



Semiconductor & Electronics Industries in the Philippines, Inc.

## U.S. HIGH-TECH TRADE COALITION

AEA – BUSINESS SOFTWARE ALLIANCE – COMPUTING TECHNOLOGY INDUSTRY ASSOCIATION – CONSUMER ELECTRONICS ASSOCIATION - EUROPEAN-AMERICAN BUSINESS COUNCIL – INFORMATION TECHNOLOGY ASSOCIATION OF AMERICA – INFORMATION TECHNOLOGY INDUSTRY COUNCIL – NATIONAL ASSOCIATION OF MANUFACTURERS – NATIONAL ELECTRICAL MANUFACTURERS ASSOCIATION – SEMICONDUCTOR INDUSTRY ASSOCIATION – SEMICONDUCTOR EQUIPMENT & MATERIALS INTERNATIONAL – SOCIETY OF THE PLASTICS INDUSTRY – SOFTWARE & INFORMATION INDUSTRY ASSOCIATION – TECHNET – TECHNOLOGY CEO COUNCIL - TELECOMMUNICATIONS INDUSTRY ASSOCIATION

## Global Industry Calls for Upholding Commitments of the WTO Information Technology Agreement (ITA)

The organizations listed above represent the global Information and Communications Technology/Electronics and Electrical Products industry. Together, we believe in balanced, open and fair trade, in a multilateral, rules-based trading system affording maximum access to markets with minimum barriers.

We have witnessed the tremendous success of the Information Technology Agreement (ITA) and declare our strong support for the World Trade Organization and the Doha Development Agenda. Many economies as well have benefited from the ITA by seeing increased deployment of technology in their economies leading to greater productivity and economic growth as well as becoming critical participants in important global industrial supply chains. As Pascal Lamy stated earlier this year to mark the 10<sup>th</sup> anniversary of the ITA, “It is fair to say that the ITA has been a major success since the establishment of the WTO.” Currently, 70 WTO Members, representing 97% of world trade in IT products are participants to the ITA. World exports of ITA products over the past 10 years have more than doubled in dollar terms, reaching US\$ 1450 billion in 2005 with annual average growth of 8.5%. In 2005, trade on ITA products accounted for 14% of the world merchandise exports, exceeding that of agricultural products, and textiles and clothing together. However, global industry is concerned that this success is now in jeopardy.

Unfortunately, the European Commission (EC) committed to bind and eliminate tariffs on all ITA products, but it is now applying duties as high as 14 percent on some of those products. The EC’s misguided rationale that technological advances in covered products push them outside the scope of the ITA is particularly troubling, as it would subject almost any IT product to dutiable treatment as producers add innovative features that consumers want and could have serious implications for the ITA as a whole. The EC’s consistent violations of the ITA actions require a timely and forceful response.

In some cases, the Commission has put in place temporary duty suspensions that are arbitrary and must be renewed. These temporary duty suspensions do not necessarily cover entire product categories and create uncertainty in the marketplace. Temporary duty suspensions do not equal ITA treatment. Moreover, as technologies continue to advance, more ITA covered products will tend to fall outside the duty suspensions, giving global IT companies little protection from EC duties and stifling innovation. The World Bank urges economies to adopt more balanced policies regarding IT adoption and use, arguing that doing so could lead to stronger economic growth. Stifling innovation and forcing European consumers to unfairly bear the cost of duties on ITA covered products denies Europeans of the benefits of IT and handicaps economic growth in the EU. Further, increased costs will also disproportionately affect SMEs, which find it particularly difficult to cope with increased prices for office equipment. This will lead to reduced ICT uptake and therefore reduced productivity amongst small business, which are vital to creating healthy, vibrant economies.

The global high tech industry desires to be assured that the letter and spirit of this market-opening agreement is maintained and that the ITA commitment to “bind and eliminate” duties on covered products is respected. It is imperative that, “Each party’s trade regime should evolve in a manner that *enhances* market access opportunities for information technology products”, as stipulated in Paragraph 1 of the ITA.

We encourage ITA participants to pursue all avenues necessary to maintain the effectiveness of the ITA in the long-term and to ensure that duties on all ITA covered products are bound and eliminated pursuant to the Agreement.

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