

**Council for Trade in Services
Special Session**

**COMMUNICATION FROM AUSTRALIA, CHILE,
HONG KONG CHINA, INDIA, MEXICO AND THE SEPARATE CUSTOMS TERRITORY
OF TAIWAN, PENGHU, KINMEN AND MATSU**

Joint Statement on the Cross-Border Symposium held by WTO in April, 2005

1. The cross-border symposium requested by a group of Members with the vast support of others was held in Geneva on 28-29 April, 2005 with business persons, regulators, trade officials and others participating. It is our understanding that Members found the symposium informative and useful. The presentations and discussions at the symposium highlighted the following issues, which we believe could benefit from a further exchange of views and enable Members to take the issues raised further in the on-going negotiations:

1. Increasing importance of cross-border trade

2. Modes 1 and 2 constitute 35 per cent and 10-15 per cent respectively of world services trade; together they account for 50 per cent. There has been an increase in cross-border exports of commercial services from US\$760 billion in 1995 to US\$1500 billion in 2004. The rates of growth of cross border exports have risen sharply from 5.4 per cent in 1995-2000 to around 10 per cent in 2000-2004 and this growth has been uniform for both developed and developing countries. Even though the former still constitute 69 per cent of exports, it is a phenomenon that is benefiting both and should not be seen as a North-South issue.

3. Another trend that has become apparent are the increasing inter-linkages between all modes of supply in business models, requiring much greater uniformity in levels of commitments across the four modes so as to correspond with business realities. The business presentations also demonstrated the clear benefits to both sending and receiving countries wherever outsourcing/off-shoring is taking place. The particular importance of Other Business Services and whole range of Computer and IT - enabled services was also made clear.

2. Nature of commitments under GATS

4. Existing commitments under GATS are much lower in Mode 1 compared to Modes 2 and 3. It has the largest share of "Unbound" entries partly because of an original lack of technological feasibility, a situation which is largely no longer true, as many such activities are now becoming increasingly commercially viable and technically feasible. Furthermore, there is limited use of limitations for Mode 1, being generally none or unbound. On the other hand, Mode 2 has the largest share of full commitments or "none" and like Mode 1, not many limitations are used. In addition, there are no significant differences in levels of binding between developed and developing countries.

5. Among the issues that cropped up in this context are the possible consequences of differing levels of commitments for Modes 1 and 2 particularly in sectors where electronic transactions are being used in trade.

6. The situation has not changed drastically with the Initial Offers in spite of above noted developments. Mode 1 continues to have the largest share of unbound, for example, more than 40 per cent of new sectoral entries leave Mode 1 unbound. Less than 30 per cent of existing sectoral entries

have been improved in Mode 1. However, at the same time it has also come across clearly that access regimes are relatively liberal in reality. All this seems to suggest the need for locking in such liberalization through wider commitments.

3. Problems with scheduling framework and commitments under GATS

7. There was plenty of evidence that new services or combination of existing services like Telephone Call Centres, Web-hosting and Application Service Providers, Medical Transcription etc are growing in importance. At the same time, the growing trend for intermediate services like Payroll management, Customer service call centre, etc. has also been noted. It is understood that services are covered unambiguously in the existing GATS framework only when they are clearly identified under an existing sectoral classification for which specific commitments have been undertaken. However, existing GATS commitments on Mode 1, as we have already noted, are limited, widely divergent across sectors and show very little in terms of reflecting new/intermediate services. Further, the rapid technological advances in this area have meant that many new services are not clearly captured in existing classifications and have to be identified specifically to enable commitments. Further, even the revised version of CPC, such as CPC 1.1, does not always capture new realities.

4. Possible solutions to remedying such problems

8. In our view, all the aforementioned elements clearly highlight the need for greater commitments in cross-border supply. Further, given the above dynamics of trade there may be need to supplement the sector by sector Request-Offer process for effective results. It appears that it would be useful to develop a list of clearly specified services/activities for considering commitments including some at possibly the two-digit level (CRS, for example) to ensure coverage of new/intermediate services and to have some sort of collective understanding on the nature of commitments across this list. This could be achieved by some kind of Model Schedule or Understanding, etc.

5. Regulatory Issues arising in cross-border trade

9. While some regulatory concerns were expressed, it was also felt that some of the issues were related to consumer choice, areas on which the regulators have no jurisdiction or enforcement is extremely difficult. Further, regulatory concerns seemed to be mainly in sectors like financial services given the sensitivity of transactions involved. In general, the need for regulators to co-operate across national borders for example in education was acknowledged. The importance of disciplines under the ongoing negotiations under Article VI:4 were also highlighted as one possible way of establishing greater equivalence in cross-border regulatory requirements.

6. Final Observations

10. It may be recalled that a number of these issues had been raised briefly in JOB(04)/87 by some Members and it is our understanding that this symposium has reinforced their importance and relevance to the negotiations. We believe that the CTS-SS is the right forum for discussing these issues and look forward to constructive engagement by all Members. It would be useful to focus discussions on the following issues:

- (1) Developing a possible list of commercially meaningful and clearly specified sectors/sub-sectors/activities including those which capture the emerging business opportunities for purposes of taking commitments. The issue of how best to take into account newly emerging services without unnecessarily getting bogged down in classification debates could also be considered;

- (2) Possibility of collective understanding on nature of commitments that can be taken across any such list;
- (3) Possibility of supplementing the Request-Offer process to achieve effective commitments within this round - use of Model Schedule, Understanding, etc.;
- (4) Regulatory concerns specific to cross-border supply and their relationship with any possible disciplines under Article VI:4.

11. On our part, we will attempt to translate some of these ideas into possible negotiating proposals for consideration by Members in the near future.
