

Client Alert

International Trade & Litigation Practice Group

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WTO Agreement Reached on Tariff-Cutting Deal for Information Technology Products

On July 24, members of the World Trade Organization (WTO) **announced** that they had reached a tentative deal to expand duty-free treatment under the Information Technology Agreement (“ITA”). The ITA, originally reached in 1996, is now set to cut tariffs on 201 additional products, including multi-component integrated circuits, GPS navigation systems, medical devices, software media, machine tools for manufacturing printed circuits, telecommunications satellites, and touch screens. Per WTO Director-General Roberto Azevêdo, “[a]nnual trade in these 201 products is valued at over \$1.3 trillion per year, and accounts for approximately 7% of total global trade today.”

As King & Spalding has **reported**, accession to the ITA is optional. However, the United States has signed on to the **agreement** alongside top IT-producing countries such as China, Japan, and Korea. After some resistance, Thailand and Chinese Taipei have **joined** as well. Importantly, while participation in the agreement is optional, its implementation will benefit *all* WTO members, as exports from any member will receive duty-free treatment in the participating nations under the WTO’s most-favored nation principles.

The agreement calls for the elimination of tariffs in covered countries by 2019 to be implemented through four equal annual reductions beginning in 2016. According to the **Office of the U.S. Trade Representative**, the savings from tariff elimination will be significant. For example, tariffs on multi-component integrated circuits are currently as high as 25 percent. Similarly, magnetic resonance imaging (“MRI”) machines and computed tomography (“CT”) scanners are currently subject to tariffs of up to 8 percent in the covered countries.

Each participating member nation will submit its plans for implementation by October 30, 2015. The plans will be reviewed by the participating nations with a view toward having all technical work completed in time for the WTO’s Tenth Ministerial Conference, which will take place this December in Nairobi.

The WTO has released a list of goods slated to be covered by the agreement, which can be accessed **here**. King & Spalding will continue to monitor the

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implementation of the agreement going forward. Please contact us if you have any questions.

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