

THE PRESIDENT'S EXPORT COUNCIL
WASHINGTON, D.C. 20230

November 16, 2011

President of the United States of America
The White House
Washington, DC 20500

Dear Mr. President,

As we continue to work together to meet the National Export Initiative (NEI) goal of doubling exports by the end of 2014, we urge you to engage in an initiative to expand both the product coverage and the geographic scope of the Information Technology Agreement (ITA). In September, 2010, the private sector members of the President's Export Council (PEC) called for the negotiation and implementation of bilateral, regional, and multilateral trade agreements as an integral part of achieving the NEI's objectives. Expansion of the ITA, one of the most successful multilateral trade agreements in recent years, would yield immediate and substantial benefits for the U.S. economy.

The U.S. information and communications technology (ICT) sector is an innovative and competitive industry that provides jobs for hundreds of thousands of American workers. From 1996, when the ITA was signed, to 2008, total ITA product trade has increased more than 10 percent annually, from \$1.2 trillion to \$4.0 trillion. However, the ITA has not been updated to include new products since it was originally signed in 1996. In the intervening 15 years, the remarkable innovations of American companies have been hampered and even penalized in global markets. Older, less productive technologies benefit from duty-free treatment while innovative products face global import barriers. In addition, convergence in the ICT industry as the result of remarkable innovations that often bring many technology functions into one product has created uncertainty with respect to product categorization that further impedes exports.

An expanded ITA would provide certainty around areas of product convergence in addition to rewarding U.S. innovation. Preliminary industry studies indicate that an expanded ITA could remove tariffs on an additional \$800 billion in global ICT trade, with over \$122 billion in U.S. ICT trade affected. Removal of existing barriers would provide an immediate boost to U.S. exports and further the NEI goal of doubling exports.

The following are a set of public policy recommendations to ensure that America's innovative ICT industry has access to global markets:

1. Launch negotiations to expand the product coverage of the ITA in a manner that is targeted and focused on ICT products. In order to achieve ITA expansion rapidly to provide the short-term boost the U.S. economy needs, we encourage you to focus negotiations on ICT products or parts and components predominantly used in ICT, consistent with the parameters of the original ITA.
2. Focus ITA expansion negotiations on tariffs. While the ICT industry, like so many global industries, faces numerous and growing non-tariff barriers, we encourage the Administration to focus the ITA expansion negotiations on tariff reductions only.

Limiting the scope of these negotiations to tariffs only decreases the complexity of the negotiations and allows for a timely update of the Agreement.

3. Ensure that innovations will be covered by the ITA. We encourage you to negotiate an expanded ITA that is sufficiently broad or includes automatic mechanisms that would ensure that new products will be covered as the ICT industry continues to innovate and evolve. It has been 15 years since the original ITA was signed, and in that time, international trade rules have failed to include and reward the tremendous innovation that has occurred. Updating the agreement to match the status of the current day without providing a mechanism to prevent this issue from re-emerging immediately as the industry continues to innovate would provide a partial solution at best. Negotiations to expand the ITA provide an opportunity to create a 21st century agreement that reflects the rapid pace of technological advancement.
4. Work with our trading partners to expand the geographic scope of the ITA. Only 73 of the 153 members of the World Trade Organization are currently members of the ITA. Notably absent are large emerging markets such as Mexico and Brazil. We urge the Administration to work with these countries to bring them into the ITA as soon as possible.
5. Require membership of the ITA as a condition of WTO accession. We support the Administration's policy of requiring membership of the ITA as a condition of accession to the WTO and urge you to continue that policy, particularly with respect to Russia.

ITA expansion would provide a significant boost to a competitive and innovative sector of the American economy that supports hundreds of thousands of American jobs. A targeted effort focused on reducing tariffs on ICT products and expanding the geographic scope of the Agreement is the kind of short-term initiative that could provide immediate benefits to American exports and jobs, furthering the ongoing effort to double U.S. exports by the end of 2014. We look forward to working with you make this goal a reality.¹

Sincerely,



Jim McNerney

¹ Please note that this letter has been prepared by the private-sector appointed members of the PEC.