

CS Brazil - WTO Information Technology Agreement (ITA)

The World Trade Organization finalized a list of 201 information technology products to be freed from import tariffs in a \$1.3 trillion deal, but WTO Director-General Roberto Azevedo expects more WTO members to join the agreement. Brazil is not part of the WTO Information Technology Agreement (ITA).

The WTO Information Technology Agreement (ITA) is one of the largest agreements in WTO history and consists of tariff-cutting in over 200 information and communication technology (ICT) products.

Among the products covered in this agreement are new-generation semi-conductors, GPS navigation systems, medical products which include magnetic resonance imaging machines, machine tools for manufacturing printed circuits, telecommunications satellites and touch screens.

Under the terms of the agreement, the majority of tariffs will be eliminated on these products within three years, with reductions beginning in 2016. The agreement also contains a commitment to work to tackle non-tariff barriers in the IT sector, and to keep the list of products covered under review to determine whether further expansion may be needed to reflect future technological developments.

U.S. Trade Representative Michael Froman said more than \$100 billion of U.S. exports alone would be covered by the updated agreement and industry estimates showed the removal of tariffs could support up to 60,000 additional jobs. "ITA's expansion is great news for the American workers and businesses that design, manufacture and export state-of-the-art technology and information products, ranging from MRI machines to semiconductors to video game consoles," he said in a statement.

Technology manufacturers such as General Electric Co, Intel Corporation, Texas Instruments Inc, Microsoft Corp and Nintendo Co are among companies expected to benefit from the deal. Intel welcomed the range of products covered. "That definitely impacts Intel and that's important, but also as important are the other technologies that it covers that were not even dream of when the original ITA was negotiated," said Intel communications director Lisa Malloy.

Brazil is not contemplating the possibility of becoming an ITA member and has renewed restrictions on the importation of information technology goods. In 2014, the government sanctioned the extension of the law, in force since 1991, which grants tax reductions on Industrialized Products (IPI) for information technology goods manufactured locally by 2029, as part of the agreement that extended the tax benefits existing in the Manaus Free Trade Zone.

CS Brazil noticed different opinions among industry players. ABINEE, Brazil Electro-Electronic Industry Association, for example, claims that "signing this agreement means derailing the existence of ICT industries in Brazil, which generate about 150,000 direct jobs, with trained and skilled workers." Other entities believe that Brazil will have to open a broad discussion on its trade policy. Meanwhile, Brazilian consumers will continue to pay more for imported products.

Brazil is today the third largest computer market and fourth handsets market in the world, which justifies the existence of a local industry that meets the demand. However, CS Brazil anticipates that in the medium term US companies may seek opportunities in other ITA-signatory markets.

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