Future Challenges and Opportunities: Further Expansion of Trade in ICT Products

Hendrik Abma, Director General
• European Semiconductor Industry Association
• Enabling role of semiconductors
• Benefits of ITA trade liberalisation for semiconductors
• Advantages of multi-, pluri-lateral vs. bi-lateral
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European Semiconductor Industry Association

Represents the interests of the European-based semiconductor industry and advocates for its international competitiveness.

• Most R&D-intensive sector
• Highly developed global supply chain
• Fierce competition & price fluctuation
• Short innovation cycles
• Global market of $339 billion in 2016

EU
• 10 % of Global Market
• Direct employment: 200,000
• Indirect employment: up to 1,000,000

“The Semiconductor Voice of Europe”
“to expand international cooperation in order to facilitate the healthy growth of the industry from a long-term, global perspective”

- Unique model of worldwide industry-to-governments cooperation
- Voluntary basis, consistent with WTO rules
- Member companies cover more than 95% of WW production
Enabling role of semiconductors

45% of OECD economic growth since 1985 comes from more productivity, with electronics as key driver.

Semiconductors play crucial role in enabling downstream goods & technologies.

Source: DECISION, ESIA, Future Horizons, IMF, WSTS 2016, AUDI, OECD Factbook 2013
Benefits of ITA trade liberalisation for semiconductors

Semiconductors

- Largest ICT category in ITA 1996*
- Exponential growth in units since 1996

Semiconductors is the largest IT product category in ITA and accounted for 33% of global exports of IT products in 2010*

*Source: WTO 2012
** Source: WSTS
Benefits of ITA trade liberalisation for semiconductors

- ITA trade liberalisation
  - Created more global markets
  - Promoted innovation
  - Accelerated productivity
  - Drove semiconductor value growth

*Source: WSTS

Size and growth of the global Semiconductor market 1997-2015*

*Source: WSTS*
Advantages of multi-, pluri-lateral vs. bi-lateral

- **Globalised** semiconductor supply chain (front-end Europe, assembly Asia)
- **Low administrative burden**, and trade-free from tariff and non-tariff barriers are vital for semiconductor manufacturing!
- Multi- and pluri-lateral trade liberalisation such as ITA is the **most efficient** way to ensure global free flow of goods.

Beside tariff-free trade, it offers:
- **Less complex / burdensome** rules of origin (due to globally distributed manufacturing, semiconductor products do not meet preferential origin requirements in most cases).
- **More flexibility.**
ITA needs to keep the pace with technology, to promote innovation

- **1996**: ITA aims to cover all semiconductors, in recognition of their enabling role in driving innovation, productivity, growth & societal benefit.

- **2016**: ITA expansion covers 1.5%-3% of the global semiconductor market and results in global yearly tariff savings of $ 94 to $ 188 million*.

- **2017**: Due to the high speed of innovation in the semiconductor industry, many products already aren't covered by the ITA. (R&D/sales ratio very high)

ESIA supports a continuous review of the ITA scope, starting no later than January 2018 as per Ministerial Declaration on the ITA Expansion of 16 December 2015.

*Source: WSC*
Conclusion

- ESIA strongly supports a continuous adaptation of the ITA scope to new and evolving semiconductor technologies, as well as geographical expansion
  - Barrier-free international movements of goods. For semiconductor globalized manufacturing and global customers
  - Enabler for all sectors of the economy and for innovation.

⇒ ESIA looks forward to working with WTO and its members to keep the ITA up-to-date!
Thank you for your attention!

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