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## 12 ISSUES AND INSIGHTS

# Trading on infotech *for pte*

The private sector of WTO member countries must come together to keep the IT sector barrier-free for global trade



### TRADE MATTERS

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The World Trade Organisation (WTO) celebrated 15 years of the Information Technology

Agreement (ITA) this year. This agreement has been a matter of deep discussion among analysts. However, it is a generally accepted fact that the benefit that India has derived from this agreement is immense. The agreement came into place in 1996 and India was a signatory to the agreement in 1997.

What was significant about this agreement was the fact that this was the first sectoral agreement that completely liberalised trade. This was the first agreement that brought tariffs down to zero on products under the WTO process. The products it covered included computers, semiconductors, semi-

conductor manufacturing equipment, telecommunication apparatus, instruments and apparatus, data-storage media and software, and parts and accessories.

The WTO report that has been released to mark a decade and a half of the agreement states that over the past 15 years, world exports of IT products have almost tripled in value and reached an estimated \$1.4 trillion in 2010, accounting for 9.5 per cent of world merchandise trade. Together, the ITA participants account for 96 per cent of world trade in IT products. This, undoubtedly, has been a very significant agreement within the

multilateral process.

There are now 74 members of the WTO – with Colombia joining as the latest participant – who are part of the plurilateral agreement. Among these countries, developing nations accounted for approximately 64 per cent of exports and 51 per cent of imports of ITA products in 2010.

While the ITA-I has been a big success, there hasn't been much progress on the process that was started in 1998 to sign an ITA-II. The reason for this reluctance to move towards an ITA-II was primarily because some of the member countries, like the US, wanted to include consumer goods as also products like radar into this category. India has been opposed to the inclusion of consumer goods into the ITA-II agreement and New Delhi found support in Brussels on this issue. The expansion of the list has, however, found recent

support among the private sector in the developed world. The World Electronics Forum, too, called for an expansion of this list this year.

However, before expanding the list, member countries may want to look at some of the other issues that may hamper the growth of global trade in this sector.

Some of these issues have been highlighted by the European Union in the past. These include non-tariff barriers in the trade of these products as also the need to review the products, since this sector remains very dynamic and technology-driven.

The best way to move forward on the issue of non-tariff barriers would be for the private sector of member countries and potential member countries to come up with a joint list of products that hamper growth of information technology product trade. Having

sector of the ITA membership would help negotiators handle the issue better. However, it is important to note that given the diverse membership of the ITA, there is a need to understand that technological advancement in the products may differ between nations. Therefore, there is a need to look at different levels of technology available on a particular product across the membership before suggesting an international standard for the product.

One important issue that has been put forward by member countries, especially the developed countries at the WTO, has been the expansion of countries that are part of the ITA. To achieve that objective, it will be important to look at countries that could benefit from this sector.

Given the current state of affairs of the Doha Round, the ITA could serve as a platform for showcasing

how liberalisation of trade has been beneficial for the member countries of the plurilateral agreement. The Director General of WTO, in his foreword in the publication, states that access to affordable IT equipment was instrumental in enabling India to become a powerhouse in consulting services, software development and other services

However, it must be remembered that for many supporters of the agreement there are enough contrary voices that say the agreement may have led to the downfall of the hardware sector in some countries, including India.

The private sector has a lot to gain from this agreement and it has to keep working to ensure that this sector remains barrier-free for global trade.

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