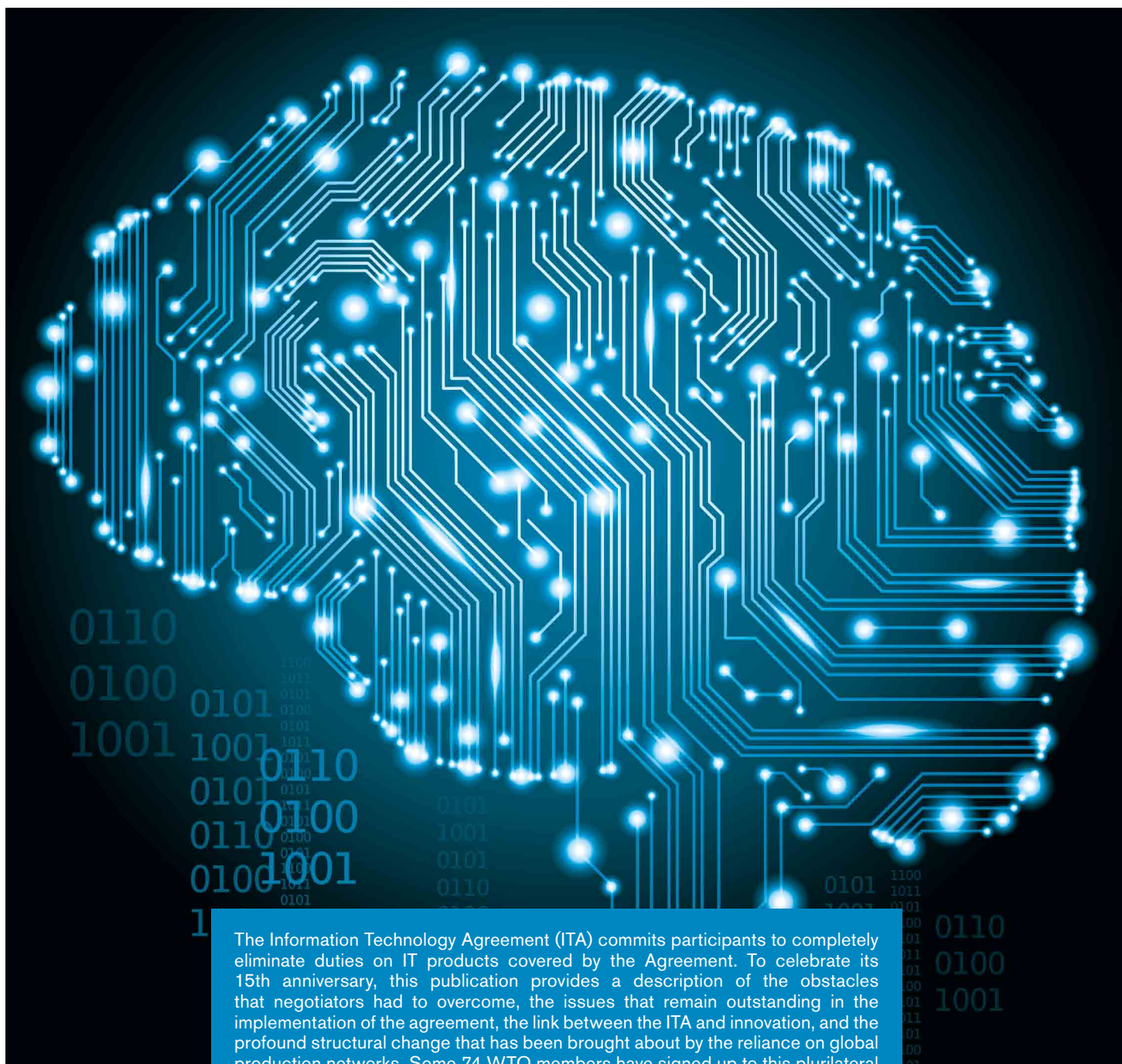


15 Years of the Information Technology Agreement

Trade, innovation and global production networks

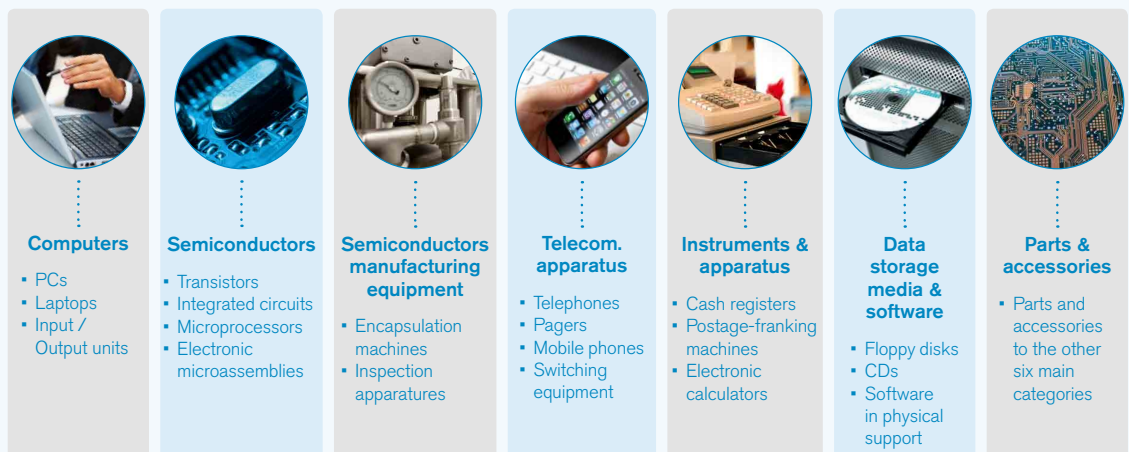


The Information Technology Agreement (ITA) commits participants to completely eliminate duties on IT products covered by the Agreement. To celebrate its 15th anniversary, this publication provides a description of the obstacles that negotiators had to overcome, the issues that remain outstanding in the implementation of the agreement, the link between the ITA and innovation, and the profound structural change that has been brought about by the reliance on global production networks. Some 74 WTO members have signed up to this plurilateral agreement, which has made a fundamental contribution to the development of a global digital economy.

Highlights

I The road to the Information Technology Agreement

- The Information Technology Agreement (ITA) was a landmark trade deal signed by 14 WTO members and states or separate customs territories in the process of acceding to the WTO in December 1996. Not only was it the first sectoral agreement to be successfully negotiated among developed and developing countries, but it was also the first one to fully liberalize trade in a specific sector (with an estimated worth of US\$ 500 billion a year) after the Uruguay Round.
- The main product categories covered by the ITA include: computers, semiconductors, semiconductor manufacturing equipment, telecommunication apparatus, instruments and apparatus, data-storage media and software, and parts and accessories.
- The ITA was initiated by the private sector, and political support at the highest level was crucial to overcoming challenges.
- The ITA was not the first attempt to liberalize trade in electronic products: negotiators benefited from experience gained in previous initiatives.
- The negotiation of the ITA was difficult and success was far from assured. However, participants were creative in finding solutions and managed to accommodate each other's concerns.



II The ITA Committee: 15 years of encouraging trade

- The ITA Committee was established to oversee the implementation of the ITA, including to review the product coverage, consult on non-tariff barriers (NTBs), consider classification divergences and serve as a forum to work out disagreements between participants.
- The ITA Committee has played a pivotal role in furthering the objectives of the Agreement and ensuring that tariff eliminations are carried out as foreseen. It has also served as a forum to solve specific trade concerns arising from the implementation of the Agreement.
- While some progress has been made, outstanding issues remain in narrowing down the divergences in classification of "Attachment B" products.
- The review of product coverage (the so-called "ITA II negotiations") began almost immediately after the implementation of the ITA, but participants were not able to accommodate their differences.
- The on-going Work Programme on NTBs has so far resulted in guidelines on conformity assessment procedures on electromagnetic compatibility (EMC) and electromagnetic interference (EMI) of information technology (IT) products, which has increased transparency in the context of the ITA as far as these measures are concerned.
- Participation in the ITA Committee has successfully expanded from 28 original participants (representing 43 WTO members and states or separate customs territories in the process of acceding to the WTO) in May 1997 to 47 participants (representing 74 WTO members) by March 2012. It is envisaged that additional participants will join in 2012.

III The impact of the trade liberalization brought by the ITA

- Participants in the Information Technology Agreement (ITA) significantly liberalized trade in information technology (IT) products by reducing the rates of both the bound (the maximum rate that a WTO member can legally levy on a certain product) and most-favoured nation applied tariffs (those applied in practice by governments).
- Bound and applied tariffs on IT products remain relatively high (averaging 33 per cent and 7 per cent respectively) in a number of medium-sized markets that have not joined the ITA. These levels are comparable to those of ITA participants prior to joining the Agreement.
- 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.
- ITA participants accounted for 96 per cent of global exports and 90 per cent of global imports of IT products

in 2010. As a result of the increased reliance on global production networks, the largest exporters of IT products are also the largest importers of these products.

- Trade patterns have changed considerably over the past 15 years in terms of main traders and products. Developing countries have consistently increased their participation in global trade of IT products, increasing from approximately 31 per cent of exports and 27 percent of imports in 1996 to approximately 64 per cent of exports and 51 per cent of imports in 2010.
- Semiconductors is the largest IT product category and accounted for 33 per cent of global exports of IT products in 2010. They are followed by parts and accessories of IT products (24 per cent), computers and calculating machines (22 per cent) and telecommunication equipment (16 per cent). Trade in IT products appears to be concentrating in fewer groups of products, as defined by the World Customs Organization's (WCO) Harmonized System (HS) nomenclature.

IV The ITA and innovation

- The general-purpose nature of information technology (IT) means that its widespread use in other economic sectors helps induce organizational and technological innovation throughout the economy. Innovation in IT itself has a magnified effect on economic productivity.
- Demand for IT products is highly responsive to changes in both income and price, which means that diffusion and use of these products accelerates with the growth and price effects associated with opening trade and reducing tariffs. Technological innovation in the core ITA areas (i.e. semiconductors, computer technology

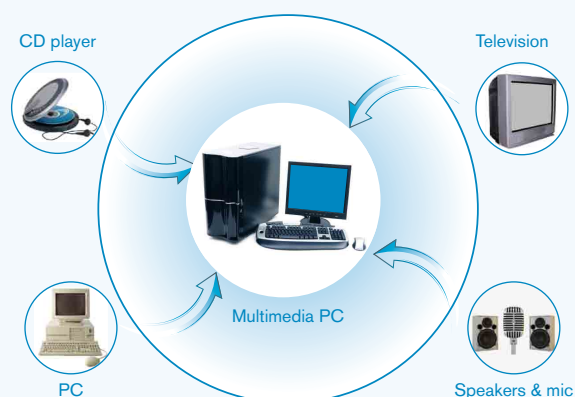
and telecommunications) has grown faster than other sectors since 1997.

- Patents on important technologies in the IT sector are still predominantly held in developed countries participating in the ITA. However, patenting activity in IT-related fields has increased disproportionately compared to other domestic industry sectors in both developed and developing top-trading ITA participants.
- The long-term impact of outsourcing and offshoring, as well as an increasingly strategic use of the patent system may pose challenges for the pace of innovation in the IT sector.

V Global production networks, electronic products and developing countries

- Many manufactured goods are now produced with components sourced from several places around the world, using international supply chains within global production networks (GPNs). This is particularly the case for most finished electronic products, which are not "made in" a single country any more, but are rather "Made in the World".
- Global manufacturing has greatly changed international trade patterns and opened new opportunities for developing countries, while lowering costs for consumers worldwide.
- Production is segmented into many different steps that take place in different countries. Keeping the cost of international transactions as low as possible is key in determining industrial competitiveness. This makes the elimination of tariffs and other barriers to trade ever more important. Trade facilitation and good infrastructure services should become a priority for developing countries wishing to participate in these GPNs.
- This closer inter-industry complementarity increases efficiency and leads to an intense trade in value added. However, where partners tend to specialize in the tasks in which they have comparative advantages, this model also becomes a source of closer interdependency. This

means that macroeconomic crisis or natural disasters in one country can rapidly affect factories located far away. Similarly, protectionist policies and unilateral changes in regulatory frameworks can disrupt these supply chains. Greater interdependence makes such individual policies counterproductive and calls for a strengthened global governance of the multilateral trading system.



The Information and Technology Agreement (ITA) was finalized at the first WTO Ministerial Conference, in Singapore, in 1996, committing its participants to completely eliminate duties on certain information technology products. In its 15 years, the ITA has promoted affordable access to a wide range of technologies, encouraging closer cooperation between developed and developing countries. As production networks become increasingly global, the ITA will continue to facilitate the shift from products made in a specific country to “Made in the World”.

To mark the 15th anniversary of the ITA, this publication charts the political and technical obstacles which were overcome during the creation of the Agreement and the issues which still need to be resolved. It charts the establishment of the ITA Committee and how the Agreement is implemented, and investigates the impact the ITA has had on trade liberalization and innovation. The publication also examines the effect information technology has had on global production networks and what this means for developing countries and the ITA.

“The 21st century is the era of information and communication technology, and the ITA has played a vital role in promoting affordable access to those technologies. This sector is crucial for the world economy – not only due to its considerable size, but also because it is an important driver of productivity, innovation and, ultimately, economic growth.”



A handwritten signature in black ink, consisting of a stylized 'L' followed by a horizontal line and a vertical line.

Pascal Lamy,
Director-General
World Trade Organization

Further information

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