced to zero on 201 high-tech products, such as new-generation multi-component integrated circuits, touchscreens, GPS navigation equipment or medical equipment, the annual trade of which is estimated at USD 1.3 trillion, accounting for approximately 10 per cent of world trade in goods.*
 - *ITA expansion commitments are included in participants' WTO schedules of concessions, meaning that tariffs will be eliminated on a most-favoured nation (MFN) basis. In other words, all 164 WTO members benefit from the trade opportunities generated by the ITA expansion.*

ITA expansion

A. Early efforts to expand the product coverage of the 1996 ITA

Since the Internet became available to the general public in the middle of the 1990s, the information and communications technology (ICT) sector has arguably become the most dynamic sector in the global economy.¹ The widespread use of technology has improved productivity, generated economic growth, created new jobs, including specialized ICT jobs across all sectors of the economy,² and improved quality of life. With rapid changes in technology and in trade flows, new ICT products enter the market every day.

When they signed the ITA in 1996, its participants agreed to meet periodically to review the product coverage specified in its 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”.³

The review of product coverage under the 1996 ITA – known as the “ITA II” negotiations – began at the same time as the entry into force of the ITA in 1997 but stalled at the end of 1998 when participants were unable to find consensus on the products to be added to the existing list. Because of this, the original product annexes of the 1996 ITA Declaration have not yet been updated.⁴

Since the Internet became available to the general public in the middle of the 1990s, the information and communications technology sector has arguably become the most dynamic sector in the global economy.

B. Calls for the expansion of the ITA in May 2012

On 2 May 2012, six ITA participants – Canada, Japan, the Republic of Korea, Singapore, Chinese Taipei and the United States – submitted a “Concept Paper for the Expansion of the ITA” to the ITA Committee.⁵ The paper was later co-sponsored by Costa Rica and Malaysia and endorsed by the European Union⁶ (see Box 4.1).

The concept paper recognized that the 1996 ITA was “tremendously successful in facilitating increased global trade and investment, encouraging information and communications technology (ICT) adoption, and reducing the cost of ICT inputs”. At the same time, it acknowledged that “Many ICT products have experienced rapid technological development, with new products

BOX 4.1 Concept paper for the expansion of the ITA⁷

The concept paper stated that “[i]n order to make the ITA more comprehensive, recognizing changes in patterns of global ICT trade and production and the pace of technological innovation in the industry”, negotiations should commence promptly, on the following basis:

- Expand the product coverage of the ITA; and
- Seek to include non-signatory IT producers in the ITA.”

The paper also highlighted the following points:

- “ITA Participants should begin negotiations promptly, with a view to rapid conclusion and implementation. A successful expansion of ITA product coverage, concluded in the near-term, would provide a much-needed boost to the global economy, and reinforce the importance of the multilateral trading system.
- ITA Participants should accelerate consultations with domestic stakeholders to grasp their needs for the expansion of the product coverage. Examples of key categories of products that could be covered by the ITA include: a) products capable of processing digital signals; b) products that can send or receive digital signals with or without lines; c) ICT manufacturing equipment; and d) related components, attachments, and parts. [...]
- Separately, the ITA Committee should take concrete steps to advance the important ongoing work under the Non-Tariff Measures (NTMs) Work Programme, to further facilitate international trade in this important sector.”

and production methods entering and transforming the marketplace". The paper noted that "products that existed at the time the ITA was negotiated but were not included account for a growing share of ICT trade" and that "despite significant changes to the HS system [i.e the Harmonized System, an international nomenclature arranged in six-digit codes, allowing all participating economies to classify traded goods on a common basis] in 2002, 2007, and 2012 that better reflect technological development, product coverage under the ITA has never been expanded".

The paper further acknowledged industry's advocacy role in driving Asia-Pacific Economic Cooperation (APEC) leaders to agree in November 2011 to "play a leadership role in launching negotiations to expand product coverage and membership of the ITA". Indeed, the global ICT industry played an instrumental role in launching the ITA expansion negotiations, as it did for the negotiations of the 1996 ITA.⁸ In 2011 and 2012, several ICT associations – the US-based Information Technology Industry Council (ITI), DIGITALEUROPE and the Japanese Electronic Industry Development Association (JEIDA) – urged their respective governments to give priority to start negotiations to expand the ITA product coverage on several occasions, such as at the APEC Leaders' Meeting in November 2011 and the World Electronics Forum in January 2012. In a statement issued by DIGITALEUROPE on 23 February 2012, it was reaffirmed that "the ITA needs to be expanded to keep pace with technological change and help eliminate uncertainty that arises as convergence in the ICT industry continues to advance".⁹

On 14-15 May 2012, on the occasion of the WTO Symposium celebrating the 15th anniversary of the ITA, repeated calls were made to expand the ITA product coverage and to update the 1996 ITA in order to take technological developments into account.

C. ITA expansion negotiations

On 1 June 2012, six ITA participants – Costa Rica, the European Union, Japan, the Republic of Korea, Chinese Taipei and the United States – officially launched the ITA expansion negotiations. When the negotiations were concluded on 16 December 2015 at the Tenth WTO Ministerial Conference in Nairobi, Kenya, the ITA expansion included 24 participants (counting the European Union as one participant), representing 53 WTO members.¹⁰

Actual negotiations of the ITA expansion took place among interested parties in the form of a Technical Working Group (TWG). The TWG held rounds of

On 1 June 2012, six ITA participants – Costa Rica, the European Union, Japan, the Republic of Korea, Chinese Taipei and the United States – officially launched the ITA expansion negotiations.

negotiations which were hosted by rotation in some participants' permanent missions in Geneva. The role of the hosting chair in each ITA expansion negotiating round was very important, as it was responsible for the whole organization of meetings, facilitation of discussions, circulation of documents and follow-up.¹¹

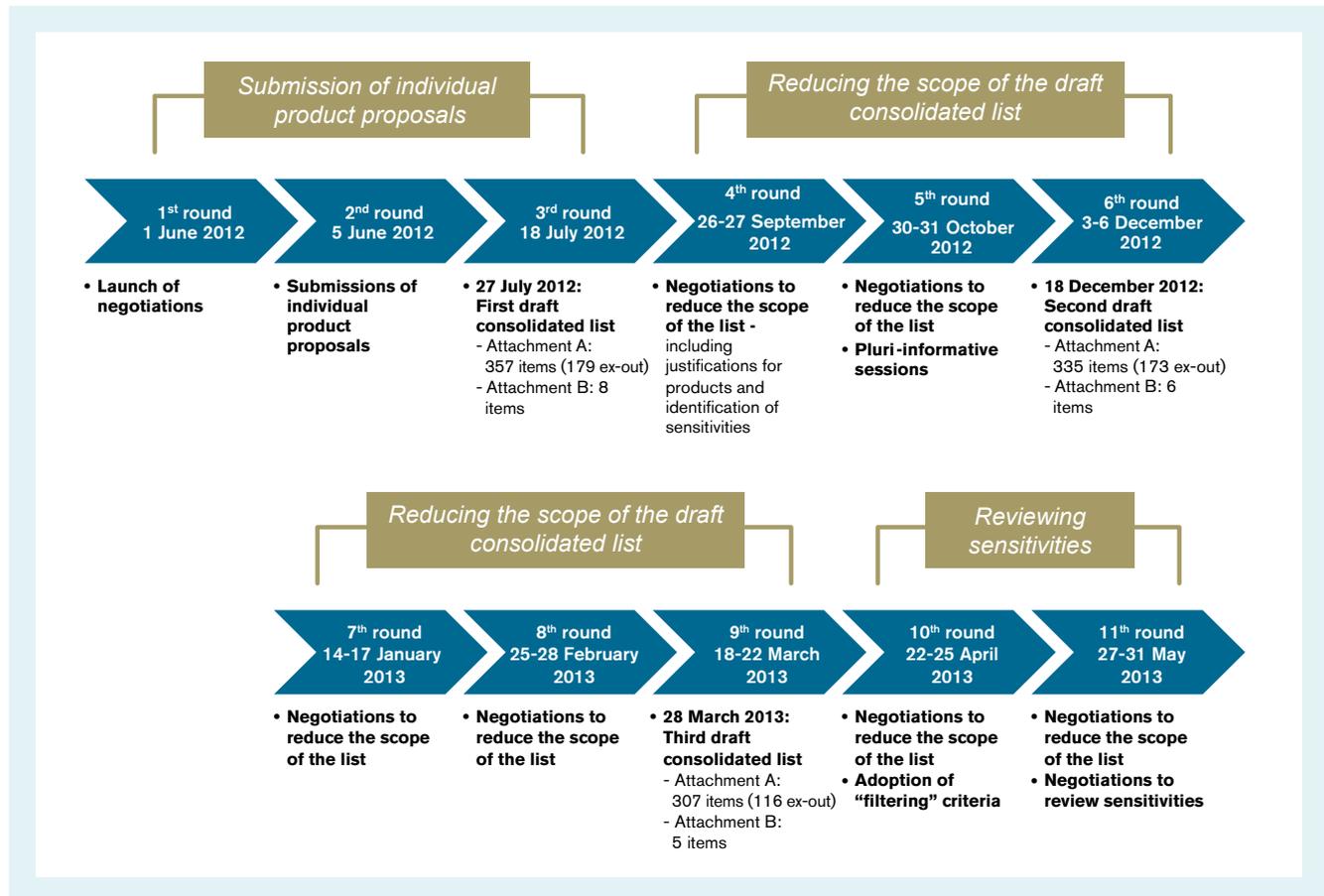
The TWG process lasted three and a half years, and went through three main phases: i) submission of proposals for product inclusion; ii) negotiations on "product coverage" for the formation of the final list, including the identification of sensitivities; and iii) negotiations on staging and the plurilateral review and approval of ITA expansion schedules.

The ITA expansion builds on the 1996 ITA but stands on its own as a separate agreement. This is due to the fact that ITA expansion was negotiated and agreed by a subset of participants of the 1996 ITA. Thus, negotiations were held outside the ITA Committee. Nevertheless, ITA expansion participants periodically reported to the ITA Committee under the agenda item "Review of product coverage", as per paragraph 3 of the Annex to the 1996 Ministerial Declaration. The ITA expansion is open to all ITA participants and other WTO members who wish to join it.

Submission of proposals for products inclusion under the ITA expansion

Like the 1996 ITA, ITA expansion negotiations were plurilateral and sector-specific. As illustrated in Figure 4.1, the initial phase of negotiations started with the submission by each participant of products proposed for inclusion under the new agreement and their justification. After the first three rounds of negotiations, in July 2012 the group was able to compile a first draft consolidated working list of products, which consisted of two parts:

Figure 4.1: Timeline ITA expansion negotiations – Phase 1: Submission of product proposals and formation of the ITA expansion list



Source: WTO Secretariat.

"Attachment A", containing more than 357 items defined at the HS sub-heading level (i.e. 6-digit), of which 179 HS sub-headings were partially covered ("ex-outs");¹² and "Attachment B" including eight product descriptions.¹³

The first draft ITA expansion list contained many new ICT products – such as high-tech medical devices; measuring instruments; navigation equipment; ICT manufacturing equipment, machinery and components; simulators; semiconductor and related equipment; multi-component integrated circuits (MCOs); etc. In response to concerns expressed by some participants over the level of ambition of the first list, the group, at its fourth round of negotiations, started to review the draft list with a view to reducing its scope and entered into a more in-depth discussion on the relevant justifications. In order to facilitate the process, the TWG organized a series of "pluri-informative sessions" which provided an opportunity for the proponents, including their private sector representatives on some occasions, to present and explain their proposals and provide justifications for the proposed inclusion of specific products.

From the beginning of 2013, the group's main objective was to reduce the list by removing some items with low levels of support or with questionable relevance to the ICT sector and start identifying sensitive products. Examples of products that were removed from the negotiating list in these early rounds include household appliances and cables. In this context, the group agreed to use the "filtering" criteria proposed by the European Union, whereby products would remain on the negotiating list if they met one of two thresholds of support, namely: i) the proponents had to account for at least 50 per cent of world trade in that product; or ii) the inclusion of that product had to be supported by eight or more participants. The acceptance of these negotiating criteria launched an intensive phase of negotiations among the participants, who began to engage in trade-offs to build levels of support for key priorities, and peel off support for key sensitivities. During this phase, the WTO Secretariat was asked to assist the group, and it prepared the data required for the filtering exercise (see Box 4.2).

BOX 4.2 The role of the WTO Secretariat in the ITA expansion negotiations

Unlike traditional WTO negotiations, ITA expansion negotiations were conducted by a sub-group of members in an independent and informal manner. The ITA expansion participant in charge of hosting the round of negotiations was also responsible for the organization of meetings, circulation of documents and follow-up.

In this setting, the WTO Secretariat was invited to attend some meetings of the TWG as an “observer” since September 2012. Its main role in the negotiations was to provide, upon request of the ITA expansion participants, technical support in the different phases of negotiations, including with the provision of trade and tariff data, preparation of ITA expansion schedules and verification of concessions.

For example, in 2013 the WTO Secretariat was asked by the TWG to prepare the trade data at the tariff line level for the “filtering” exercise and to keep the list up to date during the negotiations. During the last phase of negotiations, ITA expansion participants agreed to involve the WTO Secretariat more actively, particularly with the preparation of ITA expansion schedules (see Annex Figure 4.1 for more details on ITA expansion schedules). The Secretariat also provided substantive support to the TWG during the plurilateral review process, where the draft ITA expansion schedules were verified and reviewed multiple times to make sure that they did not have technical errors before participants could approve them by consensus and reach a final agreement.

Since the conclusion of the ITA expansion negotiations on 16 December 2015, the WTO Secretariat has assisted ITA expansion participants to fulfil their obligations to reflect the newly agreed concessions in their respective WTO schedules in accordance with the 1980 Procedures for the Modification and Rectification of Schedules, thereby ensuring that ITA expansion commitments are legally binding and are applied on an most-favoured nation (MFN) basis to all WTO members. The Secretariat has further provided technical assistance to WTO members wishing to join the ITA expansion, including the preparation of new participants' schedules.

The most important and difficult task faced by the group at this juncture was how to reach a balance of interests in the final list, while focusing on identifying top priorities, top sensitivities, and solutions for how to deal with them. At that time, the most sensitive items being identified were televisions (TVs), audio-video equipment, printing inks, chemicals, electrical apparatus (due to their multiple use in sectors other than the ICT), liquid-crystal display (LCD) panels, machine tools (due to their multiple use), optical fibres, multi-chip integrated circuits (MCPs), MCOs and light-emitting diode (LED) lighting.

With respect to sensitive products, three options were discussed: i) the removal of items from the list; ii) the creation of “ex-outs” to reduce the scope of the concession; and iii) longer implementation periods for the tariff reduction. In March 2013, the group circulated a third revision to the draft consolidated working list.¹⁴ While some important progress was made in streamlining the list, participants could not arrive at an agreement due to some members' insistence on the removal of identified sensitivities from the scope of coverage.

Negotiations on product coverage

The second phase of the ITA expansion negotiations was extremely difficult and experienced a number of suspensions (see Figure 4.2). The first major difficulty which delayed the circulation of the draft final list after the application of the “filtering” criteria was whether or not TVs, which were sensitive products for at least one major player, qualified for inclusion in the list (see Box 4.3). After extensive negotiations between the parties concerned, a revised, non-binding draft final ITA expansion list was eventually circulated on 26 June 2013, where the number of Attachment A items was reduced to 256 subheadings – 82 with partial coverage – and the number of Attachment B products was limited to six items.

With the circulation of the draft final list, the ITA expansion negotiations entered a new phase and participants intensified discussions with a view to addressing the treatment of sensitive products. As a means of resolving some of these sensitivities, the group agreed to negotiate staging modalities instead of requests for the removal of products from the list. Up until that point, a main challenge for participants was the lack of clarity on staging timeframes that could be used to accommodate their sensitivities.

At a meeting on 28 June 2013, the participants agreed to use the practice under the 1996 ITA as the modality for implementation timeframes for tariff elimination under the new agreement. Similar to the 1996 ITA, the group decided not to include general provisions on special and differential treatment among participants or to allow for exceptions to the final product coverage. Three-year staging in four equal annual reductions was to be applied as “standard” staging, with the possibility for extended staging for individual participants based on their sensitivities to be considered on a product-by-product basis. The participants further agreed that extended staging should not go beyond five years, with six equal annual reductions, though longer staging up to a maximum of seven years could be considered in exceptional circumstances and for highly sensitive products.

Figure 4.2: Timeline ITA expansion negotiations – Phase 2: Negotiations on product coverage



Source: WTO Secretariat.

Despite the progress on staging, the differences within the group on the general level of ambition and the difficulties linked to sensitive products led to the suspension of negotiations in July 2013, when some key participants argued that the list of sensitivities tabled by China was too long, covering roughly 150 products and excluding 106 out of the 256 products included in the draft negotiating list.¹⁵ Talks were restarted in October 2013 and China, the European Union, Japan and the United States held several meetings and consultations throughout the month in an effort to move negotiations forward. However,

in November 2013 the deadlock continued and the Group failed to meet its goal of reaching a deal in time for the Ninth WTO Ministerial Conference in Bali.

Another major difficulty at that time was whether a final agreement should include products such as LCD panels and machine tools. The situation was further complicated by the continuation of the “TV impasse” (see Box 4.3), which was also being used to leverage for support for the inclusion of machine tools.

After almost a year-long suspension, a bilateral breakthrough between the United States and China was reached on the margins of the APEC Summit in Beijing on 10 November 2014, which paved the way for negotiations in Geneva to resume on 4 December 2014. However, four days later, the process faced another deadlock as the agreement reached among key players was not accepted by other participants which considered that some of their key priority products, such as LCD panels and machine tools, had not been included. Moreover, the position of one of the major players was that negotiations on product coverage and staging should be conducted at the same time. Hence, negotiations were suspended until mid-2015.¹⁶

During this period, the WTO Director-General, Roberto Azevêdo, was asked to step in and provide his “good offices” to facilitate a deal. From the end of 2014 and throughout the first half of 2015, Director-General Azevêdo conducted many bilateral and plurilateral consultations with key negotiating parties and held a number of meetings with a view to bridging differences (see Box 4.4).

BOX 4.3 The “TV impasse”

The inclusion or exclusion of TVs (HS 852872) was a difficult issue in the ITA expansion negotiations. For some participants, expanding the coverage to TVs was a logical consequence of technological development and product integration; for others, TVs were sensitive items and they could not accept their inclusion in the negotiating list. In May 2013, TVs were not included in the draft list, as the share of trade in this item was 32.1 per cent and supporters included only six participants. Thus, according to the “filtering” proposal (i.e. 50 per cent or more of world trade or eight or more supporters), TVs did not qualify for inclusion. However, the situation changed dramatically on 14 June 2013 when a major player, whose share in world trade for this item was 16.4 per cent joined the supporters for inclusion of TVs. Consequently, the total share increased to 51.9 per cent and TVs was entered in the draft consolidated list. However, given the strong differences of view on TVs, in the end participants accepted the exclusion of TVs from the ITA expansion.

BOX 4.4 The Director-General's involvement during the process of the ITA expansion negotiations

In the ITA expansion negotiations, especially during the second stage of the TWG process, involvement by Director-General Roberto Azevêdo was requested by the group with a view to bridging the differences on several occasions. For example, on 12 December 2014, the group, after almost ten days of negotiations, was deadlocked again over the scope of product coverage, particularly on whether or not to include LCD display panels in the list. The Director-General was therefore asked to provide his good offices in an effort to unblock the stalemate. From 16 December 2014 onward, the Director-General conducted many bilateral and plurilateral consultations with key delegations and held meetings throughout the first half of 2015 with a view to resolving the deadlock.

Even at the very final stage of negotiations on product coverage, the DG's intervention on 18 July 2015 was crucial in resolving the disagreement between the European Union, China, and the United States over the issue of car radios, and this allowed the negotiations on product coverage to be successfully concluded.

At the request of participants, the DG was also directly involved in closing the text of the ITA expansion Ministerial Declaration, including, for example, by helping to bridge differences regarding the issue of critical mass at the Tenth WTO Ministerial Conference itself, an issue that remained outstanding for several months in the Geneva process.

On 14-17 July 2015, the TWG resumed discussions on product coverage at the EU Mission to the WTO in Geneva. During that week, the group met at the technical and ambassador level ¹⁷ with the support of capital-based experts in order to finalize the list of products to

be covered and the text of the ITA expansion Declaration, which laid out the terms of the agreement and the commitments to be undertaken by the participants.

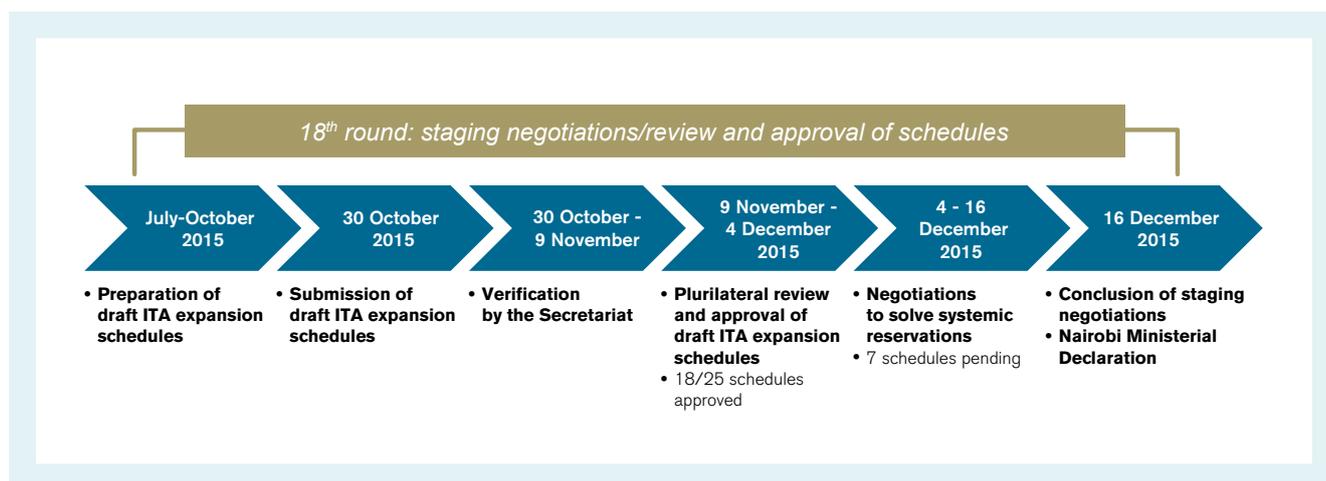
Finally, after 17 rounds of negotiations, on 18 July 2015 a breakthrough on product coverage was found with the support of the Director-General. At the General Council meeting of 28 July 2015, the European Union, on behalf of the participants to the ITA expansion, announced that the group had reached an agreement on the "Declaration on the Expansion of Trade in Information Technology Products" ¹⁸ (hereafter the "July Declaration") as well as on the list of 201 products which was attached to the Declaration (see Box 4.5).

Negotiations on staging, including verification and approval of schedules

The July 2015 Declaration provided a detailed roadmap for completing the remaining part of the negotiations. During this phase, each participant had to submit its detailed schedule of concessions, including the specific implementation timeframes for each product, by the end of October 2015 so that the schedules of all participants could be reviewed and approved by consensus by 4 December 2015 (see Figure 4.3). ¹⁹ The objective of the ITA expansion participants was to announce the conclusion of the deal at the Tenth WTO Ministerial Conference in Nairobi, held from 15-18 December 2015.

Scheduling ITA expansion concessions was a complex technical exercise and the group requested the WTO Secretariat's assistance for the preparation and verification of schedules before they were officially submitted for review and approval by the group (see Annex 4.1).

Figure 4.3: Timeline ITA expansion negotiations – Phase 3: Staging negotiations

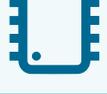


Source: WTO Secretariat

BOX 4.5 The ITA Expansion Declaration of 28 July 2015 ²⁰

- **Participants:** 25 participants, i.e. Albania; Australia; Canada; China; Costa Rica; the European Union; Guatemala; Hong Kong, China; Iceland; Israel; Japan; Korea; Malaysia; Montenegro; New Zealand; Norway; Philippines; Singapore; Switzerland; the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu; Thailand; and the United States. Colombia, Mauritius and Turkey, which participated in the negotiations, joined the Declaration a few days later.
- **Product coverage:** 201 products in total, divided into two attachments. Attachment A contains 191 items defined at the HS 2007 six-digit level, of which 50 items are partially covered (“ex-out”). Attachment B contains 10 items defined by product description (without HS code). The expansion list includes a wide range of IT-related products, from medical devices to audio-visual products, new generation semi-conductors, GPS navigation equipment, smart cards, optical media and others (see Table 4.1).
- **Commitment to bind and eliminate customs duties and other charges** (within the meaning of Article II.1(b) of the GATT 1994) on all products covered.
- **Implementation of tariff reductions:** Regular staging of three years (1 July 2016-1 July 2019), with four equal tariff reductions. Possibility of longer staging – up to five or maximum seven years for sensitive products. Other duties and charges, as defined by GATT Article II:1(b), to be eliminated upon entry into force.
- **Scheduling time-frame:** tariff reduction commitments were presented in a schedule format. ITA expansion schedules were plurilaterally reviewed and approved between October and December 2015. Once the schedules were approved, these were submitted under the 1980 “Procedures for Modification and Rectification of Schedule” in order to reflect the ITA expansion concessions in the WTO schedules of respective members.
- **Critical mass:** ITA expansion participants must represent approximately 90 per cent of world trade in the product covered in order to start implementing the agreement.
- **Non-tariff barriers:** intensify consultations with a view to a possible development of an up-graded work programme.
- The ITA expansion Declaration is **open for acceptance** by all WTO members.

Table 4.1: Examples of finished products and parts and accessories covered by the ITA expansion

	• Electronic devices (TV-cameras, video recording, digital car radios, set top boxes)		• Medical equipment (scanners, machines for magnetic resonance imaging, tomography or dental care and ophthalmology)
	• Video games and consoles		• Loudspeakers, microphones and headphones
	• Audiovisual/multimedia (GPS, DVD players, smart cards, optical media)		• Telecommunication satellites
	• Multifunctional printing and copying machines, ink cartridges		• Parts and components for production of IT goods and semiconductors (e.g. lasers, LED modules, touch screens, measuring and weighing instruments, switches, electromagnets, amplification apparatuses, etc.)
	• Multicomponent integrated circuits (MCOs)		• Machinery for production of IT goods and semiconductors
	• Multichips (EIC)		• Machine tools for the manufacture of printed circuits or semiconductors and other IT products

Source: WTO Secretariat.

Staging negotiations

Parallel to the preparation of schedules, participants also engaged in negotiations on staging for the 201 products included in the agreement. As mentioned previously, some staging negotiations had already taken place for certain sensitive products as part of the final negotiations on product coverage, including as trade-offs to reduce sensitivities. While the three-year rule for staging was agreed for non-sensitive products, largely following the practice of the 1996 ITA, participants also needed to specify the extended timeframes for identified sensitivities.²¹ At the same time, some participants proposed to accelerate the tariff elimination of a number of products with relatively low customs duties and products identified as “building blocks”²² for the ICT sector, which included tariff lines partially covered by the 1996 ITA,²³ as well as newly covered products such as advanced MCO semiconductors.

Agreeing on longer implementation periods for sensitive items was the most contentious issue of the staging negotiations. Some participants sought to limit the number of sensitive products subject to longer implementation periods and argued against longer staging for products not previously identified as sensitive.²⁴ Other participants sought to avail themselves of longer staging for all tariff lines previously identified as sensitive.

Following the submission of draft ITA expansion schedules, the group started the verification process on 9 November 2015. This process proved to be laborious, as it was common for the same draft schedule to be reviewed multiple times before it could be accepted by the group on a consensus basis. By the deadline of 4 December 2015, all 25 ITA expansion participants had submitted their draft schedules for review by the TWG. Of these, 15 draft schedules had been approved and ten remained pending.²⁵ Among the 10 pending draft ITA expansion schedules, some had “technical reservations”, meaning that there were some technical issues identified by the WTO Secretariat and/or raised by participants that needed to be corrected (for example tariff classification issues, consistency of information, editorial mistakes, etc.), while other schedules had both technical and “systemic reservations” based on staging that could only be solved through further negotiations.

The “systemic” reservation placed on the draft schedules of six participants was mainly due to the fact that these participants were considered major players in the trade of ITA expansion products and they were expected to improve their offers for staging, in terms of both extended staging for sensitive items

as well as requests for immediate tariff elimination for non-sensitive products. In light of this situation, the group was not able to approve the draft ITA expansion schedules of the six participants in Geneva and negotiations aimed at removing the reservations continued at the WTO Ministerial Conference in Nairobi.

D. The Nairobi Ministerial Declaration on ITA expansion

On 16 December 2015, the group eventually agreed in Nairobi to remove the reservations on the six remaining schedules and approved them by consensus (see Table 4.2).²⁶ Some final differences regarding the text of the Declaration were also solved. The conclusion of the ITA expansion negotiations was announced on 16 December 2015 during a ministerial press conference held at the margins of the Tenth WTO Ministerial Conference.

The Ministerial Declaration on the Expansion of Trade in Information Technology Products²⁷ (hereafter the ITA Expansion Ministerial Declaration) was issued by the Ministers of 24 ITA expansion participants, representing 53 WTO members, endorsing the results of the review process as reflected in the draft ITA expansion schedules submitted by each participant, which had been reviewed and approved on a consensus basis (see Table 4.2).²⁸ The ITA Expansion Ministerial Declaration acknowledged that, in accordance with the criteria established in paragraph 7 of the July Declaration, the approved draft ITA expansion schedules of the 24 participants represented approximately 90 per cent of the world trade in the products covered and, therefore, each participant would “implement the tariff elimination commitments as set forth in paragraphs 3 and 6 of the [July] Declaration and the approved schedules subject to the completion of domestic procedural requirements”.²⁹

The conclusion of the ITA expansion negotiations was announced on 16 December 2015 during the Tenth WTO Ministerial Conference.

Table 4.2: List of approved draft ITA expansion schedules during the review process

Participant	Date of approval	Circulated in official WTO document
Albania	3 December 2015	G/MA/W/117/Add.1
Australia	9 December 2015	G/MA/W/117/Add.2
Canada	16 December 2015	G/MA/W/117/Add.3
China	16 December 2015	G/MA/W/117/Add.4 G/MA/W/117/Add.4/Rev.1
Colombia	3 December 2015	G/MA/W/117/Add.5
Costa Rica	12 November 2015	G/MA/W/117/Add.6 G/MA/W/117/Add.6/Rev.1
European Union	16 December 2015	G/MA/W/117/Add.7
Guatemala	3 December 2015	G/MA/W/117/Add.8
Hong Kong, China	19 November 2015	G/MA/W/117/Add.9
Iceland	19 November 2015	G/MA/W/117/Add.10
Israel	3 December 2015	G/MA/W/117/Add.11
Japan	13 November 2015	G/MA/W/117/Add.12
Republic of Korea	16 December 2015	G/MA/W/117/Add.13 G/MA/W/117/Add.13/Rev.1
Malaysia	1 December 2015	G/MA/W/117/Add.14
Mauritius	3 December 2015	G/MA/W/117/Add.15
Montenegro	10 November 2015	G/MA/W/117/Add.16
New Zealand	7 December 2015	G/MA/W/117/Add.17
Norway	12 November 2015	G/MA/W/117/Add.18
Philippines	8 December 2015	G/MA/W/117/Add.19
Singapore	19 November 2015	G/MA/W/117/Add.20
Switzerland-Liechtenstein	13 November 2015	G/MA/W/117/Add.21
The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu	16 December 2015	G/MA/W/117/Add.22
Thailand	9 December 2015	G/MA/W/117/Add.23
United States	16 December 2015	G/MA/W/117/Add.24

Source: WTO Secretariat.

The ITA Expansion Ministerial Declaration also welcomed any WTO member which was not a party to the ITA expansion to notify the WTO Director-General of its acceptance to undertake the commitments in the Declaration and become a participant. Since then Macao, China decided to join the ITA expansion and became the 25th participant on 9 December 2016.

In order to duly reflect the concessions resulting from the Declaration in their WTO schedules, all ITA expansion participants agreed to follow the 1980 Procedures for the Modification and Rectification of Schedules. By 9 June 2017, 23 ITA expansion participants have submitted modifications to their WTO schedules in accordance with the 1980 Procedures, and the ITA

expansion schedules of 18 participants have already been certified by the Director-General.³⁰ The others are waiting for the completion of domestic producers before starting the 1980 Procedures leading to certification.

E. Tariff and trade data of the ITA expansion

The ITA expansion requires its participants to bind and reduce tariffs to zero over a transitional period starting on 1 July 2016 and concluding on 1 July 2019 for the vast majority of tariff lines covered by the agreement. In some exceptional cases, duties will be completely removed after five or seven years.

The ITA expansion requires its participants to bind and reduce tariffs to zero over a transitional period starting on 1 July 2016 and concluding on 1 July 2019.

Figure 4.4 shows the average base duty, that is the starting point for tariff reduction, and the percentage of duty-free tariff lines across the full implementation period (i.e. 2016-2024). Before entry into force, the average base duty of ITA expansion participants on all tariff lines covered under both Attachments A and B was 9 per cent, and 49 per cent of these lines were already duty-free. Upon entry into force of the ITA expansion on 1 July 2016, tariffs were cut by one-third and reached 6 per cent on average.³¹

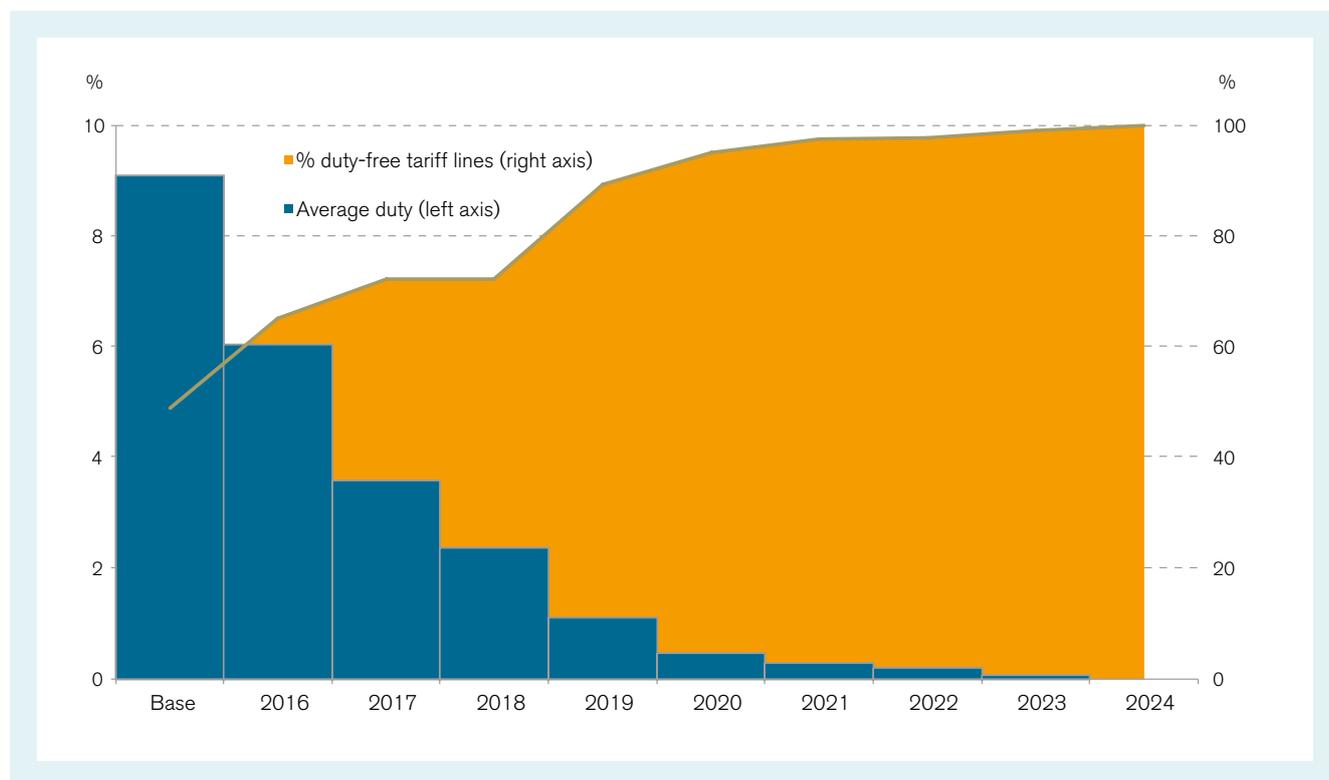
Consequently, the number of duty-free lines increased to 65 per cent in 2016. By 2019, at the end of the regular three-year period, only 11 per cent of tariff lines would still be dutiable with an average duty of just over 1 per cent.

By the end of the three-year period in 2019, only 5 per cent of ITA expansion imports will remain dutiable even if, by the same year, 11 per cent of tariff lines are not duty-free. Figure 4.5 shows a comparison of duty-free imports and duty-free tariff lines across the implementation period. As can be seen from the figure, the percentage of imports is consistently higher than the corresponding percentage of duty free tariff lines. This means that high-value traded products are already liberalized and the remaining dutiable tariff lines would only have minimal trade.

Tariff and trade data of non-ITA expansion participants

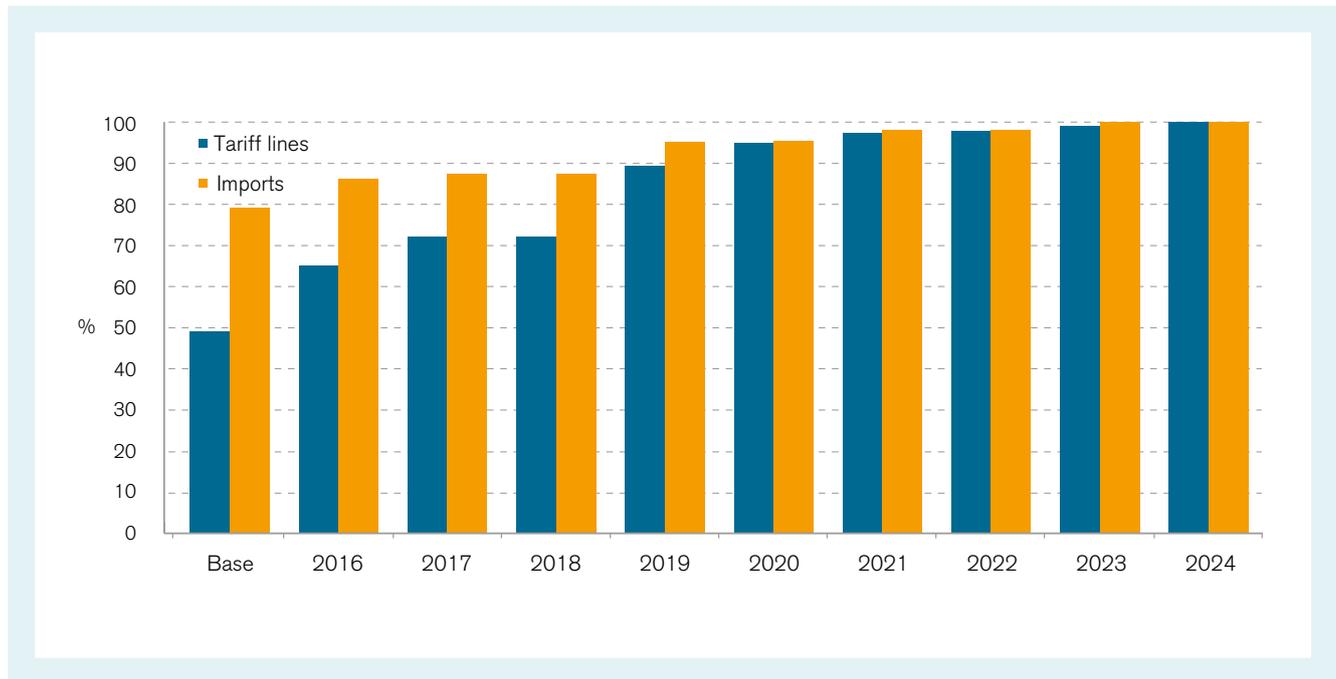
Table 4.3 shows the latest most-favoured nation (MFN) applied duties of non-ITA expansion participants. The data presented in the table only refer to products listed in Attachment A of the ITA expansion declaration, which are identified by a specific HS code, and do

Figure 4.4: Level of base duty and duty-free tariff lines across the implementation years of the ITA expansion



Source: WTO Secretariat calculations based on IDB data and draft ITA expansion schedules of participants, as submitted in 2015.

Figure 4.5: Duty-free tariff lines and imports of ITA expansion products across the implementation period (percentage)



Source: WTO Secretariat calculations based on IDB data and draft ITA expansion schedules of participants, as submitted in 2015.

not take into account duties applied on Attachment B products. In 2015-2016, the average tariff of non-ITA expansion participants was 6 per cent, with some products having duties of up to 87 per cent.

The average MFN applied tariffs of participants to the 1996 ITA which have not joined the expansion is 3.4 per cent. Nonetheless, in this group of economies, there are ITA expansion products which are subject to duties as high as 40 per cent. Among non-participants to the ITA expansion, LDCs have the highest average tariff as a group at 9.1 per cent, with tariff peaks of 40

per cent on some products. The breakdown of tariffs applied by members of the 1996 ITA, which have not joined the ITA expansion, is shown in Figure 4.6.

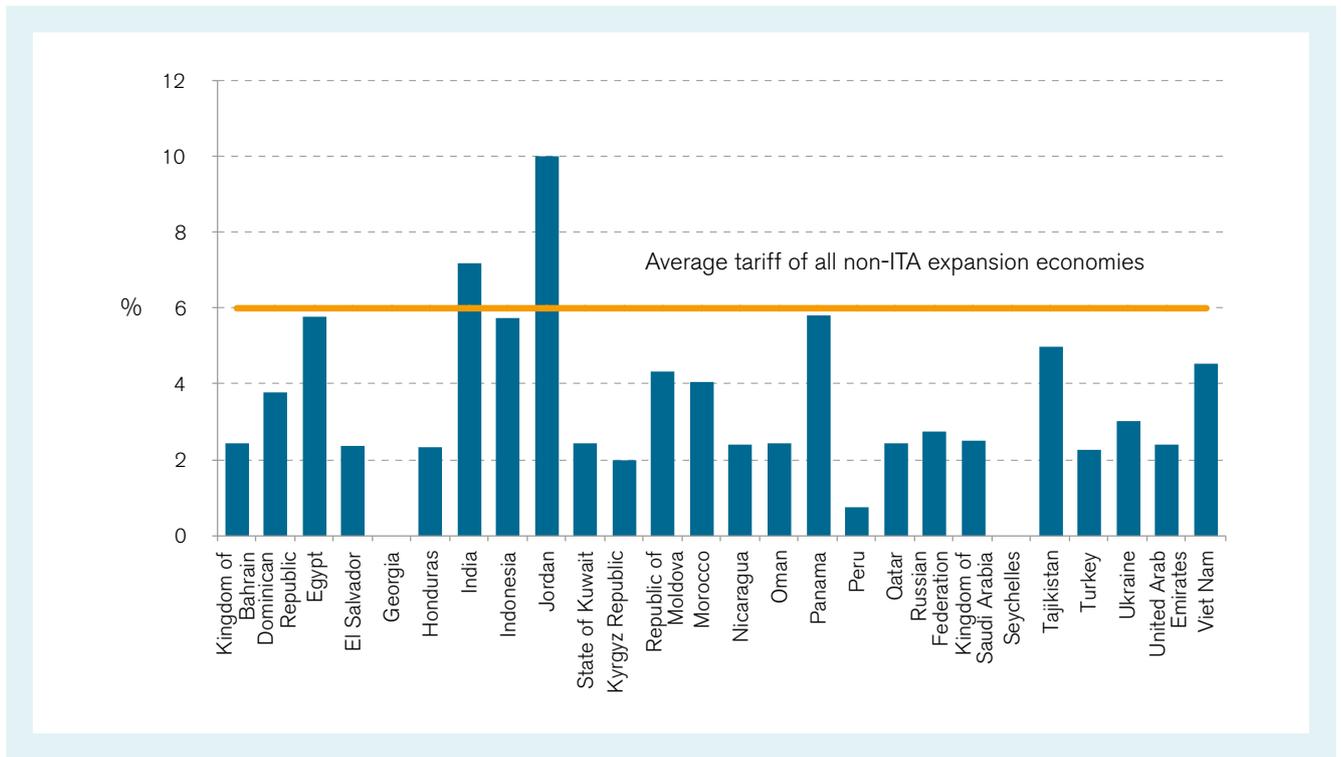
In terms of product categories, the highest applied tariffs by non-ITA expansion participants are in the “Electronic devices and games” category, where the average rate is almost 20 per cent (see Figure 4.7). All the other ITA expansion categories have average tariffs of less than 15 per cent. There are eight categories in which the average tariff is below 5 per cent which include popular consumer goods like printers, telephones, and medical equipment (see Box 4.6).

Table 4.3: Latest applied MFN tariffs of non-ITA expansion participants

Economy group	Average (%)	Maximum (%)
Non-ITA expansion members	6.0	87
<i>Of which</i>		
Participants to 1996 ITA only	3.4	40
Non-participants to the 1996 ITA, excluding LDCs	7.2	87
LDCs	9.1	40

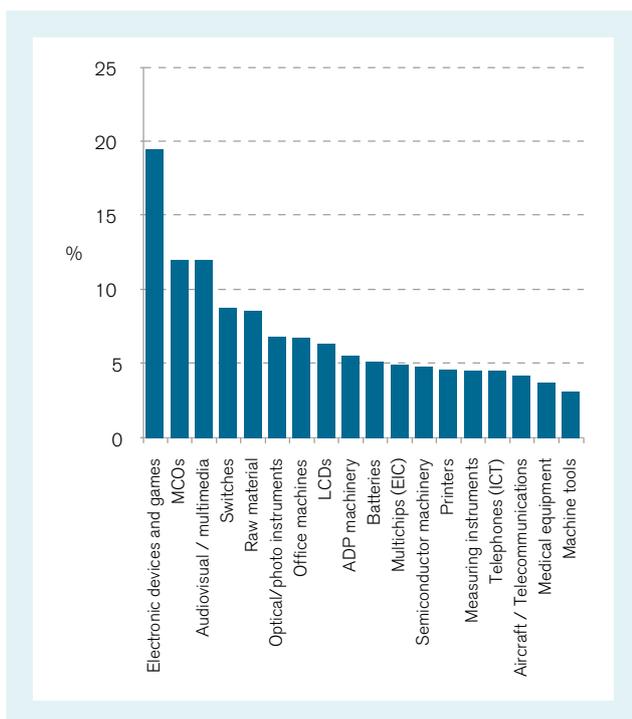
Source: Source: WTO IDB.

Figure 4.6: Average applied MFN tariffs of ITA members that are not participants to the ITA expansion



Source: WTO IDB.

Figure 4.7: Average MFN applied tariffs, by product category of non-ITA expansion participants



Source: WTO IDB.

Trade data under the ITA expansion

The value of ITA expansion exports was estimated at US\$ 1.28 trillion in 2015, accounting for approximately 10 per cent of world trade in goods. The value of ITA expansion exports is higher than that of agricultural products and other non-agricultural products – such as automotive products, textiles, and clothing – and only slightly less than exports of chemicals (see Figure 4.8).

In 2015, ITA expansion participants accounted for 92.3 per cent of world exports of ITA expansion products, and 7.7 per cent was covered by non-ITA expansion participants.

Among the ITA expansion participants, the top three exporters alone, namely China, the United States and the European Union, covered half of world trade of these products in 2015. Among them, China increased its market share the most between 2012 and 2015, with an increase of 1.6 percentage points, while Japan lost the most market share (-2.8 percentage points) (see Figure 4.9).

BOX 4.6 Reducing the cost of medical products under the ITA expansion

Liberalization of trade in ICT products may have far-reaching positive effects on national economies, beyond the ICT sector. A good illustration is the public health sector, which stands to benefit from the reduction and elimination of tariffs under the ITA expansion on a number of medical products and equipment, such as magnetic resonance imaging (MRI), ultrasound, and computed tomography units (see Table 4.4).

No economy is entirely self-reliant in terms of the products and equipment it needs for its public health system, with most economies relying in varying degrees on imports. As a result, the factors affecting imports will influence the availability, as well as the prices, of health-related products and technologies, and thus have immediate consequences for access to and affordability of healthcare. Import duties are one of the key factors influencing imports, but price and availability are also determined by non-tariff measures (e.g. licences, regulations and import formalities) and import-related costs, such as transportation. In addition, national distribution costs, such as wholesale and retail mark-ups and dispensing fees, may increase prices dramatically.

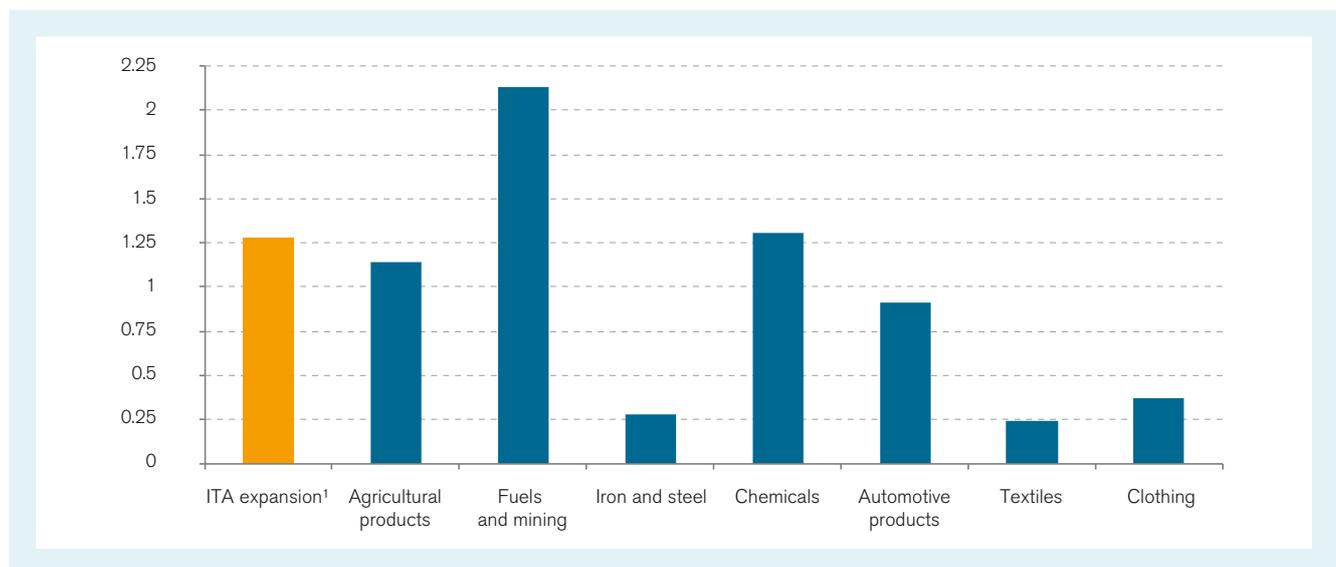
Because tariffs are a central component of import conditions, they may constitute a significant component of domestic prices. The elimination of tariffs on health equipment and technologies under the ITA expansion is expected to contribute to making healthcare more affordable for both public and private users.

Table 4.4: Examples of medical products covered by the ITA expansion

Item	HS 2007	Product Description
146	Ex 901811	Electro-cardiographs
147	901812	Ultrasonic scanning apparatus
148	901813	Magnetic resonance imaging apparatus
149	901819	Other
150	901820	Ultra-violet or infra-red ray apparatus
151	901850	Other ophthalmic instruments and appliances
152	Ex 901890	Electro-surgical or electro-medical instruments and appliances, and parts and accessories thereof
153	902150	Pacemakers for stimulating heart muscles, excluding parts and accessories
154	902190	Other
155	902212	Computed tomography apparatus
156	902213	Other, for dental uses
157	902214	Other, for medical, surgical or veterinary uses
159	902221	For medical, surgical, dental or veterinary uses
161	902230	X-ray tubes
162	Ex 902290	Parts and accessories of apparatus based on the use of X-rays
167	902519	Other
168	902590	Parts and accessories

Source: WTO Secretariat, based on official WTO document no. WT/L/956.

Figure 4.8: Exports of ITA expansion products in comparison to other product groups, 2015 (US\$ billion)



Source: WTO Secretariat based on UN Comtrade database.

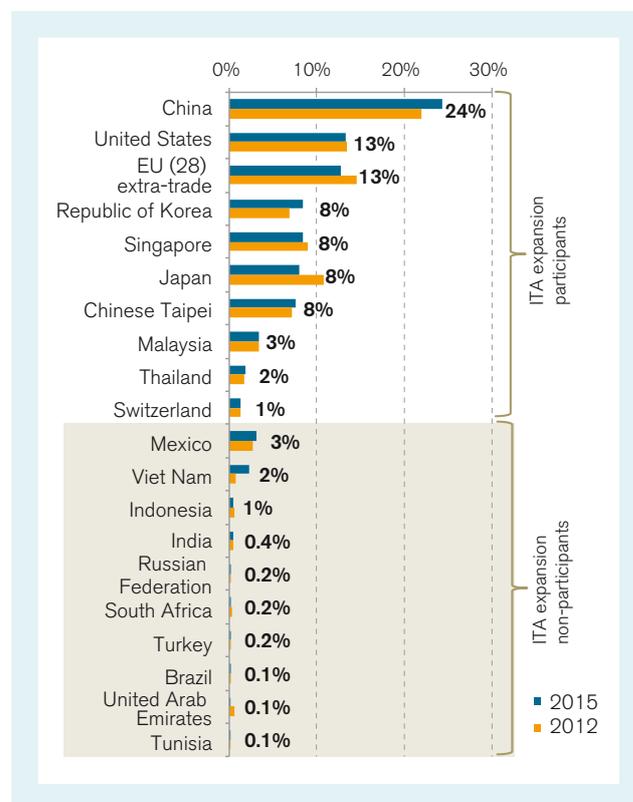
¹ Exports by participants to the ITA expansion negotiations. Excluding EU-intra trade and excluding re-exports of Hong Kong, China.

The non-ITA expansion participants with the highest shares in world exports of ITA expansion products were Mexico, with a share of 3.1 per cent in 2015 (up from 2.7 per cent in 2012), and Viet Nam, with a share of 2.2 per cent in 2015 (up from 0.7 per cent in 2012).

The 2015 breakdown of ITA expansion world exports by aggregated product groups is presented in Figure 4.10. Almost one-third of world exports consisted of multi-chips, followed by telephones (ICT) and audio-visual/multimedia. These three product groups covered almost 60 per cent of ITA expansion exports in 2015. Back in 2012 when ITA expansion negotiations started, the top three product groups in terms of export value were the same, although audio-visual/multimedia were in second position (with a share of 14 per cent in 2012) and telephones were in third place (with a share of 12 per cent).

Figure 4.11 shows the most exported ITA expansion products at HS six-digit level in 2015. While back in 2012, “electronic integrated circuits, processors and controllers [...]” (HS 85.4231) was the ITA expansion

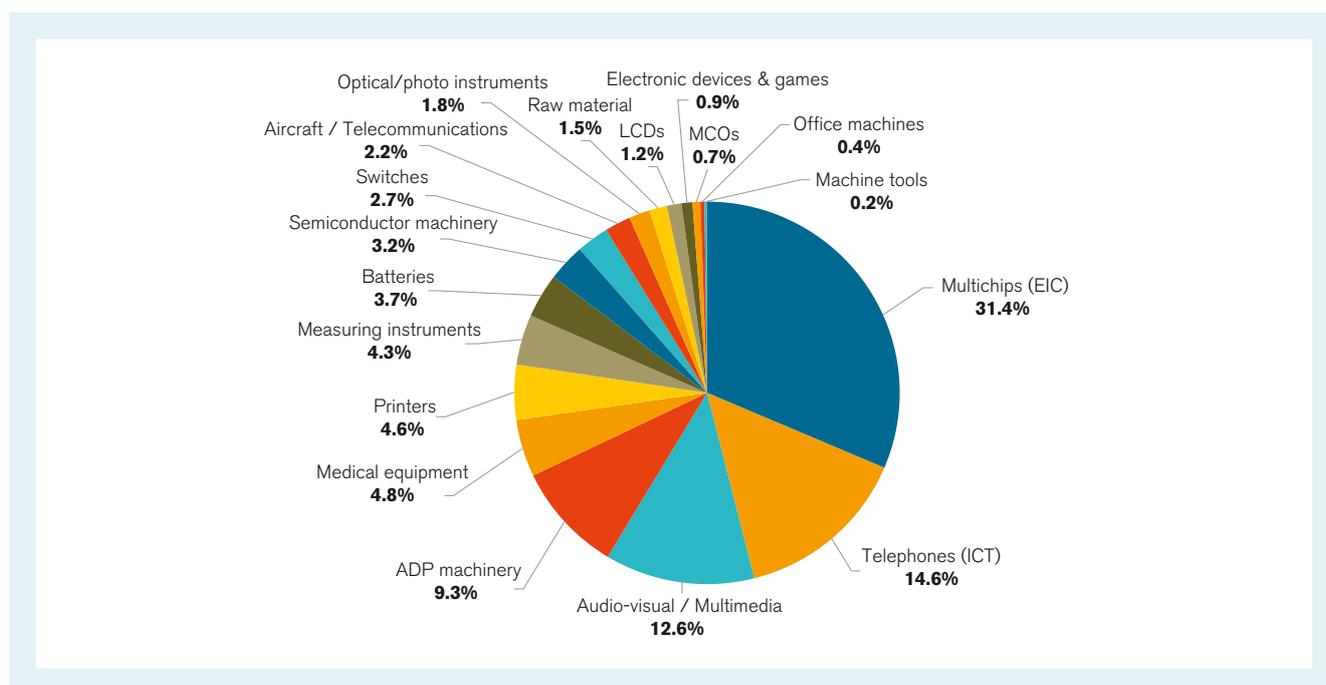
Figure 4.9: Top 10 exporters of ITA expansion products (participants/non-participants) (percentage share in world exports*)



*Excluding EU-intra trade and re-exports of Hong Kong, China.

Source: WTO Secretariat based on UN Comtrade database.

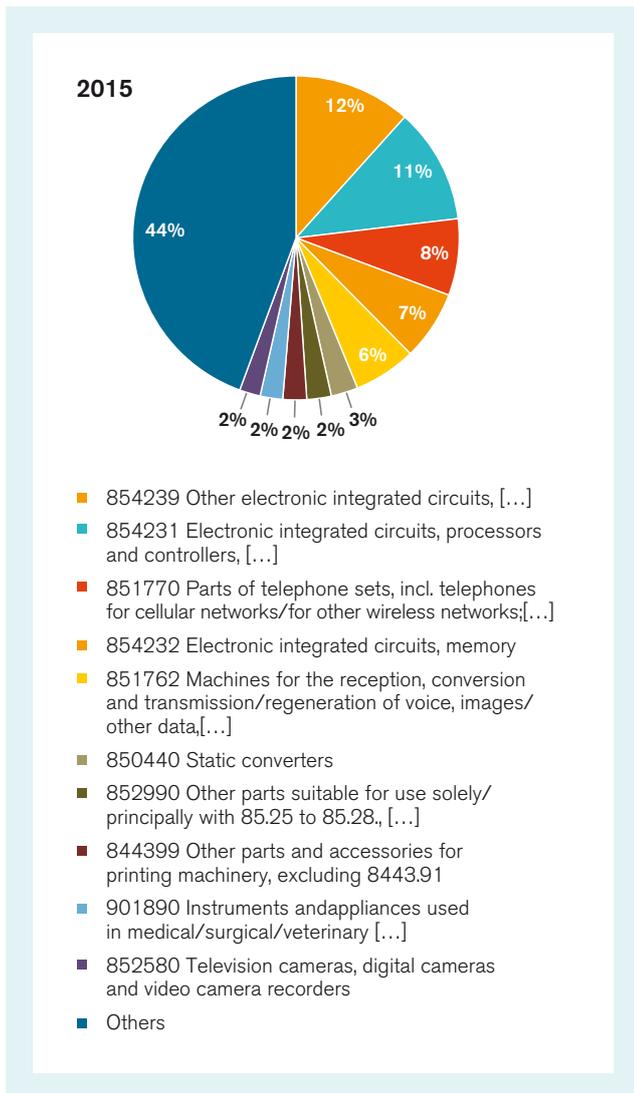
Figure 4.10: World exports of ITA expansion products by aggregated product groups, 2015 (percentage share in world*)



*Sum of reported data, excluding EU-intra trade and re-exports of Hong Kong, China.

Source: WTO Secretariat based on UN Comtrade database.

Figure 4.11: Top 10 exported ITA expansion products in 2015 (percentage share in world*)



product with the highest share in world exports, at 10 per cent, in 2015 it was overtaken by “Other electronic integrated circuits [...]” (HS 85.4239), which had a share of 12 per cent. In general, the composition of the top 10 ITA expansion products did not change in the last three years, except for their sequence in terms of ranking. The top 10 products covered 44 per cent of all exports of ITA expansion products in 2015.

*Sum of reported data, excluding EU-intra trade and re-exports of Hong Kong, China.

Source: WTO Secretariat based on UN Comtrade database.

Annex 4.1: Preparation of ITA expansion schedules

Similar to the 1996 ITA schedules, ITA expansion schedules consist of three inter-related sections:

- i) The “standard section”, which is based on the standard format for WTO schedules of concessions and contains information such as the national tariff nomenclature, the base rate, the final bound duty, the implementation period, and other duties and charges. Like the 1996 ITA schedules, the format includes two additional columns to identify the relevant concessions, including one for Attachment A items and the other for Attachment B items, which serve to identify and verify the concession on the specific tariff lines that are subject to liberalization commitments.
- ii) The “staging matrix” is used to reflect the annual tariff cuts that will be applied over the implementation period and the corresponding bound duty applicable every year until this is fully eliminated. It includes all the tariff lines flagged as ITA expansion items in the Standard Section, as Attachment A and/or Attachment B items; and
- iii) The “Attachment B” section, which is used to list the specific HS tariff codes that are used by participants to classify the ten items at the national tariff line level. Once identified, tariff lines relating to Attachment B items are reflected in the Standard Section.

The ITA expansion schedule also includes two headnotes.

The headnote in the standard section states the tariff liberalization commitments undertaken by the specific member in accordance with the July Declaration and clarifies that, regardless of the implementation period agreed for tariff reduction, the elimination of other duties and charges, as defined by Article II.1(b) of the General Agreement on Tariffs and Trade (GATT) 1994, must be effected upon entry into force of the Declaration. This headnote has been used as a basis for discussions among participants and does not replicate exactly the same text across all schedules. Some ITA expansion participants have included additional qualifications in the headnote of the Standard Section, for example in relation to the tariff classification of MCOs.

The headnote in Attachment B clarifies that with respect to any product described in the Attachment B of the July Declaration, the customs duties on such product, as well any other duties and charges of any

kind (within the meaning of Article II:1(b) of GATT 1994), shall be bound and eliminated, as set forth in that Declaration, wherever the product is classified.

While the preparation of a schedule may appear to be a mechanical exercise, in practice it is a difficult task that requires the determination of a large number of variables. During the negotiations, each ITA expansion participant had to determine, in close coordination with experts within its own government, how to identify national tariff lines for partially covered items, what base rate to use for tariff reduction, the staging period for each tariff line, and the relevant HS codes of Attachment B items. Some of these elements were of a purely technical nature and the WTO Secretariat was called upon to provide assistance with the preparation of schedules, as well as with their technical verification. However, other issues were the subject of extensive discussions among participants as they played a role in ensuring a balanced outcome of the negotiations.

Some of the issues faced by participants included, for instance, the choice of the base rate for tariff reduction and the identification of tariff codes for Attachment B items.

Base rate for tariff reduction

The main goal of the ITA expansion is to reduce and eliminate duties and other charges on covered products. If this does not take place immediately but over a certain number of years, it becomes necessary to define the starting point from which tariff cuts will take place. In this regard, participants faced three types of problems.

Firstly, tariff concessions under the ITA expansion were negotiated using the 2007 version of the HS nomenclature. However, actual trade in covered products was taking place on the basis of more up-to-date versions of the nomenclature. For the preparation of schedules, participants decided to use the latest applied tariff nomenclature in HS 2007 and left open the choice of the base rate.

Secondly, participants had to decide whether to start cutting tariffs from their current applied rates or from their bound duties, which were typically higher than the applied rates. This issue was very sensitive and in some cases required further negotiations on a case-by-case basis.

Thirdly, the July Declaration did not provide guidance regarding the base rate for unbound tariff lines, i.e. tariff

lines that were not included in a participant's WTO schedule of concessions and consequently did not have a bound rate of duty. In such cases, participants had to choose between their current applied MFN rates or any other rate of duty to be fixed at their discretion. Some participants decided to use the applied rate as a starting point for tariff reduction, as they considered that this choice would enforce their level of ambition and result in real market access for ITA expansion products. However, some participants noted that the Declaration did not provide guidance regarding the base rate and decided to fix their own base rate for unbound tariff lines.

Another challenge with respect to the choice of the base rate was that, at the time of staging the negotiations, the majority of ITA expansion participants did not have WTO schedules of concessions in the HS 2007 nomenclature, thus making it more difficult to estimate the level of concessions on tariff lines covered by the ITA expansion.

Classification of Attachment B items

As with the 1996 ITA, the ITA expansion uses two different lists of products commonly referred to as "Attachment A" and "Attachment B". During the ITA expansion negotiations, extensive discussions, including with the participation of capital-based customs experts, took place on the classification of the ten Attachment B items. The objective of the group was to try to find common ground on tariff classification for these items in order to minimize divergences among participants, as each of them could classify and implement Attachment B items differently.

During the negotiations, customs experts took the initiative of preparing a table compiling all the classification options listed by each participant in their respective schedules. This approach helped the group to narrow down the classification options and to advance discussions on which HS codes should be reconsidered or included in Attachment B and reflected in their ITA expansion schedules, keeping in mind the recommendations of the World Customs Organization.

However, it also became apparent that the group would not be able to agree on a common classification for each of the ten Attachment B items. Among them, one of the most complicated related to MCOs. In the context of HS 2007, MCOs were treated as parts or components of other products, so they were classified according to the product in which they would be incorporated. Each participant had different views on how to define and classify MCOs in the HS nomenclature. Indeed, the group identified approximately 25 HS headings (at the four-digit level) that could possibly contain MCOs, but in some cases participants presented lists with more than one hundred tariff lines where MCOs could possibly be classified. Other participants found a solution to this problem by making reference in their schedule to the classification that MCOs would receive in HS 2017, when MCOs would be classified under one specific tariff code.

There were also cases where HS codes listed in Attachment B of a participant's schedule had already been used to identify one or more ITA expansion products covered by Attachment A. For example, Annex Table 4.1 shows four tariff lines that correspond to item number "192" (MCOs) which is listed in Attachment B. Three of the four tariff lines are also flagged as Attachment A items (respectively ITA expansion item number 168, 171, and 182) meaning that it was possible for some products to be included in both Attachments A and B. In such cases there was an overlap between the two attachments.

Annex Table 4.2 provides an overview of the HS codes, at the chapter level, most commonly used by ITA expansion participants to classify Attachment B products. All participants have classified them in at least four chapters, i.e. HS chapters 85, 84, 39 and 49. Chapter 85 also includes the highest number of Attachment B products defined at the national tariff line level (644 national tariff lines among all participants). Some participants have classified Attachment B products in more than 10 different HS Chapters. In terms of trade covered, a quarter of the imports of goods covered by the ITA expansion are identified as Attachment B products.

■ Annex Table 4.1: Example of overlap between Attachments A and B items

HS 2007	Ex*	Description of the products	Base rate of duty	(B/U)	Final bound rate of duty	Implementation		Other duties and charges (ODCs)	ITA expansion	
						From	To		Attach. A	Attach. B
90259000		Parts and accessories	8.0	B	0.0	2016	2021	0.0	168	192
90269000	ex01	Multi-component integrated circuits (MCOs)	0.0	B	0.0	2016	2016	0.0		192
90279000		Microtomes; parts and accessories	0.0	B	0.0	2016	2016	0.0	171	192
90309000		Parts and accessories	7.0	B	0.0	2016	2021	0.0	182	192

Source: WTO Secretariat, based on ITA expansion participants' schedules.
*In this case, "ex" indicates "partially covered".

Annex Table 4.2: Overview of the HS codes most commonly used by ITA expansion participants to classify Attachment B products

Chapter (HS 2007)	Number of tariff lines	Number of participants
85 – Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles.	644	25
84 – Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof.	443	25
39 – Plastics and articles thereof.	50	25
49 – Printed books, newspapers, pictures and other products of the printing industry; manuscripts, typescripts and plans.	36	25
32 – Tanning or dyeing extracts; tannins and their derivatives; dyes, pigments and other colouring matter; paints and varnishes; putty and other mastics; inks.	62	24
95 – Toys, games and sports requisites; parts and accessories thereof.	66	19
59 – Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable for industrial use.	15	15
90 – Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof.	251	14
93 – Arms and ammunition; parts and accessories thereof.	31	4
37 – Photographic or cinematographic goods.	4	4
68 – Articles of stone, plaster, cement, asbestos, mica or similar materials.	9	3
48 – Paper and paperboard; articles of paper pulp, of paper or of paperboard.	2	2
63 – Other [textiles and textile articles] made up textile articles; sets; worn clothing and worn textile articles; rags.	1	1
94 – Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified or included; illuminated signs, illuminated name-plates and the like; prefabricated buildings.	1	1

Source: WTO Secretariat, based on ITA expansion schedules of participants.

Annex Figure 4.1: ITA expansion schedule template – standard section

Expansion of the Information Technology Agreement (ITA)

Schedule [roman number] - [MEMBER]
This Schedule is authentic only in the English language

PART I - MOST-FAVoured-NATION TARIFF SECTION II - Other Products

Notes:

[1. Concessions on products covered by the "Declaration on the Expansion of Trade in Information Technology Products" (WT/L/956) will be implemented as follows:

- Customs duties will be eliminated through equal annual reductions beginning on 1st July of 2016 and concluded on 1st July of the year indicated in column "Implementation / To" and the staging matrix section.
- Other duties and charges of any kind, within the meaning of Article II:1(b) of the GATT 1994, will be eliminated by 1 July 2016.]

HS 2007	ex	Description of the products	Base rate of duty (B/U)	Final bound rate of duty	Implementation		INRs	Other duties and charges (ODCs)	ITA Expansion	
					From	To			Attach. A	Attach. B
3506		Prepared glues and other prepared adhesives, not elsewhere specified or included; products suitable for use as glues or adhesives, put up for retail sale as glues or adhesives, not exceeding a net weight of 1 kg.								
35069		- Other:								
350691		-- Adhesives based on polymers of headings 39.01 to 39.13 or on rubber								
35069110		Optically clear free-film adhesives and optically clear curable liquid adhesives of a kind used solely or principally for the manufacture of flat panel displays or touch-sensitive screen panels	20,0	0,0	2016	2019		0,0	001	
35069190		Other	10,0	10,0				5,0		
3701		Photographic plates and film in the flat, sensitised, unexposed, of any material other than paper, paperboard or textiles; instant print film in the flat, sensitised, unexposed, whether or not in packs.								
37013000		Other plates and film, with any side exceeding 255 mm	10,0	0,0	2016	2019		0,0	002	
37019		- Other:								
37019900		Other	5,0	0,0	2016	2019		0,0	003	
3705		Photographic plates and film, exposed and developed, other than cinematographic film.								
37059000		Other	0,0	0,0	2016	2019		0,0	004	
3707		Chemical preparations for photographic uses (other than varnishes, glues, adhesives and similar preparations); unmixed products for photographic uses, put up in measured portions or put up for retail sale in a form ready for use.								
37079000		Other	10,0	0,0	2016	2019		0,0	005	

Endnotes

- 1 Ezell (2012b) reports that “global value-added by ICT industries has more than doubled from \$1.2 trillion in 1995 to \$2.8 trillion in 2010, when the ICT industry accounted for 6 percent of global GDP”.
- 2 According to OECD (2015), “the ICT sector accounted for 3 percent of total employment in OECD economies in 2015. Overall, total contribution of the ICT sector to total employment growth stood at 13 per cent in 2013, similar to its share prior to the dot-com crisis. While employment within the ICT sector has remained stable, employment of ICT specialists across all sectors of the economy has increased, reaching at least 3 per cent of total employment in most OECD countries”.
- 3 Paragraph 3 of the Annex to the Ministerial Declaration on Trade in Information Technology Products, official WTO document no. WT/MIN(96)/16 (accessible at https://www.wto.org/english/docs_e/legal_e/legal_e.htm).
- 4 For more information on the review of product coverage under the 1996 ITA, see WTO (2012), Chapter II Section D.
- 5 See official WTO document no. G/IT/W/36, “Concept Paper for the Expansion of the ITA. Communication from Canada, Japan, Korea, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, Singapore and the United States”, 2 May 2012, accessible at <https://docs.wto.org/>
- 6 A proposal for the expansion of the product coverage under the ITA was already submitted to the ITA Committee in September 2008 by the European Union (see official WTO document no. G/IT/W/28). That proposal covered a number of other issues, such as the review of the ITA, negotiations on non-tariff barriers, enlargement of the ITA membership, etc. A number of delegations sought clarifications on the scope and time-frame of the review proposed by the European Union. However, discussions on this issue did not advance in the ITA committee, mainly due to the dispute “EC-IT products” on the classification of certain ITA products. For more information see WTO (2012), chapter II. On 15 May 2012, the European Union agreed to separate discussions on non-tariff barriers (NTBs) and the ITA expansion negotiations and endorsed the concept paper.
- 7 Source: Official WTO document no. G/IT/W/36.
- 8 For additional information, see WTO (2012), Chapter I, Section C.
- 9 Source: http://www.digitaleurope.org/DesktopModules/Bring2mind/DMX/Download.aspx?Command=Core_Download&entryID=412&language=en-US&PortalId=0&TabId=353
- 10 The WTO members that participated in the ITA expansion negotiations were: Albania; Australia; Canada; China; Colombia; Costa Rica; the European Union (and its 28 member states); Guatemala; Hong Kong, China; Iceland; Israel; Japan; the Republic of Korea; Malaysia; Mauritius; Montenegro; New Zealand; Norway; the Philippines; Singapore; Switzerland-Liechtenstein; Chinese Taipei; Thailand; Turkey; and the United States. Other WTO members joined the negotiations at some points but did not conclude them.
- 11 Participants that hosted the ITA expansion negotiations were: Canada, the European Union, the Republic of Korea, Japan and the United States.
- 12 Like the 1996 ITA, products proposed for liberalization under the ITA expansion are defined at subheading level (HS 6-digit code). Among these, some products are “fully covered”, meaning that all the national tariff lines falling within the sub-heading are subject to liberalization, whereas other products are “partially covered”, meaning that not the entire sub-heading is subject to liberalization. In the case of “partially covered” items, only the national tariff line corresponding to the product description identified in the negotiations will be liberalized while the rest of the subheading remains unchanged. Partially covered items are also called “ex-outs” and are identified with the symbol “ex” in the Annex to the ITA Expansion declaration.
- 13 See official WTO document no. G/IT/M/56; and USITC (2012).
- 14 Official WTO document G/IT/M/57, page 2.
- 15 For more information on the suspension of talks see <http://www.ictsd.org/bridges-news/bridges/news/ita-expansion-talks-suspended>
- 16 For more background information on the ITA expansion negotiations see also European Commission (2016).
- 17 Throughout the entire process of the ITA expansion negotiations, the group held a great number of ambassador-level meetings with a view to resolving some important and political issues.
- 18 See official WTO document no. WT/L/956, “Declaration on the Expansion of Trade in Information Technology Products: Communication from the European Union”, accessible at <https://docs.wto.org/>
- 19 Ibid, paragraph 5.
- 20 Official WTO document number WT/L/956, available at <https://docs.wto.org/>
- 21 According to paragraph 2 of the July Declaration, “The parties shall apply three year staging in four equal annual reductions of customs duties, beginning in 2016 and concluding in 2019, as standard staging, unless otherwise agreed by the parties, recognizing that extended staging of reductions may be necessary in limited circumstances”.
- 22 The rationale behind the “building blocks” proposal was that such products were already intended for immediate liberalization under the 1996 ITA, but that their coverage was affected by technological innovation or changes in the tariff nomenclature.
- 23 These mainly include printers (HS heading 8443), semiconductor manufacturing equipment (HS 8486), telephones (HS 8517), media (i.e. “discs, tapes, solid-state non-volatile storage devices, ‘smart cards’ and other media for the recording of sound or of other phenomena, whether or not recorded, including matrices and masters for the production of discs, but excluding products of Chapter 37”) (HS 8523) and semiconductors (HS 8542).
- 24 The main argument against staging beyond three years was that the agreement was expected to be commercially meaningful, and that, due to the short life cycle of ICT products, these could not wait for five or seven years or longer periods in order to get access to a market, as by that time they would have become obsolete.
- 25 By 4 December 2015, the following ITA expansion schedules had been approved: Albania; Colombia; Costa Rica; Guatemala; Hong Kong, China; Iceland; Israel; Japan; Malaysia; Mauritius; Montenegro; New Zealand; Norway; Singapore; and Switzerland. The draft schedules of Australia, Canada, China, the European Union, the Republic of Korea, the Philippines, Chinese Taipei, Thailand, Turkey and the United States remained pending.
- 26 With respect to Turkey’s draft ITA expansion schedule, substantive technical work remained to be completed and a revised schedule was not submitted in time for approval before the Nairobi deadline.
- 27 Contained in official WTO document no. WT/MIN(15)/25, “Ministerial Declaration on the Expansion of Trade in Information Technology Products”, 16 December 2015 (accessible at <https://docs.wto.org/>).
- 28 Ibid, paragraph 2.
- 29 Ibid, paragraph 3.
- 30 These are the schedules of: Australia; Canada; China; the European Union; Hong Kong, China; Iceland; Israel; Japan; the Republic of Korea; Malaysia; Mauritius; Montenegro; New Zealand; Norway; Singapore; Chinese Taipei; Thailand; and the United States.
- 31 Not all ITA expansion participants implemented their first tariff cut on 1 July 2016. Some participants, for instance Australia and Switzerland, had indicated during the negotiations that their first tariff cut would take place on 1 January 2017. Other participants also indicated the need to complete their domestic procedures for acceptance of the ITA Declaration in order to be able to implement it.