Agreement on the expansion of trade in information technology products (ITA)

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PURPOSE: to conclude, on behalf of the European Union, an agreement in the form of a Declaration on the expansion of Trade in Information Technology Products (ITA).

PROPOSED ACT: Council Decision.

ROLE OF THE EUROPEAN PARLIAMENT: Council may adopt the act only if Parliament has given its consent to the act.

BACKGROUND: the "Ministerial Declaration on Trade in Information Technology Products", known as the Information Technology Agreement (ITA), was concluded by 29 WTO Member States at the Singapore Ministerial Conference in 1996. The ITA entered into force in the European Union in 1997. Today, the ITA counts 82 participants, or half of WTO Members, and covers 97 % of trade in this sector.

The ITA requires that each participant eliminates and binds customs duties at zero on a Most Favoured Nation basis for all information technology (IT) products covered. The ITA covers about 200 tariff lines, including computers, telephones, but also inputs, components and machinery for the production of IT goods.

The ITA Ministerial Declaration establishes that participants shall 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.

In May 2012, several countries proposed to expand the product coverage of the ITA. On 24 July 2015, the text of the "**Declaration on the Expansion of Trade on Information Technology Products" was agreed, with a view to bind and eliminate customs duties on an additional list of 201 IT products**. Annual trade in these 201 products is valued at over USD 1.3 trillion per year, and accounts for approximately 10 % of total global trade today.

The participants agreed on the staging commitments for each product listed in document G/MA/W/117. The agreement in the form of a Declaration on the Expansion of the ITA (and the schedules containing the staging commitments of the participants) was adopted by the Ministers of the participant countries on 16 December 2015.

IMPACT ASSESSMENT: an economic assessment was made by an external company before the negotiations started. With the final results of the negotiations now known, **the Commission has made its own in-house assessment**, of which the following three elements are the most important findings:

- **EUR 74-150 billion of EU exports** are covered by the agreement;
- EU exporters will **save EUR 0.8-2.1 billion in duty payments** upon their extra EU exports;
- as the products under negotiation are crucial intermediates in many **EU exports significant value chain effects can be expected**. A general equilibrium simulation points to overall exports of goods that may increase by about 0.7 % to 1.4 % of their baseline value. In terms of current extra EU exports of goods, this amounts to EUR 12-24 billion.

CONTENT: under this draft Decision, the Council is called upon to **approve, on behalf of the European Union, the Declaration on the Expansion of Trade in Information Technology Products** (ITA), together with the schedules submitted by other participants in the negotiations and which are contained in the WTO document G/MA/W/117.

The objective of the ITA expansion is to eliminate duties on IT goods not included in the original ITA.

BUDGETARY IMPLICATIONS: in total **the European Union is expected to lose EUR 1.5 billion in duties on IT goods**. However, this loss will be spread out over a total of 7 years. Most low duties will be eliminated at entry into force, representing 25 % of duty value. After 3 years more than 60 % of duty will have been phased out, while 30 % will only be eliminated after 7 years.