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Major Breakthrough in the Information Technology Agreement Expansion Talks

The Office of the United States Trade Representative and the Ministry of Commerce of the People's Republic of China announced on November 10, 2014 that the United States and China have reached an agreement on the coverage of major technology products under the World Trade Organization's Information Technology Agreement (ITA). This would effectively clear a major roadblock that caused the breakdown of talks late last year among participating countries on the expansion of the ITA.

The ITA is an agreement that provides for duty-free treatment of certain "information technology" (IT) products. The original agreement was negotiated by 29 participants and concluded in December 1996. The number of participants has now grown to 52, representing 80 World Trade Organization (WTO) members, accounting for approximately 97 percent of world trade in IT products.

There had been ongoing talks among the participants to expand the list of products covered by the ITA, since most of the current IT products, such as GPS systems and many more modern medical devices, were not even invented back in 1996 when the original agreement was reached. The talks on the expansion, however, broke down last year due to China's unwillingness to make substantial commitments to tariff elimination.

This agreement reached between the United States and China will serve to re-ignite the ITA expansion talks. Both the United States and China have expressed an aspiration to immediately resume and fast-track talks on expansion of the ITA. The expansion of the ITA, if successfully resolved, will eliminate tariffs on roughly \$1 trillion of global sales of information technology products. The expansion will cover the following types of products: computers and computer peripheral equipment; electronic components including semiconductors; computer software; telecommunications equipment; semiconductor manufacturing equipment; computer-based analytical instruments; and more.

Although the non-binding agreement reached between the United States and China by itself is not effective, it should serve as great momentum towards a definitive deal among the remaining WTO participating countries covering a larger range of products. Once negotiations are finalized by all WTO members participating in the ITA, importers of covered IT products will enjoy substantial savings of customs duties, and manufacturers should find more opportunities for their products in a more global marketplace. Depending on the individual IT product, duties could be eliminated immediately or gradually over a phase-in period.

For more information, or if you have any questions, please contact your Katten Muchin Rosenman LLP attorney or any of the following members of Katten's **Customs and International Trade** team.

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