

# WORLD TRADE ORGANIZATION

RESTRICTED

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## Committee of Participants on the Expansion of Trade in Information Technology Products

### MINUTES OF THE MEETING OF 14 JUNE 2000

Chairpersons: Mr. Y. Shiran (Israel) and Ms. Elizabeth Chelliah (Singapore)

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### Introduction

The Chairman stated that the proposed agenda for this meeting was circulated in WTO/AIR/1324 on 31 May 2000. He asked if there were any other matters to be raised under "Other Business". Hearing no requests, he stated he would make reference to the "review of product coverage" and the date of the next meeting of the Committee under this agenda item. The agenda was adopted.

### 1. Election of Chairperson

1.1 The Chairman stated that the Committee normally elected a new chairperson on an annual basis. Pursuant to consultations by Ambassador Farrell of New Zealand and himself, he believed the Committee had reached informally a consensus on the election of Ms. Elizabeth Chelliah of Singapore as the new chairperson of the Committee.

1.2 The Committee elected Ms. Elizabeth Chelliah as its new Chairperson.

1.3 After taking the chair, Ms. Chelliah thanked the participants for electing her as Chairwoman and also thanked her predecessor, Mr. Yair Shiran for his excellent work. Members of the Committee congratulated Ms. Chelliah, and thanked the outgoing Chairman for his excellent work in the past year.

### 2. Request for Observer Status from the International Trade Centre

2.1 The Chairwoman stated that the International Trade Centre (ITC), had applied for observer status in this Committee. The request had been transmitted to all participants by fax on 31 May 2000. Pursuant to the 'rules of procedure' of the Committee, contained in document G/IT/3, she noted that "requests from international intergovernmental organizations to participate in the Committee, in an

observer capacity, shall be considered on a case-by-case basis by the Committee". Therefore, the Committee should decide on the observer status for the ITC pursuant to its request. She asked for the Committee's approval of this request.

2.2 The observer status of the ITC was approved.

### **3. Review of the Status of Implementation of the Ministerial Declaration on Trade in Information Technology Products (G/IT/1/Rev.14)**

3.1 The Chairwoman pointed out to participants that an overview of the implementation of the Ministerial Declaration on Trade in Information Technology Products was contained in G/IT/1/Rev.14. She noted that at the last meeting a number of implementation issues were raised, both in respect of the WTO procedures and with respect to domestic implementation matters. She asked if any delegations had any comments or follow-up from the discussions last time concerning implementation matters.

3.2 The delegate of the United States recalled that at the last meeting of the Committee his delegation raised several implementation issues. As to the concerns raised with respect to Thailand's inconsistent application and requirements of certificates of origin, he noted that, while there was ongoing dialogue in Thailand's capital on this, the US concerns remained. With respect to the implementation matter with the European Community concerning set-top boxes, he stated that this was close to resolution as a result of constructive consultations that had taken place. However, with respect to the implementation matters concerning El Salvador and Panama, he looked forward to a response regarding the concerns raised at the last meeting.

3.3 The delegate of Thailand responded to the concerns raised by the United States by stating that the situation with respect to Thailand's implementation of its first zero-for-zero initiative had remarkably improved in the past three months and that Thailand was in compliance with the agreement. Thailand's participation in this zero-for-zero sectorial initiative was unprecedented. Thailand had a great interest in seeing this agreement work and he was surprised at the US concerns about products not getting through customs in time or not getting the correct duty treatment. Two-thousand was the year when much of the agreement was to come into force for Thailand and duty-free treatment was to be reached. Thailand, as a developing country, would be implementing this agreement on an MFN basis for the first time, and this was an important step for an important industry in Thailand.

According to his information from the Thai computer industry, everything was being done in accordance with ITA obligations. When the United States raised such concerns in the Committee, it undermined the credibility of a country like Thailand. He noted that consultations were held on the matter. On 1 March 2000, at the request of Thai industry, Thai Customs held a seminar on the implementation of the ITA. Many problems were raised and it was agreed that the issues would be resolved in the best interest of the private sector.

As concerned the certificates of origin, these were administrated in an open and liberal way. A multi-country declaration was implemented whereby importers no longer had to seek approval from an industry association or chamber of commerce.

The delegate of Thailand wondered why, now that the ITA was working so well, certain countries south of the United States did not join. Furthermore, he asked the United States to consider other sectorial arrangements, such as for textiles and clothing, in a new round of negotiations. He hoped that the Committee would not be a policing Committee, and would be a constructive Committee providing for cooperation among participants.

3.4 The delegate of the European Communities recalled that the ITA concerned binding tariff commitments that were entered into freely by the countries concerned, and were implemented on an MFN-basis according to a schedule of commitments. He agreed with the Thai delegate that on the whole,

the ITA was being implemented accordingly and it was a successful agreement. However, the ITA Committee did have the responsibility to ensure that the agreement was being implemented fully by all participants. It was not just a concern for certain countries, but it was a problem for all WTO members. He raised specific concerns his delegation had with respect to Thailand and Indonesia, which was not just a problem for the EC, but a problem for all WTO Members because everyone was not getting the tariff treatment they were entitled to pursuant to the tariff schedules. He stated that his delegation had verified the situation as it stood last week, and unless there were any new decrees passed in the last few days, it appeared that with respect to Thailand and Indonesia, the tariffs that should be in place as of 1 January 2000 were not yet applied, and the 1999 rates were in effect. These were matters that the EC was pursuing bilaterally with the countries concerned, but had decided that they were general issues and should be raised in the Committee. He hoped that the countries would take the necessary steps to come up to date with their tariff reductions and to avoid any similar problems in the future. Furthermore, if any other participant had problems concerning the EC's implementation of the ITA commitments, he welcomed them to inform his delegation.

3.5 The delegate of El Salvador took note of the concerns raised by the United States and would make her capital aware of the matter.

3.6 The delegate of Indonesia noted the concern raised by the European Communities and stated that his government was taking the necessary steps to implement the agreement fully and that this would be done shortly. Once the implementation was completed, his delegation would duly inform the European Communities.

3.7 The delegate of Thailand thanked the European Community for reminding him that this was an MFN, and not a bilateral issue. However, he stated that he was not aware of the problem raised by the European Communities. He requested that such matters first be brought to his delegations' attention informally before being taken up formally in the Committee. He restated that Thailand was implementing the agreement pursuant to its provisions.

3.8 The delegate of Poland stated that his country was applying the commitments of the ITA. However, as indicated in paragraph 1 of document G/IT/1/Rev.14, the domestic procedural requirements were well advanced and should be terminated in the near future.

3.9 The delegate of Hong Kong, China requested, for transparency, that those delegations that had asked questions concerning implementation, should submit and circulate them in writing; he hoped that those who would respond could also do the same, as it was a matter of interest to all participants.

3.10 The delegate of Jordan noted that there was an error in document G/IT/1/Rev.14 in that Jordan was noted as not being a Member of the WTO. This should be corrected.

3.11 The delegate of the United States thanked those delegations that responded to the US concerns. He also noted that his delegation saw this Committee as a problem-solving mechanism. He shared the thoughts that the membership of the ITA should be expanded and his delegation worked hard at this. He would convey the comments made to his capital.

3.12 The delegate of Malaysia stated that his delegation would like to show the same type of optimism as other delegations had indicated with respect to product expansion. He noted that if delegations wanted to make progress on ITA II, there had to be flexibility on the part of all trading partners. His delegation, also speaking on behalf of the Philippines, supported the statement of Hong Kong, China with respect to circulating the questions and answers to the implementation issues in the interest of transparency.

3.13 The Committee took note of the statements made.

#### **4. Consultations on Non-tariff Barriers (G/IT/9, G/IT/10, G/IT/11, G/IT/12)**

4.1 The Chairwoman recalled that at previous meetings of the Committee, delegations had expressed interest in pursuing work on non-tariff measures. There had been a number of developments since the last meeting. First, Australia had that day submitted a framework paper proposing a work programme. Also, in addition to the national experience papers already submitted by Australia; Hong Kong, China; and Switzerland; Canada had submitted a national experience paper on import licensing. Furthermore, she noted that all of these national experience papers had now been issued as formal documents in the Committee as G/IT/9 through 12.

4.2 The delegate of Australia stated that as tariffs on IT products had been reduced, the significance of standards-related barriers as obstacles to trade had increased. While not pre-empting the outcome of any analytical work, it was important for participants to have a clear understanding of the scope and impact of non-tariff barriers which may need to be addressed. All countries, developed and developing alike, stood to benefit from removal of non-tariff barriers in the IT sector. The improved availability of IT products, as a result of liberalized trade, would yield significant productivity and developmental benefits.

He then introduced the Australian paper: a correction should be made to the third bullet, which should read: "develop findings and recommendations for action to be taken by the Committee or referred to other relevant WTO, intergovernmental or industry bodies". Furthermore, the second sentence in the following paragraph should read: "The working groups should, as appropriate, draw on the expertise of industry, regulatory, and relevant WTO and other international bodies." The rest of the sentence should be deleted. The first page contained a draft decision that could be adopted by the Committee. It not only recognized and fulfilled the mandate of the Singapore Declaration, but also took into consideration the needs of both developing and developed countries. Attached to the draft decision was a proposal to move forward on implementation. As concerned work streams it was proposed that two working groups be established – the first on standards, the second on conformance. The issues to be addressed were in the second column, and the appropriate action was listed in the third column. The following page contained a timeline. It was important to look at benchmarks throughout the year.

He realized that this proposal needed careful consideration in capitals. He asked participants to provide specific written comments on the proposal. Furthermore, he proposed that the Chairwoman hold consultations with a view to convening an informal meeting in early September, followed by a formal meeting. It was Australia's hope that at the formal meeting the Committee could adopt a final work programme.

4.3 The delegate of Malaysia thanked Australia for the proposal and gave a few preliminary comments. He supported the idea of having consultations and an informal meeting on the subject. He questioned whether the process of having working groups was the most efficient way to proceed; it might be more efficient to work informally in the Committee. With respect to import licensing, he asked whether it was necessary to cover this here, and create an overlap with another WTO body. In his view, ITA participants should consider matters that were not covered by any existing WTO agreements. Concerning the Canadian paper, he noted that a large part of the problem seemed to concern classification, which was currently being addressed by the customs experts. The other issues concerned the numerous bodies that had to grant approval for licences; such matters were covered under the Import Licensing Agreement, where they should be appropriately brought up.

4.4 The delegate of New Zealand thanked Australia for the proposal. Her delegation was supportive of the work in this area, and would examine the work programme carefully. In her view, it was important to be flexible so that all non-tariff measures could be addressed. As for import licensing, this remained a valid concern, and her delegation shared some of the issues raised in the Canadian paper. She supported having informal consultations and hoped a decision could be taken at the next meeting of the Committee.

4.5 The delegate of Norway thanked Australia for the proposal and supported a work programme in this area. In his view, work on non-tariff measures should be dynamic and, as reflected in the proposal, the working groups should take into account any further expansion of the agreement.

4.6 The delegate of Japan thanked Australia for the proposal, which his delegation would study carefully. By way of preliminary comments, he had no objection to carrying out a study concerning non-tariff measure issues. However, non-tariff measures was an extremely broad term and one had to be careful in determining how the study would be carried out and developed. He was also concerned about initiating such a programme when a new round of negotiations was being considered. He wanted to come back to this matter in more detailed discussion.

4.7 The delegate of Switzerland supported the work on non-tariff measures. Her delegation would consider the Australian proposal carefully, submit comments in writing, and hoped that a decision could be taken at the next meeting.

4.8 The delegate of India stated that the work programme on non-tariff measures should collectively examine all issues concerning non-tariff measures. His delegation would reflect on the proposal in detail, and supported informal discussions on the matter. Furthermore, his delegation would reflect on the comments made by Malaysia concerning import licensing.

4.9 The delegate of Hong Kong, China thanked Australia, Canada, and Switzerland for their national experience papers, and Australia for their proposal. He noted that domestic consultations so far indicated general support for the Australian proposal. He looked forward to informal discussions on the matter.

4.10 The delegate of Israel thanked Australia for the paper. His authorities would examine the proposal carefully. He supported consultations on the matter.

4.11 The delegate of Canada supported the work of the Committee on non-tariff measures and thanked Australia for the proposal. His delegation would examine the paper closely and looked forward to informal consultations. He was glad to see that the proposal covered a wide range of issues, including import licensing, which was an area that would benefit from productive analysis and work in this Committee. This Committee provided a comparative advantage in that it provided the opportunity to look at things from the view of the information technology sector. He supported the statement of New Zealand in keeping the work programme flexible to allow all areas to be addressed. The existence of another specific body should not preclude this Committee from conducting analytical work with respect to import licensing.

4.12 The delegate of the United States thanked Australia for the proposal. US interest in this area, especially as concerned standards, was significant. He supported the suggestions for informal consultations and a meeting in September. He shared the views of Malaysia concerning the best way to go forward and hoped that this would be discussed in the consultations.

4.13 The delegate of the European Communities thanked Australia for the proposal. He shared the views expressed about the importance of non-tariff measures. His delegation would come back with comments in writing. As for preliminary comments, he supported others as concerned finding the most efficient way to deal with the matter. In view of the broad range of non-tariff measures, the Committee should focus on issues where it could bring the most value added contribution. He supported the idea of having informal consultations.

4.14 The delegate of Australia thanked those delegations that gave support to the Australian proposal. Concerning the issue that some countries raised with respect to the overlap with other WTO bodies, he noted that it was not the intention to duplicate work that was being undertaken in other WTO bodies, but that this Committee could draw from the work of those bodies. Furthermore, he noted that a revised version of the document would be sent out to all delegations shortly.

4.15 The Chairwoman proposed that the Committee should take note of the statements made and that written proposals on the work programme should be submitted by the first week of September. Informal consultations would be held in advance of the next formal meeting, currently scheduled for 3 October 2000. It was so agreed.

## **5. Divergences in Classifying Information Technology Products (G/IT/2/Add.1/Rev.1)**

5.1 The Chairwoman recalled that the Committee had made progress with its work on this agenda item. A second meeting of the customs experts, as had been decided at the last meeting, was going on this week on classification divergences. Noting the presence of a representative from the WCO, she said that he had informed the Secretariat that the WCO would soon be submitting a revised version of document G/IT/5, which concerned classification of IT products. As the work on this matter was in progress, she proposed that the Committee take note of this fact.

5.2 The delegate of Slovenia proposed that in respect of document G/IT/2/Add.1/Rev.1 the standard ISO country code abbreviations should be used to reduce confusion when this document was issued again in the future.

5.3 The delegate of the Philippines proposed that in the future, a formal meeting of the Committee should be held right after the informal meetings of customs experts, so that the results of the work of the informal group could be fed directly into the Committee for the benefit of all participants.

5.4 The Committee took note of the statements made.

## **6. New Participants**

6.1 The Chairwoman noted that one schedule had been submitted to the Committee for consideration, namely the schedule of Slovenia. She recalled that the Committee had agreed to revert to this matter at this meeting and that the delegation of Slovenia had carried out consultations in the interim. She believed that the Committee was now in a position to approve this schedule.

6.2 The delegate of Slovenia recalled that on 14 March 2000 the Slovenian ITA schedule had been circulated to participants for consideration. Prior to circulation the WTO Secretariat had performed the electronic verification, which had shown that there were no discrepancies. At the 21 March session of the Committee the Slovenian delegation had requested the Committee to review Slovenia's ITA Schedule in order to be able to approve it as soon as possible. In the three intervening months Slovenia had held consultations with some interested participants. It seemed that now all participants that had expressed an interest could approve Slovenia's ITA Schedule. He requested the Committee to take an appropriate decision.

6.3 The Committee approved the schedule of Slovenia, and welcomed Slovenia as the fifty-third participant in the Committee.

## **7. Other Business**

7.1 The Chairwoman referred to the issue of 'review of product coverage', and stated that consultations between delegations were continuing.

7.2 Furthermore, she proposed that the Committee's next regular meeting be held on 3 October 2000, subject to confirmation. It was so agreed.

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