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Today's News

WTO UPDATE SOUGHT for rules on CE, telephony, Internet. (P. 1)

Update on CE, Telephony, Internet Rules Sought in WTO Talks

GENEVA -- U.S. and Asian manufacturers and others are pressing to update the 1997 World Trade Organization agreement on a range of telephony, Internet, broadcast and data gear. The WTO Information Technology Agreement (ITA) has boosted deployment of telecom and information technology products, said Mark MacGann, director general of the European Information & Communications Technology Industry Association. However, it doesn't cover consumer electronics. Convergence of information technology with consumer electronics has made it out of date, MacGann said.

The agreement has become more difficult to interpret and implement, said MacGann, whose group represents European, Japanese and U.S. manufacturers. Classification of products within the tariff system has become problematic, said a high-ranking trade diplomat to the WTO. The EC has classified as dutiable some models of digital camera, set-top boxes with a communications function, LCD monitors with digital video interfaces, personal data assistants and mobile phones with expanded functionality. This means more products are being hit with a fee as they enter the European market. The problem worsened this year as Europe updated its harmonized system for tariffs, an official familiar with the issue said.

The U.S. has serious concerns about the classifications, a trade negotiator to the WTO said: "They are considering resorting to [WTO] dispute settlement in the near future." The idea, floated this spring, so far hasn't led to a dispute, officials said. Telecom manufacturers in particular are pushing for the move, said MacGann.

The EC believes duty-free treatment should go only to the list of products agreed to ten years ago, said an official involved in the issue. Countries have to agree on the product list for it to work, he said. Today's troubles result from compromises that emerged during negotiations ten years ago, said a trade diplomat. The closer a product is to consumer electronics, for example, "TV sets, TV screens and things like that, then the

EC is more reticent" about giving it duty-free treatment, said the trade diplomat. PC screens were included, but not TV screens, he said. According to the EC, it's a question of proper classification, he said.

"U.S. industry is seeking support from other ITA member countries, especially in Asia, where a lot of global IT manufacturing takes place," said Ann Rollins, vice president, technology & trade policy at the Information Technology Industry Council. Europe, the U.S. and Japan have the most at stake, but Canada and other Asian countries are tracking the issue, said a trade diplomat to the WTO who follows the issue. They may not have a market access problem yet, he added. "We are hoping to see this issue raised at the APEC (Asia-Pacific Economic Cooperation) meetings in Sydney this week," Rollins said.

The U.S. and other nations are talking with the EC, "but we are considering all options to ensure that the EC lives up to its WTO commitments to bind and eliminate customs duties on these ITA products," a U.S. Trade Representative spokesman said. "If they can't resolve their problems bilaterally," other avenues will be taken, said an official. One avenue would be to register a dispute with the WTO, officials said. No dispute has been filed.

Industry backs a WTO dispute with the EU as a last resort, Rollins said. A WTO dispute isn't the best solution for industry, but two years of talks have done little to solve the problem, and it's worsening, she said. A dispute against the EU over the classification isn't likely before ongoing WTO negotiations in the Doha round conclude, said MacGann.

Officials and diplomats interviewed for this story had significantly different opinions on the agreement's enforceability. Some said it's binding on countries that signed it, while others said no agreement as such exists.

Long-standing issues are simmering. The U.S. refused to include optical fiber in the original agreement, said a trade diplomat. The EC countered by moving to exclude consumer electronics, he said. "How could you imagine a decent ITA agreement without optical fiber being part of it?" he asked.

Some products listed in the agreement no longer are used, "so the value of the agreement is slightly diminished," said a trade diplomat. The original idea of the ITA was to cover manufacturing inputs, not final products, such as everything used to make mobile phones, said a trade diplomat. Since then, manufacturers have set up operations in Eastern European countries that later joined the EU, a trade diplomat said. Their fate is tied to the level of protection afforded by EC interpretation of the agreement, he said. "The question is whether they need the protection," he said. If Europe continues down that path, it likely will attract manufacturers intent on getting behind the tariff wall, an industry official said.

The WTO meets Sept. 10 to resume negotiations on general cuts in industrial tariffs, including the electronics and electrical sector, an official said. The Doha round of talks at the WTO to reduce tariffs in the electronics and electrical sector has seen little progress, a trade diplomat said. The sector includes some consumer electronics. Doha negotiations are separate but related to discussions on the ITA, officials said. No electronics sector meetings are set, he said: "I expect a big debate in autumn." Agreed cuts would apply to a large group of countries. A revised negotiating text may emerge in October, an official said.

The Doha negotiations are not helping the Information Technology Agreement, said a trade diplomat. The negotiators must set priorities, he said. Brussels now puts more stress on the Doha negotiations, favoring efforts to reduce a broad range of industrial tariffs, said another diplomat. If the round fails, revising the ITA could gain priority, he added.

The agreement has to be revised in the multilateral framework, which includes the current round of WTO trade negotiations, MacGann said. The first step should be to study the list of covered products to make sure they're relevant, a trade diplomat said. "This has not been done for ten years," he added. Expanding product coverage would be a second step, he said. The WTO's ITA committee will meet before year-end but the exact date isn't set, an official said.

The first ITA took only months to negotiate, a trade diplomat said. "If there's a will, I'm sure there will be a way, but there is this big 'if.'" -- *Scott Billquist*