

# WORLD TRADE ORGANIZATION

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**Committee on Market Access**

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## INFORMATION TECHNOLOGY AGREEMENT

### Communication from the United States

The following communication on the Information Technology Agreement has been submitted by the United States for circulation to all Members.

Every day, technological advances in computers, semiconductors and other electronics products are not only rapidly changing the way businesses operate, they are bringing the world into the Information Age. For example, a recent World Bank report called information technology "the cutting edge of the services revolution." In the next century, the Information Technology sector will be the largest industry in the world and, perhaps more important, will provide the foundation upon which most other industries will be built.

Experience suggests that those countries that have the lowest tariffs on information technology -- such as the US and Japan -- have the most competitive and dynamic information technology sectors. Far from encouraging the development of the information industry and its products, tariffs have encumbered this development and act as a tax on the competitiveness and productivity of other industries that rely heavily on information technology.

The solution is clear -- a multilateral agreement to eliminate tariffs on information technology products. Industry groups from the US, Canada, Japan, and the EU are calling for elimination of tariffs on information technology products by the year 2000. An ITA will enhance the competitiveness of those economies that participate. Those that don't are likely to see their competitiveness reduced.

An ITA will help business and consumers to move decisively into the Information Age by lowering costs, improving productivity, improving the speed and accuracy of information exchange, increasing the viability of new business and consumer services and promoting interregional industry cooperation. Thus, it is important to eliminate tariffs and thereby eliminate what is in essence a tax on information, competitiveness, and productivity.

For example, tariff elimination on information technology products will lower the cost of personal computers -- a key to the information revolution. As use of personal computers becomes increasingly widespread, new business, consumer, education, and public sector applications will greatly increase network utilization and will become the underpinnings for economic development.

In December at the U.S.-EU Summit, President Clinton, then-Prime Minister Gonzalez of Spain (representing the EU Presidency), and President Santer of the European Commission agreed to launch discussions on the ITA. At the April 19 meeting in Kobe, Japan, Quad Ministers indicated strong

support for the ITA and instructed negotiators to move forward. Part of this effort requires engaging our WTO partners who will benefit from this initiative. The United States wants to complete multilateral negotiations on the ITA in time for the WTO Singapore Ministerial in December, and to begin reducing tariffs on ITA products in 1997.

## FREQUENTLY ASKED QUESTIONS

### . **What are the US views on product coverage in the ITA?**

Although further work is needed to precisely define product coverage, the ITA broadly should include computer hardware products, semiconductors and integrated circuits, computer software, telecommunications equipment and other information technology products (e.g., semiconductor manufacturing equipment).

The following preliminary list is an attempt to illustrate the diversity and depth of the landscape of the ITA, with a focus on current product offerings. This preliminary list is not exhaustive but is intended simply to indicate in somewhat more detail the type of products in the ITA. Presentation of this list does not constitute a formal offer and in no way prejudices the outcome of the ITA.

**COMPUTER HARDWARE PRODUCTS**, including all types of portable computers, (e.g. notebook computers), personal computers, engineering workstations, minicomputers and mainframe computers, all computers used as servers (such as for a local area network or wide area network), supercomputers. Also included would be parts and accessories of such computers products.

Computer hardware products also include units for computer systems, recognizing that computers may consist of an entire system in one housing or of a number of units that operate together to form a complete system. For example, the ITA should include central processing units, input/output units, units for storage of computer data, data processing network equipment and control or adapter units, power supplies for computer equipment, other computer units including combinations of units, and parts and accessories of all of these units.

**SEMICONDUCTORS AND OTHER ELECTRONIC COMPONENTS**, including semiconductors microprocessors and microcontrollers, microperipherals and optoelectronic devices, semiconductor DRAMs and other memory devices, mixed analogue/digital semiconductors, logic, linear and smart power circuits, electronic microassemblies, hybrid integrated circuits, unmounted chips and wafer, resistors, and parts of the above.

## **SEMICONDUCTOR MANUFACTURING AND TEST EQUIPMENT**

### **COMPUTER SOFTWARE**

**TELECOMMUNICATIONS EQUIPMENT**, including switching equipment, multiplexers, teleconferencing equipment, terminal equipment attached to the network (e.g., modems, facsimile machines), radio-based network equipment, and other telecommunications equipment, including optoelectronic devices used as telecommunications equipment.

**OTHER PRODUCTS**, including computer-based analytical instruments.

- . **Will the ITA cover consumer electronic products, such as microwave ovens or refrigerators?**

No, what is envisioned are products related to information technology.

- . **Will the ITA also address non-tariff measures ?**

Participants to the ITA should ensure that their respective regimes evolve in a manner that enhances market access for ITA products. The elimination of tariffs should not be an excuse to ignore non-tariff measures that hinder market access for ITA products. However, such efforts do not necessarily need to be on the same timetable as the tariff elimination schedules.

- . **Does this mean the U.S. envisions one Mutual Recognition Agreement on ITA products for all WTO Members?**

No, participants should agree to undertake efforts bilaterally, and multilaterally, to ensure that their respective regimes evolve in a manner that enhances market access for ITA products. However, such efforts do not necessarily need to be on the same timetable as the tariff elimination schedules.

- . **What is the timetable for the ITA?**

We hope to complete multilateral negotiations on the ITA in time for the WTO Singapore Ministerial in December, and to begin reducing tariffs on ITA products in 1997. Tariffs on ITA products would be eliminated by 2000.

- . **Who will participate in the ITA, i.e. only Quad members?**

Business and consumers in all countries would benefit from eliminating tariffs on information technology products. Wide-participation multilaterally is essential for the success of the ITA.

- . **Is the ITA related to tariff reductions on other products?**

We view the ITA as offering renewed impetus to build a market access package for Singapore. We fully expect contributions at Singapore by all WTO Members.

- . **Does the United States have legislative authority to reduce tariffs on ITA products?**

The Uruguay Round Agreements Act provides the President considerable flexibility to proclaim accelerated reductions in tariffs or additional tariffs reductions in sectors of interest to the United States, including ITA products. Exercise of this authority is subject only to receipt of concessions in these sectors from other countries and reaching a multilateral agreement on the tariff cuts or accelerated staging under the auspices of the World Trade Organization.