



Committee on Specific Commitments

REPORT OF THE MEETING HELD ON 10 MARCH 2021

NOTE BY THE SECRETARIAT¹

The Committee on Specific Commitments (CSC) held a meeting on 10 March 2021 chaired by Mr. Toshihide Aotake from Japan. The agenda for the meeting, contained in document WTO/AIR/CSC/14, was adopted.

The Chairperson recalled that delegations were meeting in virtual mode. He trusted that delegations attending virtually were, by then, all familiar with the main technical aspects of remote participation.

1 ITEM A – CLASSIFICATION ISSUES

1.1. The Chairperson explained that, as announced at the last meeting, in view of a new format on the UN statistical classifications website, the United Nations Statistics Division (UNSD) and the WTO Secretariat would provide a joint presentation on the new functionalities of this website and help Members navigate between the different Central Product Classification (CPC) versions and between the CPC and other classifications, with a focus on whether and how the correspondence could be established between the CPC Provisional Version and the later versions of the CPC. He reminded the Committee that the Services Sectoral Classification List (MTN.GNS/W/120) created for undertaking specific commitments under the GATS was based on the CPC Provisional Version.

1.2. A representative of the UNSD presented the new statistical classifications website (available at <https://unstats.un.org/unsd/classifications>). The website provided reference information on the work related to International Statistical Classifications. Although still under development, a lot of work had been achieved to improve the page covering economic statistical classifications. Additional functionalities were foreseen. More classifications were available for download and their structures, such as the list of codes and titles/labels, were searchable and navigable.

1.3. The search functionality of codes and keywords was limited to matches in the main structure of the classification and in titles, but it could eventually be expanded to include explanatory notes. Permanent and unique links existed in each classification, pointing to detailed information. This was a useful feature if users wanted to store the links for future reference. Navigable correspondences were integrated in the website, enabling easy navigation between classifications (e.g. CPC and the International Standard Industrial Classification of All Economic Activities - ISIC), or different versions of the same classification (e.g. CPC Provisional Version and subsequent versions). With respect to the correspondences between CPC Provisional Version and more recent versions, she indicated that the latter were generally more refined, in particular for services items. A direct correspondence between the CPC Provisional Version and the most up-to-date version (CPC Version 2.1) did not exist, and it was necessary to navigate between multiple versions to be able to establish the correspondence. If requested, it could be possible to develop a direct correspondence.

1.4. The new functionalities included a registry providing additional information on updates on classifications, such as clarifications and corrections (<https://unstats.un.org/unsd/classifications/Econ/Registry>), as well as the possibility to provide online feedback or to contact the classifications hotline by email. The next areas of work on the website included (i) making all related resources (alternative structures, alphabetical indices, etc.) available on interactive pages in an integrated manner; (ii) using metadata modelling and semantic

¹ This document has been prepared under the Secretariat's own responsibility and is without prejudice to the positions of Members or to their rights and obligations under the WTO.

web technologies for classifications; (iii) developing Application Programming Interfaces (APIs) for custom queries linking existing correspondence tables, and referencing of common concepts as separately described in different classifications; and (iv) explore ways to improve the visualization of correspondences, including partial ones.

1.5. A representative of the Secretariat presented how the new website could be used to navigate between CPC versions, from CPC Version 2.1 back to CPC Provisional Version, linking to W/120. He recalled that the scheduling guidelines (S/L/92) indicated that "the legal nature of a schedule as well as the need to evaluate commitments, required the greatest possible degree of clarity in the description of each sector or sub sector scheduled." Although not mandatory, the Scheduling Guidelines indicated that in general the classification of sectors and sub sectors should be based on the W/120, where services subsectors could further be described in terms of the CPC Provisional Version which was released in 1991. This was the practice of most Members, whether in the context of the GATS or in many regional trade agreements.

1.6. Two new versions of the classification were published after 1991: CPC Version 1 in 1998 (revised in 2002 – CPC Version 1.1) and CPC Version 2 in 2008 (revised in 2015 - CPC Version 2.1). The representative of the Secretariat used examples to illustrate how the navigation tool through the different CPC versions could be used to identify where certain services included in CPC Version 2.1 would be classified in CPC Provisional Version. This could raise some very interesting questions when it came to drafting commitments, although the new versions did not prejudice the commitments previously undertaken by Members in the context of the GATS. He reminded delegates that the navigation between different versions often entailed one item in a classification corresponding to more than one item in another classification, including partial correspondences in many instances.

1.7. The representative of Canada believed that the new version of the UNSD classifications' website was a huge improvement. The UNSD's plans to add functionalities to the website were welcome. The search function within explanatory notes would be useful and a direct correspondence between CPC Provisional Version and CPC Version 2.1 would be very much appreciated. The foreseen visualization functionality would be of great interest, as illustrated by the examples. He asked whether having a direct correspondence table would enable an improved measurement of the value of services trade based on CPC Version 2.1 corresponding to the services commitments made using the CPC Provisional Version, or whether the issue of partial correspondences would render this exercise difficult, if not impossible. He confirmed that the examples used were pertinent and could raise some important questions when considering the use of CPC Version 2.1.

1.8. The representative of the Russian Federation stated that the agenda item was timely. Some specific methodologies, principles or approaches were used in each statistical system in order to define how to group services. She asked which of the recent versions of the classifications most successfully solved the issue of the categorisation of certain converging services which blended computer-related services, value-added telecom services, or audiovisual services that could be technologically indistinguishable. Given that the W/120 contained inaccuracies and errors, she queried whether WTO Members had attempted to revise, correct, or clarify the Services Sectoral Classification list. Finally, she asked whether commitments taken in the context of a regional trade agreement using a more recent version of the CPC, could eventually lead to a situation where a commitment would be reduced in scope compared to a commitment for the same sector using CPC Provisional Version in the context of the GATS. Would such a situation be considered as a violation of Article V of the GATS on Economic Integration?

1.9. The representative of Brazil indicated that the presentation helped understand how the new tool could be used. He observed that it was stated that the new versions of the classification did not prejudice the commitments undertaken by Members in the GATS. He asked how decisions had been taken with respect to the categorisation of services provided through electronic means, such as certain bundled services resulting from technological improvements (e.g. streaming services), or intermediation services provided via platforms (e.g. in the transport sector).

1.10. The representative of Saudi Arabia asked if the modifications in revisions of the CPC, in particular Version 2.1, would impact the W/120 and if this would require a modification of the Services Sectoral Classification list. She enquired whether the new versions of the classification could affect how new Members would draft their commitments. She then specifically asked where Services

auxiliary to all modes of transport (corresponding to CPC Provisional Version code 749) would fall in CPC Version 2.1.

1.11. The representative of the UN Statistics Division agreed that the search functionality in the explanatory notes should be further explored. Concerning how technology was treated in the classification, she answered that the criteria used in the CPC structure were the intrinsic nature of the product as well as its origin. In CPC Versions 1.1 and 2.1 there was a lot of effort in adapting the classification to new technologies and related services (e.g. services provided through the Internet). In that context more granularity was introduced in the classification. The question of how to treat technology in classifications remained under discussion, such as in the process of revising ISIC. If an activity could be done over the Internet or by using new technologies, rather than with a pencil and paper, how would this be reflected? On the product side or the activity side? In the telecommunications sector, for example, the classification distinguished the wired, wireless and satellite technologies. Classification experts indicated that this distinction could not be done in practice as these services were often supplied in a bundle. There were therefore discussions on how to deal with the issue of technology in classifications, whether reflecting practical implementation or using a fictitious segmentation of the activity. With respect to intermediation services, this was also an issue under discussion, in particular for the revision of ISIC. A previous decision of the UN Expert Group on International Statistical Classifications had been to classify the activity according to the service being intermediated, but this was being rediscussed. No decision had been made at the time of the meeting.

1.12. The representative of the Secretariat noted that the issue of partial correspondences had always existed as a consequence of the development of different classification systems serving different needs and the necessary revision of statistical guidelines, in particular when it comes to services. The first international product classification to cover services was the CPC Provisional Version, developed in the late 80s. Although it was all encompassing, more work was necessary to clarify certain issues. Because of the evolution of technology, and digitalization, the way certain services were supplied had evolved. On the issue of measurement of services, he clarified that another classification system was used, the Extended Balance of Payments Services Classification (EBOPS) 2010, based on CPC Version 2. Nevertheless, the same issues remained regarding the fit between commitments based on CPC Provisional Version and trade in services statistics. A bridge table existed between EBOPS 2010 and the Services Sectoral Classification List that could help identify which statistics items are relevant to analyse commitments made using the W/120. Concerning the classification used by acceding economies, he reminded the Committee that the Scheduling Guidelines encouraged the use of W/120, although this was not compulsory. In principle acceding countries would still prepare their commitments on that basis but could use other classification systems (of which CPC version 2.1) to clarify certain descriptions where deemed necessary.

1.13. The representative of the Secretariat recalled that the Committee had previously held discussions on services classifications sector by sector. The last round of such discussions had identified inadequacies of W/120 with respect to the evolving market reality and technological advances. The compilation of the discussion could be found in document JOB/SERV/180. It included comparisons between W/120 and CPC Provisional Version, on the one hand, and CPC Version 2, on the other. But it was for the Members to decide whether they would like to engage in a revision of W/120. She added that if a direct correspondence table between CPC Provisional Version and CPC Version 2.1 would be developed, Members could consider adding a column next to the CPC Provisional Version code to include this information, without changing the structure of the Services Sectoral Classification list. Concerning the compatibility of services commitments taken in the context of GATS using W/120 - CPC Provisional Version, compared to commitments using a later version of the CPC in regional trade agreements, the Secretariat was not in a position to interpret Member's commitments, nor Article V.

1.14. The Chairperson thanked the presenters and confirmed that the GATS services classification system was facing challenges as services trade conditions had evolved significantly. The Committee provided a good forum to catch up with the evolution and improve the collective understanding. He encouraged delegations to continue the useful discussion. He then suggested that the Committee take note of the presentation and statements made and revert to this item at its next meeting.

1.15. It was so agreed.

2 ITEM B – IMPLEMENTATION OF SPECIFIC COMMITMENTS

2.1. The Chairperson recalled that this item had been included in the agenda upon a communication from the United States (S/CSC/W/69, dated 5 March 2020), which proposed that the Committee examined GATS schedules with conditional commitments to improve transparency of schedules. He reminded the Committee that the purpose of the proposed exercise was to improve transparency and technical accuracy of specific commitments. Members had shared the view that information-sharing and transparency constituted core aspects of regular work of the WTO.

2.2. He recalled that upon the request of the Committee, the Secretariat had prepared a compilation of conditional commitments (contained in S/CSC/W/70, dated 13 November 2020) to facilitate the discussion. As noted in the document, this Compilation was for transparency purposes only and was without prejudice to the positions of Members and to their rights and obligations under the WTO.

2.3. It had been recognized that the Compilation provided a useful overview of conditional commitments, though some Members took issue with the characterization of their entries referenced in the document. In the spirit of transparency, these Members had provided updates on their commitments, which were appreciated. Some Members had previously indicated that they were holding internal consultations. He hoped these Members would be in a position to provide updates to the Committee at this meeting. Regarding the concern that this exercise might lead to negotiations, he reiterated that the Committee was not the venue for market access negotiations. He invited delegations to consider the suggestion that a column be added to the Compilation with information on the further development of conditional commitments as reflected in notifications or Trade Policy Review Reports.

2.4. The representative of the United States reiterated the reason for making this proposal. It was designed to increase clarity in entries in Member's schedules where reference was made to policy reviews. He repeated that updates were requested on those entries which implied revisions to schedules. He added that his delegation welcomed the suggestion to add a column to include information based on information drawn from trade policy reviews.

2.5. The representative of Jamaica informed the Committee that internal consultations were being pursued in the capital, as the process was not a simple undertaking.

2.6. The representative of the Russian Federation reiterated her delegation's support for the US proposal as it was useful for transparency purposes. Noting that not many similar initiatives existed in services, her delegation was attentive to the discussion. While modifying schedules should be done with caution, it was important for Members to exchange information. Adding a column in the Secretariat document was a neutral way to achieve this. The proponent of the exercise on conditional commitments did not initially intend to make any sectoral exceptions. The transparency principle should not be sector specific. This was an unconditional requirement for all Members. Her delegation therefore requested the Secretariat to add the financial sector to the Compilation. In the context of the pandemic and the development of the digital economy, the role of that sector had become even more important.

2.7. The Chairperson reminded Members of the mandate of the Committee, stating that it shall carry out its responsibilities in relation to all services sectors other than those for which sectoral bodies had been established. There was a sectoral committee on trade in financial services, which was the reason the sector was excluded from the initial compilation. But, if Members agreed, the Committee would ask the Secretariat to add the financial sector to the Compilation.

2.8. Since there was no objection, the Chairperson asked the Secretariat to prepare a revision of the Compilation to include entries related to financial services as well as add a column to include information about further developments concerning conditional commitments, such as relevant notifications or Trade Policy Review Reports.

2.9. The Chairperson suggested that the Committee take note of the statements made and revert to this agenda item at its next meeting.

2.10. It was so agreed.

3 ITEM C - SCHEDULING ISSUES

- 3.1. The Chairperson moved to Item C on Scheduling Issues.
- 3.2. No intervention was made under this item.
- 3.3. The Chairperson suggested that the Committee revert to this agenda item at its next meeting.
- 3.4. It was so agreed.

4 ITEM D – OTHER BUSINESS

- 4.1. The Chairperson moved to Item D on Other Business.
 - 4.2. No intervention was made under this item.
 - 4.3. The meeting was then adjourned.
-