

WORLD TRADE ORGANIZATION

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Group on Basic Telecommunications

REPORT OF THE MEETING OF 15 FEBRUARY 1997

1. The Group on Basic Telecommunications held its ninth and final meeting on 15 February 1997. The agenda for the meeting consisted of three items: discussion of the Report to the Council for Trade in Services; presentation of new and revised draft schedules; and general comments on the outcome of the negotiations.
2. Report to the Council for Trade in Services. Introducing the revised draft of this report, the Chairman drew attention to a new paragraph dealing with accounting rates systems. It had been noted that some delegations had submitted Article II exemptions with respect to accounting rates systems; though their right to do so was not in question, it would have been undesirable that a large number of other delegations felt it necessary to take similar exemptions on the basis of uncertainty about the interpretation of the issue of accounting rates in these negotiations. In order to avoid such an outcome he suggested that a paragraph be inserted in the Report recording the understanding of the Group that the application of accounting rates under the International Telecommunications Regulations would not give rise to dispute settlement action under the WTO. The Chairman stressed that this was merely an understanding, which could not and was not intended to have binding legal force. It therefore did not take away from Members the rights they have under the Dispute Settlement Understanding; it was merely intended to give Members who had not taken MFN exemptions on accounting rates some degree of reassurance. He also drew attention to the statement in the paragraph that this understanding will be reviewed before the commencement of the next Round of negotiations. Some delegations suggested some other changes, which were incorporated in the Report.
3. Presentation of new and revised draft schedules. Belize and Dominica introduced new draft schedules, bringing the total number of draft schedules to 55. The Secretary General of the Caribbean Telecommunications Union (CTU) also introduced a draft schedule from the Bahamas. Since the Bahamas is not a Member of the WTO, its schedule on basic telecommunications would not be attached to the Protocol; however, the Chairman noted that the Bahamas might wish to include it in its negotiations for accession to the WTO. The Secretary General of the CTU said that the draft schedule of Saint Vincent and the Grenadines would also not be attached to the Protocol, as it would be formally submitted after 15 February. Chile, the European Union, Korea, Indonesia, Mexico and Poland introduced further revisions of their draft schedules. The United States submitted an Article II exemption on one-way satellite transmission of DTH and DBS television services and of digital audio services. Brazil announced that it was tabling an Article II exemption on telecommunications services supplied for distribution of radio and television programming for direct reception by service consumers. Several delegations including the Czech Republic, Hong Kong, Hungary, Morocco, Senegal, Switzerland, Turkey and Venezuela introduced technical changes to their draft schedules. Turkey and Bangladesh submitted Article II exemptions regarding accounting rates. Argentina said that they were continuing negotiations on a revised schedule and that they hoped to be able to submit it before the deadline.

4. The representative of the European Union noted that in the framework of the Decision on Negotiations on Basic Telecommunications, Article II exemptions were only permitted for services covered by those negotiations. He said that DTH and DBS as well as digital audio transmission services did not fall within the scope of the negotiations on basic telecommunications services and that the United States themselves indicated this fact in the cover note to their telecommunication offer. The European Union and its Member States therefore reserved all their WTO rights regarding the Article II exemption tabled by the United States, and noted that such an exemption could not constitute a precedent for future negotiations. The United States explained that their Article II exemption referred to three types of satellite services, which were treated as telecommunications services in the United States and not as broadcasting services. For this reason they were not included in the United States Uruguay Round commitments regarding radio and television transmission services. The delegation of the United States also noted that the GATS does not operate under a single nomenclature of sector classification and that countries are free to select their own if they so choose. GATS Commitments should be read in the light of each system, and this was particularly true for those countries, like the United States, which had never relied on the CPC codes for scheduling in the audiovisual or basic telecommunications sectors. The delegation of Japan stressed the importance of the MFN principle for the GATS and regretted the decision of the United States to table an Article II exemption. They said that they reserved their rights as to the validity of the Article II exemption tabled by the United States, as there was no consensus to include those services in the scope of this negotiation. Korea expressed concern about the Article II exemption taken by a major trading partner and reserved its right to make a judgement as to whether such exemption was consistent with the GATS Agreement. Canada said they regretted that the United States had decided to table an Article II exemption and that it would be unfortunate if this action were to become a precedent for future negotiations. However, they said that this development did not alter their judgement that the overall balance of benefits in these negotiations clearly warranted concluding them on the basis of the offers now on the table. Mexico regretted the inclusion of exemptions from MFN, which was one of the fundamental pillars of the multilateral trading system. Norway said that they were generally pleased with the outcome of the negotiations and with the benefits that it would bring about, but that the Article II exemptions which had been tabled should not constitute a precedent for future negotiations. The delegation of India stressed that their Article II exemption on accounting rates was taken as a purely defensive measure to ensure that the matter was not subject to dispute settlement. There was no question of India resorting to discriminatory practices. The MFN exemption on accounting rates also did not mean that India had changed its view that GATS had no bearing on matters relating to prices.

5. The Chairman asked delegations whether they agreed to adopt the Report, with the attachment of the list of the Schedules of Specific Commitments and Lists of Article II Exemptions, and with the attachment of the two Notes by the Chairman on Scheduling of Commitments and on Spectrum/Frequency Management. The Group adopted the Report and the attachments.

6. General comments on the outcome of the negotiations. Many delegations intervened to express satisfaction at the successful outcome of the negotiations, and noted that liberalization of basic telecommunications services would confer major economic benefits on industry as well as on consumers in this field. It was noted that the agreement on basic telecommunications services would reinforce the credibility of the GATS and of its agenda of progressive liberalization in different service sectors. One delegation underlined the significance of bringing an important service sector such as basic telecommunication within the field of multilateralism and that this provided a solid foundation for the success of multilateral negotiations in other service areas. The Director General of the WTO congratulated delegations for the efforts made in the negotiations and for the result obtained. He stressed the importance of the social and economic benefits which could derive from this agreement and the role that liberalization in the basic telecommunications sector could have in promoting growth and development in a globalized world. He noted that this agreement could also enhance the human aspect of globalization by making access to information and knowledge easier.

7. All delegations joined in conveying thanks and congratulations to the Chairman of the Group, Neil McMillan, for his untiring leadership throughout this negotiation, and for his personal contribution to its success.