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Committee on Specific Commitments

REPORT OF THE MEETING HELD ON 15 JUNE 2023

NOTE BY THE SECRETARIAT[1]

The Committee on Specific Commitments (CSC) held a meeting on 15 June 2023 chaired by Mr. Danang Prasta from Indonesia (out-going Chair) and Mr. Parasram Gopaul from Mauritius (incoming Chair). The Chairperson added that under the agenda item Other Business, his successor would say a few words about initiating a discussion on the functioning of the Committee in the context of WTO reform at the next meeting.

The agenda for the meeting, contained in document WTO/AIR/CSC/21, was adopted as modified.

Before moving on to the substance of the meeting, the Chairperson drew Delegations' attention to the hybrid mode meeting format, asking those attending on-line to allow a few seconds of streaming to ensure that the statement be heard in full. He also urged delegates, for the benefit of the interpreters, to speak at a reasonable and moderate pace and to provide a copy of their written statement to help ensure that interventions were properly conveyed and understood in the three languages.

1 ITEM A - APPOINTMENT OF THE CHAIRPERSON OF THE COMMITTEE

1.1. The Chairperson reminded that the Chairperson of the Council for Trade in Services had recently concluded his consultations on the slate of names for the Chairpersons of the subsidiary bodies. Accordingly, he proposed that the Committee elect Mr. Parasram Gopaul from Mauritius as its new Chairperson by acclamation.

1.2. It was so agreed.

1.3. He thanked Members for their trust and support during his brief chairpersonship, as well as the Secretariat for its precious help.

1.4. The Committee then elected Mr. Parasram Gopaul from Mauritius as its new Chairperson by acclamation. The meeting was thereafter chaired by Mr. Gopaul, who started by thanking his predecessor for keeping the Committee's work alive, despite the difficult task. He congratulated him for the good work he had been doing with the support of delegations. He also thanked all Members for the trust placed in Mauritius. He looked forward to working with Members individually and collectively, in order to move ahead the agenda and bring some new impetus to the work of the Committee.

2 ITEM B - IMPLEMENTATION OF SPECIFIC COMMITMENTS

2.1. The Chairperson recalled that at the previous meetings, the Committee had continued to consider the proposal from the delegation of Türkiye (S/CSC/W/73) on implementation issues related to specific commitments and Article II (MFN) on cross-border supply of road transport services under the GATS. The proposal had raised three main questions for discussion: 1) the compatibility of imposing truck quotas with full market access commitments in Mode 1 on road transport services; 2) the understanding of "Unbound" in market access and "None" in national treatment with respect to cross-border supply of road transport; and 3) the MFN obligation with respect to all measures

[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.

affecting international road transport including truck quotas, passage fees, customs measures, etc. He also recalled that the Turkish delegation had also made a detailed presentation which provided more clarity on its proposal and helped Members better understand the issues raised. He further noted that delegations appreciated the Turkish proposal which was an important contribution to the Committee work. Nevertheless, the discussions had remained preliminary without addressing the substance of the issues raised. This could be due to the complexity of cross-border road transport.

2.2. He recalled that at the last meeting, upon request, the Secretariat had informed the Committee of the relevant studies on road transport undertaken by other international organizations. It was agreed that these studies would be presented at this meeting to facilitate further discussions on the Turkish proposal. As agreed, the representatives of the UNESCAP, the World Bank, and the International Transport Forum of OECD were invited to present their work on cross-border road transport with focus on the quota system, the core issue raised in the Turkish proposal. The Chair hoped that these presentations would help Members have a better understanding of cross-border road transport and related quota system so that the Committee could engage in a substantive discussion on the Turkish proposal.

2.3. He first invited the representative of UNESCAP, Mr. Fedor Kormilitsyn, to make the presentation.

2.4. The representative of UNESCAP stated that his institution, namely the Economic and Social Commission of the United Nations for Asia and the Pacific, located in Bangkok, covered a huge region consisting of more than 50 countries. In terms of road transportation, there were certain specifics in Asia as compared to other parts of the world, for example, Europe: it was less liberalized, and historically there existed more restrictions. The UNESCAP studies on road transport had been undertaken between 2011 and 2016. The situation had not changed significantly since then. He informed the Committee of four products developed by UNESCAP: 1) Study Report: Monograph Series on Facilitation of International Road Transport in Asia and the Pacific, released in 2011; 2) Regional Framework on the Facilitation of International Road Transport in Asia and the Pacific, which was based on the recommendations of the Study Report and adopted by the APEC Ministerial Conference on Transport in 2012; 3) Model Bilateral Agreement on International Road Transport, published in 2016, which aimed to help countries move towards harmonising provisions of agreements on international road transport; 4) Database of Agreements, developed in 2016, which was a reference tool covering mostly bilateral agreements on road transport, but also some multilateral agreements.

2.5. The Monograph Series in Facilitation of International Road Transport in Asia and the Pacific, was available at https://www.unescap.org/resources/monograph-series-facilitation-international-road-transport-asia-and-pacific. This Study Report described the prevailing arrangements on international road transport based on the system of permits in bilateral and multilateral agreements between the countries of Asia and the Pacific, provided clarification on existing types of road transport permits, and made a set of recommendations on work towards more liberalized regimes in international road transport. The main types of road transport permits identified by the Study included: permits with or without quotas; bilateral permits or multilateral permits; permits valid for all routes or one specific route; permits valid for multiple entries or single entry; same or different permits for passenger and goods transport; permits issued for a single vehicle or exchangeable among vehicles in a carrier's fleet. In terms of recommendations, the Study concluded that free market access without permits or quotas was an ideal arrangement for international road transport. It had been partly used in transport among several countries. But such an arrangement required a close relationship between countries. Most member countries would continue to use transport permits with quotas in the near and medium-term future. Countries were encouraged to strive towards a more liberal system of international road transportation where possible by abolishing permits or if there was a quota, by abolishing such quotas.

2.6. On the basis of the recommendations of the above Study, a regional guideline had been adopted in 2012, called the Regional Strategic Framework on the Facilitation of International Road Transport, available at https://www.unescap.org/resources/regional-strategic-framework-facilitation-international-road-transport. The description of the issue was the following: "Across the Asian region international movement by road is largely confined to border areas and a limited number of roads. Most transport permits are issued for only a single trip along a designated route by a specified individual vehicle. The other constraint to international road transport is the restriction of transit operations. As a result, goods carried by road often have to be transhipped at border areas or loading points along a designated route adding cost and delay to the transport process." The target was set as: "Wider application of multiple-entry transport permits valid for one year and multiple routes or road networks, issued to a carrier for any compliant vehicle in its fleet, which could be used both for inter-state and transit transport operations. In addition, multilateral transport permits should be promoted for wider applications in parallel with bilateral transport permits." The proposed process was: "When member countries formulate or renew their bilateral and multilateral agreements on international road transport or hold consultations on the implementation of the agreements, they may consider adopting transport permits valid for multiple entries with one year validity and/or on multiple routes or road networks and allow their competent authorities to issue the permits to their carriers instead of particular vehicles." Multilateral road transport permit systems included the ECMT system under the ITF-OECD and the permit system under the Black Sea Economic Cooperation Organization.

2.7. The UNESCAP Secretariat undertook a comparative study on bilateral agreements on international road transport in the region with a view to facilitating the formulation of new bilateral agreements and harmonization of their provisions. The Model Bilateral Agreement on International Road Transport was available at https://www.unescap.org/resources/model-bilateral-agreement-international-road-transport. It provided three options for road transport permit provisions (based on practicalities in Asia and the Pacific Region). The first option of the model agreement was addressed to the countries which currently were not prepared to grant general access to their territories for international road transport operations and still preferred limiting their scope to designated routes and border crossings. This option of the model agreement also provided for permits for most types of transport operations. The second option of the model agreement had no reference to designated routes and border crossings but provided for permits with quotas in respect of most types of international transport operations. This approach was also very common in the region. The third option of the model agreement provided for a permit-free legal regime for occasional transport of passengers and for bilateral and transit transport of goods. The permits were kept only for regular transport of passengers and for third-country transport of goods. A number of countries in the region currently followed a similar approach in their bilateral agreements on international road transport.

2.8. The UNESCAP Secretariat had also developed a reference tool for the online database of bilateral and multilateral agreements, available at https://tadb.unescap.org/. This easy-to-access online database containing more than 200 bilateral and multilateral road transport agreements was designed to assess the existing legal environment of UNESCAP Member States in the area of international road transport. It served as an informational tool for reporting on legal developments towards harmonization of regulatory frameworks and strengthening the capacities of UNESCAP Member States for the effective enforcement of national legislation on road transport. It also served as a source of research information including official websites of Government agencies (Ministries of Transport, Chambers of Commerce, etc.), legal databases of Member States and Non-Member States, ESCAP agreement repository.

2.9. The Chairperson thanked the representative of UNESCAP, for his informative presentation. He then invited the representative of the World Bank, Mr. Charles Kunaka, to make his presentation.

2.10. The representative of the World Bank stated that his presentation was structured around four key messages: bilateral agreements were the instrument of choice to regulate international road transport services – with a few exceptions; the agreements were difficult to administer in a transparent manner and complicated the operating environment for regulators and operators; quantity controls distorted supply of services and fed inefficient practices; regions that had removed quantity controls had realized significant benefits.

2.11. He noted that the World Bank invested billions of dollars each year to improve road transport infrastructure across countries. The logic behind this was straightforward: improved road conditions would reduce vehicle operating costs, reduce transport prices and contribute to growth, trade and poverty reduction. However, inefficiencies had been observed in this transmission mechanism from investments in infrastructure to reduction in prices. Part of the explanation for that, which was why the World Bank had been investing in analytical work in this area, was in the way transport services were regulated. Evidence suggested that in regions where there were strict regulatory controls, the prices for the supply of services tended to be higher. Therefore, the magnitude of the impacts of the investments in infrastructure was diminished. There were many bilateral road transport agreements. The ECMT (European Conference of Ministers of Transport) in 2002 had found 1400 such agreements, for instance, just between European countries and other countries in the neighbourhood. For operators, keeping track of all these agreements could be a significant regulatory burden, and it also tended to distort operating patterns.

2.12. Bilateral road transport agreements as the favoured instrument of regulatory control was largely a post-Second World War phenomenon originally intended to protect railway traffic and incumbent operators. There were some broad objectives, some of which were good objectives, including: facilitating trade provision of transport services for the movement of goods and people across borders, promoting economic growth, enhancing regional integration, improving transport efficiency, ensuring safety and security, and managing environmental impacts. But there were also transport-specific aims behind this regulatory control, for instance, to ensure equity between the partners connected by road transport, to give signals to the market, and to justify infrastructure. But there were some agreements reached for purely political reasons, either as a starting point to improve the relations between countries or as an economic solution to political problems. One of the ironies was that the agreements between countries with very little volumes of trade tended to be much more open than those between countries having much more significant volumes of trade between them.

2.13. Bilateral road transport agreements were not successful in providing required capacity, namely they ignored potential supply response. Bilateral agreements had failed to prevent the erosion of rail transport. In addition, they were poorly enforced, perpetuated unsustainable practices, and encouraged fraud and waste. The consequences included market distortions, namely mismatch between demand and supply of services, fragmented supply chains, high costs, long transit time, uncertainty in cargo flows, and complicating operating environment. This meant that a company's efficient operations in one country might not create positive spillover effects in another country.

2.14. The World Bank in collaboration with the WTO Secretariat and the IRU undertook a quantitative analysis of bilateral road transport agreements (QuARTA) a few years previously by using a consistent framework so as to compare agreements in different regions between different sets of countries. Such quantitative assessment had been used successfully by the WTO Secretariat to analyse bilateral air transport service agreements. A four-step approach was utilized for the review of bilateral agreements on road freight transport: 1) developing an analytical template to eventually generate an index of openness of cross-border road transport markets; 2) benchmarking the relative openness of each agreement; 3) selecting agreements to review; 4) conducting a statistical analysis. Eventually, the study selected 77 bilateral agreements, and seven multilateral agreements. The analysis was structured across 11 variables consistent with the content of all the agreements, including limitations on the scope of the agreement, transport authorization requirements, types of traffic exempted from permit requirements, types of traffic exempted from quota requirements, cabotage traffic limitations, transit quota limitations, third country traffic limitations, prescribed routes, taxation related limitations, facilitation measures in place, and transparency requirements.

2.15. The following were some of the main findings of QuARTA. More than 80% of these agreements contained authorization requirements for bilateral transport and transit transport. Less than half of the agreements included authorization requirements for triangular traffic. The majority of the agreements completely prohibited cabotage. Over half of the agreements containing provisions for transit traffic had quota limitations. About two-thirds of the agreements provided for the modalities for agreeing on the number of permits which tended to be determined on an annual basis. Some agreements had provisions on the modalities for exchange of permits (by post, diplomatic channels, etc), or on the conditions of permit validity (individually or bilaterally). In terms of the final provisions, most agreements did not provide for the right to appeal against the decisions of the competent authority; most agreements had no transparency provisions; less than half of the agreements provided for tax exemption conditions; most agreements had no provisions on non-discrimination.

2.16. Out of a maximum score of 100 in QuARTA, some of the more recent agreements tended to be relatively more open than the older ones. However, a lot of older agreements were still being used across the world. In terms of geographical relations, the agreements in South America tended to be much more open than those in other regions of the world, for instance, the agreements between African countries, between Africa and Europe, or between Asia and Europe. One of the approaches that had been adopted across the world was to use model agreements as the basis for countries to negotiate bilateral agreements. The intention was to lead to convergence in terms of provisions over time. But some of the model agreements themselves might not be ideal as they might be even more restrictive than bilateral agreements that had been negotiated by countries themselves. There was evidence that where quotas or quantitative restrictions on the provision of road transport services were removed, the volume of traffic increased, the networks expanded and become much more complex, and transport costs went down 12 to 35%, namely up to over 1/3 reduction in transport costs. Reliability, quality of services as well as productivity also tended to improve with the removal of quantity controls. In conclusion, evidence suggested that countries that had removed quantity controls had realized significant benefits. Scarcity of bilateral authorizations at national level led to distortion of competition and even fraud. Thus, the key questions were whether the bilateral agreements protected local carriers, whether they were worth it, whether they could justify the objectives individual countries aimed to achieve, whether there was a need for the complicated operating environment, whether the regimes were conducive to the decarbonization of transport.

2.17. The Chairperson thanked the representative of the World Bank for his informative presentation. He then invited Ms. Elene Shatberashvili from the International Transport Forum (ITF) to give her presentation.

2.18. The representative of the ITF noted that after the Second World War, the European Conference of Ministers of Transport (ECMT) decided to establish a multilateral system to complement and try to improve the regulation of road transport which was based on bilateral agreements. On 1 January 1974, the ECMT Council of Ministers introduced the ECMT Multilateral Quota System. At that time the ECMT had been comprised of 17 member countries; it currently had 43 member countries. Today, under the ECMT Multilateral Quota System, freight Transport licences allowed mutual access to the markets of 43 European member countries. The System was aimed to gradually liberalize road freight transport, rationalize the use of vehicles, reduce empty running, harmonize the terms of competition, promote the use of environmentally friendly and safe vehicles.

2.19. The ECMT Quota System was of a multilateral character which implied the possibility of using the licence for runs between member countries. The ECMT licence was a permit valid for a specific period of time for an unlimited number of journeys between member countries (subject to a certain limitation from 2005). The quota was the number of licences made available to an ECMT member country, determined by the ECMT Council of Ministers/ ITF Group on Road Transport. It was estimated that the ECMT licences accounted for only 4% of total international road freight in Europe (2017). The ECMT Quota System had evolved over the past decades, for example, the introduction of "Green" lorries (EURO I) in 1991-1993, the "Greener and Safe" (EURO II) lorries in 1995 – 1997, the "EURO III safe" lorries in 2000-2002, the "EURO IV safe" lorries in 2005-2007, the "EURO V safe" lorries in 2007-2009, and the "EURO VI safe" lorries in 2012-2014. When a member country applied the best technology, it would have a bigger number of licences. The number of ECMT licences were increasing as the quality of the fleet was improved. For instance, in 2000 there were about 20'000 licences, and today there were 70'075 licenses. Old categories of licences would be abandoned and from 2024, there would be only "EURO V" and "EURO VI" licences in the system.

2.20. The core elements of the ECMT Quota System included: Resolutions and Recommendations adopted by Ministers; a Guide on the use of the ECMT Multilateral Quota 2022, which set operational rules for the system (https://www.itf-oecd.org/user-guide-certificates); Quality Charter for International Road Haulage Operations under the ECMT Multilateral Quota System, which, adopted by Transport Ministers in May 2015, introduced the highest possible quality of international road transport at pan-European level (https://www.itf-oecd.org/quality-charter, 42 member countries had implemented the Quality Charter in their national legislations); a digital platform for licence management in place (EDI), aimed at full digitalization of the quota system. More information on the ECMT Quota System was available at https://www.itf-oecd.org/ecmt-road-transport-platform. Phase 1 of the digital platform for licence management started on 1 January 2019 with Electronic Data Interchange (EDI) system fully replacing the previous manual reporting and monitoring procedures on the use of ECMT licences (https://www.itf-oecd.org/country-licences). Phase 2 would be the full digitalization of ECMT Quota system: the paper licence would be substituted by a digital licence, and all the actors (issuing Authorities, control Authorities, hauliers, drivers) would be involved digitally in licence issuing, operating and control process.

2.21. There were a lot of interesting questions for discussion. One of them was why the market share of the ECMT licence was only 4%. In other words, why did countries prefer bilateral agreements? What were the policy and political reasons for countries to keep their bilateral agreements? Was it really to protect their markets and their own hauliers, or to help them regulate markets better?

2.22. The Chairperson thanked the representative of the ITF for her informative presentation. He stated that the three presentations had shed some light on the issues raised under this agenda item.

2.23. The representative of Türkiye started by congratulating the new Chair and stressed that her delegation valued this Committee's work and hoped to work with the Chair more closely in the near future. She thanked the Secretariat for their efforts in inviting the international organisations as well as the representatives of the international organisations for their highly relevant presentations. She recalled that her delegation had benefited enormously from the World Bank Study QuARTA. It was useful to review the results of this important study again. The presentation on the ECMT Multilateral Quota System was enlightening. The ECMT was a good platform to liberalize international road transport. While the well-designed ECMT Multilateral Quota System seemed a viable way to facilitate road transport, its current coverage of 4% of overall road freight transport services among the member countries was obviously too low. Noting that the ECMT had difficulty getting information from its member countries about their international road transport, she referred to GATS Article III which required members (ECMT member countries were all WTO Members) to publish international agreements, including those on road transport. She drew Members' attention to the fact that air transport services were carved out from the GATS, while road transport services were included therein. This was a clear indication of the intention of the GATS negotiators to progressively liberalize road transport services.

2.24. Referring to the issues raised in Türkiye's proposal (S/CSC/W/73), she noted that several Members (e.g. Canada, China, Georgia, Kyrgyz Republic, Moldova, Ukraine and the United States) had full commitments in road freight transport services. Yet, some of the Members applied numerical restrictions on the number of services and service providers in road freight transport, in the form of quotas and other forms. In Türkiye's view, having a full market access commitment on cross-border road transport services meant that the Member concerned was not to apply quotas in the sector. Bilateral agreements with quotas were not compatible with full market access commitments under the GATS. Many Members had no MFN exemptions for international road transport. This meant that if they applied quotas, those had to be applied equally to all WTO Members. But in practice the Members concerned (e.g. United Arab Emirates, Argentina, China, India, Qatar and Pakistan) had negotiated different bilateral agreements with different Members. With its proposal, Türkiye wanted to discuss the question of how to understand specific commitments in cross-border road transport. It was Türkiye's view that the application of quotas and other restrictions in cross-border road transport should not undermine Members' market access and national treatment obligations under the GATS and that the bilateral quota system in this sector could sometimes be incompatible with GATS commitments.

2.25. The representative of India extended his compliments and congratulations to both the incoming and outgoing Chairs. Referring to an item India had raised at the previous meeting, he stated that the WTO was a multilateral Member-driven organisation. While observer international organisations could speak in the Committee in their capacity as observers, this was not the case for the private sector's participation. He then raised some questions on the presentations.

2.26. Regarding the presentation by the UNESCAP, the representative of India asked how many Members had adopted the model bilateral agreement the UNESCAP had designed. Referring to the point made in the World Bank's presentation that bilateral agreements had a lot of problems, including the lack of an appeal mechanism, he asked whether the model designed by UNESCAP had covered all or some of the issues mentioned in the World Bank's presentation. Regarding the issue of the lack of an appeal mechanism, he wondered whether multilateral agreements included an appeal mechanism. He noted from the World Bank's presentation that bilateral agreements had not created a conducive environment for road transport and that removing quotas in bilateral agreements would effectively reduce transport costs. He however noted from the ITF's presentation that quotas existed in multilateral agreements as well. Then the question was how multilateral agreements would in any way work better than bilateral agreements if the quotas continued to exist. Referring to the point made in the World Bank's presentation that bilateral agreements on road transport had not prevented the erosion of rail transport, he asked what had eroded rail transport.

2.27. In responding to India's question on how many countries had followed the model bilateral agreement, the representative of the UNESCAP said that he was not able to provide the exact figure.

He stated that when the model was developed, his institution focused on the way countries formulated their agreements, at least in terms of terminology and the schemes applied. A step-by-step approach had been suggested to allow countries to use some clauses from the model if they chose to modify agreements. This would harmonize bilateral agreements and make them easier to interpret. On the strengths and weaknesses of bilateral agreements as opposed to multilateral agreements, he stated that this was not the focus of the study undertaken by UNESCAP. But from the practice in the region, UNESCAP tried to address the question of why bilateral agreements were still popular among countries. It was understood that bilateral agreements were easier to manage for countries. While there existed a number of ambitious multilateral agreements on transport, their implementation was very slow. This was the case for the multilateral agreement on road transport in ASEAN which had been concluded over 15 years previously. Governments wanted tools that worked right away. That was what bilateral agreements could provide. Another example, the Shanghai Cooperation Organization (SCO) Member States Agreement on Facilitation of International Road Transport was an attempt to establish a multilateral permit system, which had been signed in 2014 and entered into force in 2017. Nevertheless, it had hardly been implemented in practice and multilateral permits were not in place. The multilateral permit system was an advanced system and the ECMT Multilateral Quota System was a good example of how a multilateral system could work for a big number of countries. But in Asia, not many countries were ready for such a system.

2.28. The representative of the World Bank appreciated the feedback from Türkiye and India. He acknowledged that while bilateral agreements resulted in inefficiencies, at the same time they were important to the proper regulation of road transport services. Referring to the question from India, he noted that some of the multilateral agreements tended to go for the lowest common denominators and thus might not be aspiring to change the game in a fundamental manner. He pointed to the fact that in QuARTA some multilateral agreements had lower scores than bilateral agreements. He thought the question from India pertinent: how would the multilateral system work if they continued to have quantitative restrictions? He noted that multilateral agreements introduced some flexibility in the operation which addressed the capacity constraints on a bilateral basis, especially through the triangular quotas which enabled operators based in other countries to fill in gaps in the provision of services. This was a progressive move in that regard. Regarding the question on the erosion of rail traffic, he said that the erosion of rail traffic had not been just due to the inefficiencies or ineffectiveness of the bilateral road transport agreements, but also due to inefficiencies in how the rail transport systems had evolved in some parts of the world. The rail transport system had not been well suited to modern supply chains. But this picture was changing: a lot of investments were made in rail systems; and rail systems become an important part of the response to the urgent need to decarbonize freight transport and logistics.

2.29. The representative of the ITF appreciated the interesting exchange. She shared some of the views but disagreed with some others. Referring to the question from India on why there were still quotas in multilateral systems, she noted that the idea of developing the multilateral quota system was that the system should eventually terminate itself. The multilateral system was expected to expand in a way to cover the whole market, achieve the best quality, the best environmental performance and then liberalise everything. That was the fundamental idea of the multilateral system when ministers had established it in 1974. Quota was the trial ground for establishing the common market of the European Union which today had been fully liberalized. When countries had similar development levels, the system worked out. She recalled that in establishing the common market in the European Union, it had taken a court decision in the Hague to oblige Member States to liberalize their road transport markets. There were different reasoning and explanations on why countries still preferred bilateral road transport agreements. She did not think that bilateral agreements were necessarily easier to manage. It was not easy to have multiple bilateral permits for a lorry to cross countries. It would be easier to have one annual licence to perform the transport freely and without any interruption. The main reason for the preference of bilateral agreements was that in dealing with bilateral agreements, countries felt more secure and more in control of the market situation. On the other hand, multilateral systems were managed by rules, not by countries at their discretion. This was an issue more political and more policy-oriented, not necessarily quantitative, and merited good reflection. Regarding the question on the model bilateral agreement, she recalled that the model bilateral agreement had been established first in the ECMT. From 2002, many ECMT member countries had used that model in new agreements.

2.30. The Chairperson addressed a question to the representative of the World Bank. He noted that the African countries had recently operationalized the African Continental Free Trade Area (AfcFTA). The intra-regional trade in Africa was lower than trade in other regions. One of the constraints concerned connectivity, be it air connectivity or road connectivity, which needed to be quantified. He asked whether the World Bank had done any analytical work on how the trend in cross-border road transport in Africa had evolved with improvements so as to help achieve trade liberalization and increase traffic in the context of AfcFTA.

2.31. The representative of the World Bank stated that the Bank had been involved in assessing the benefits of AfcFTA. From the rigorous analysis that had been carried out so far, trade facilitation and connectivity were where most of the benefits of the AfcFTA would derive. Some encouraging signs in road transport in Africa were being observed. For instance, in East Africa, which was a more dynamic transport environment, transport prices had fallen significantly, especially from the ports of Tanzania and Kenya to the landlocked countries in the middle of the continent. Relatively similar patterns had been observed in Southern Africa. However, in West Africa, some practices were found to have fed into higher transport prices and general inefficiencies. The landscape in Africa was evolving. There was increased use of rail transport and some countries had made significant investments in rail systems in recent years; there was also increased competition in freight transport and logistics. The differences in prices and productivity of road transport seemed to be influenced primarily by market access, the issue at a fundamental level that was being discussed here. In Africa, the majority of transport services provided tended to be of the informal parts of the market, although formalised operations existed in some parts of East Africa and Southern Africa and were now nascent in parts of West Africa. Overall, road transport in Africa was a complex picture and difficult to generalize.

2.32. The Chairperson reiterated that the three presentations were excellent and very informative. They, as well as the exchange which had followed, allowed Members to understand better the complexities of cross-border road transport. On behalf of the whole Committee, he thanked the three presenters and expressed appreciation for their time and the opportunity to exchange with them. He also thanked the delegation of Türkiye for their important contribution to the work of the Committee and all delegations for their engagement on that issue.

2.33. In light of the discussions held at the meeting, he stated that he would hold consultations on how to proceed next under this agenda item. He then suggested that the committee take note of the statements made and revert to that item at the next meeting.

2.34. It was so agreed.

3 ITEM C – CLASSIFICATION ISSUES

3.1. The Chairperson recalled that the WTO Secretariat would present the second edition of the Handbook on Measuring Digital Trade, highlighting the latest developments in the measurement of digital trade by the international statistical community, with a focus on the conceptual framework, trade in services and related classification challenges.

3.2. A representative of the Secretariat presented the new version of the Handbook on Measuring Digital Trade. She started the presentation by recalling that this was a statistical handbook, originally produced by the IMF, OECD, and WTO Secretariat, which were joined by UNCTAD for this second edition. The handbook was the result of efforts to better statistically define and measure digital trade. It was built on extensive consultations with a wide range of national statistical compilers and other stakeholders in the domain of trade statistics and policy analysis. The Handbook would be released in July 2023, with joint copyrights of the four partner organizations. The Secretariat was also responsible for the editing and design of the publication (Information and External Relations Division). She explained that the Handbook provided a statistical definition of digital trade and its components; a conceptual framework on how to measure digital trade; a reporting template to record digital trade transactions; specific and extensive compilation guidance; and best practices and case studies.

3.3. She outlined the need for well-defined and precise definitions to be able to identify what needs to be measured. In the Handbook, digital trade was defined as "all international trade that is digitally ordered and/or digitally delivered". The definition was based on the nature of the transaction, the "how", and not on the nature of traded products. In other words, it was not about digital goods or digital services, but how the transactions were conducted. Payments could be made online or offline; an offline payment would not exclude digital trade. She presented the conceptual framework, which identified how the transactions were conducted (i.e., digitally ordered, digitally ordered and delivered, or digitally delivered), what products could be traded and who was trading. Digital trade transactions were seen as a subset of existing trade transactions, albeit difficult to identify separately. These were covered in international merchandise trade statistics (customs-based) and international trade in services statistics (balance of payments based). Digital trade could also be enabled by digital intermediation platforms (DIPs).

3.4. Regarding products that were traded through digital trade, the framework covered goods and services that were traded internationally. The Handbook took the convention that only services could be digitally delivered, which was fully consistent with existing trade statistical concepts in the balance of payments. All economic actors, i.e., businesses, households, governments, and non-profit institutions serving households, could engage in digital trade as importers or exporters. Within businesses, some specific actors were specifically highlighted, such as:

a. DIPs, defined as "online interfaces that facilitate, for a fee, the direct interaction between multiple buyers and multiple sellers, without taking economic ownership of the goods or rendering the services that are being sold (intermediated)". Their revenue was drawn from the intermediation services they provided;

b. E-tailers which could be described as “retail and wholesale businesses engaged in purchasing and reselling goods, which receive a majority of their orders digitally”. E-tailers owned the goods being sold, and therefore provided margin-based distribution services, as opposed to digital intermediation services, as defined above. It should be noted that DIPs and e-tailing business models could co-exist within the same enterprise; and

c. Other producers only operating digitally, which were basically providing subscription-based digitally delivered services, such as streaming platforms, cable television, or radio subscription services. These producers were deemed to assume economic ownership of the intellectual property products that they distributed. Transactions undertaken by these businesses were digitally ordered and digitally delivered, but did not involve the provision of digital intermediation services. Again, the distinction between DIPs and these producers could be challenging since the same firm may be providing electronic content through both business models.

3.5. The representative of the Secretariat clarified that within the conceptual framework, digital flows, which did not entail a direct monetary transaction but supported one (for instance, services paid for by advertisers), were outside the scope of digital trade. These covered data flows such as in the context of the Internet-of-Things (cars, etc.) or personal information shared through social media or search engines. In economic statistics, these non-monetary digital flows were not considered as the output of a production process and were therefore outside the production boundary, and not measured in national accounts and international goods and services trade statistics.

3.6. Digitally ordered trade was defined as "the international sale or purchase of a good or service, conducted over computer networks by methods specifically designed for the purpose of receiving or placing orders." Both goods and services could be digitally ordered, but what mattered was the ordering method. Computer networks covered the Internet or other networks, whether accessed through computers, mobile phones, tablets, or other devices. Ordering methods included Electronic Data Interchange systems (EDI), own websites, third-party websites or apps, online bidding platforms, and DIPs. Orders made by phone, fax, or manually typed email and offline transactions formalised using digital signatures were excluded. Services could be digitally ordered but not necessarily digitally delivered.

3.7. Digitally delivered trade was characterised through a new harmonized definition as "All international trade transactions that are delivered remotely over computer networks." The Handbook followed the statistical convention that only services could be digitally delivered. It was comparable with the UNCTAD definition of ICT-enabled services trade and in practice equivalent to cross border supply, mode 1, for all services that can be digitally delivered (i.e., excluding transport or postal and courier services). Services could also be delivered digitally when traveling abroad, i.e., through consumption abroad, mode 2 (e.g., digital SIM cards, e-tour guides). But this was considered negligible compared to cross-border supply. Services delivered by phone, fax, video calls, or emails were included. Digitally delivered trade was a broader concept than digitally ordered trade. The list of digitally deliverable services was included in the Handbook (annex C) and was based on the Extended Balance of Payments Services Classification 2010 version, but one would need to carve out from digitally deliverable services those services transactions that were actually digitally delivered.

3.8. The representative of the Secretariat recalled the estimates that were released by the Secretariat in April 2023. She emphasized that overall, digital services exports had grown rapidly between 2005 and 2022 at a rate of 8.1%, outpacing exports of goods (5.6%) and other services not digitally delivered (4.2%). The bulk of these exports in 2022 were in business, professional, and technical services accounting for 40% of the total digitally delivered services, followed by computer services, financial services, and intellectual property-related services. She added that each country or region would display different breakdowns of digitally delivered services trade, and the growth rates would depend on the sector composition with some sectors being more dynamic than others.

3.9. The representative of the Secretariat emphasized that the definition of digital trade used in the Handbook was fully compatible with the WTO definition in the Work Programme on Electronic Commerce. The Handbook included a diagram illustrating the relationship between those definitions, and those used elsewhere such as in OECD, UNCTAD, or IMF.

3.10. She described the specific emphasis brought to digital intermediation platforms in the Handbook. These platforms had been key drivers in digital transformation and had a key impact on the economy. They eased the access of many producers, in particular micro, small and medium-sized enterprises (MSMEs), to the global marketplace and brought buyers numerous benefits, including access to a wider variety of products and the ability to compare prices more easily. DIPs enabled new activities and business models such as peer-to-peer transactions and sharing of resources between households. DIPs included services such as marketplace platforms, platforms facilitating short-term accommodation, ride-hailing, sharing of assets, or intermediating electronic content without taking economic ownership of the intellectual property products they distributed (e.g. app stores). They posed specific challenges for statistical compilers, as they were difficult to identify, in particular from the perspective of importers of such intermediation services, and even more so when households were involved in transactions. Unpacking a DIP transaction was difficult when actors were resident in different economies, and the fact that the intermediation fee might not be directly identified by the producer or the consumer of the service (or good) being intermediated. She added that the classification of DIPs had also been reviewed in the context of the revisions of the International Standard Industrial Classification of All Economic Activities (ISIC), the Central Product Classification, or the Balance of Payments Manual. In ISIC revision 5, DIPs would be treated in the same way as enterprises providing similar intermediation services via other means, and over twenty categories were added for intermediation activities, but with no distinction of digital intermediation. The definition and classification of digital intermediation services was under discussion in the context of the revision of the Central Product Classification, but not as advanced as for ISIC Rev.5.

3.11. The representative of the Secretariat concluded her presentation by stating that the Handbook provided the foundation for a technical assistance program and statistical capacity building by the four partner organisations to assist statistical compilers around the world to develop digital trade statistics. The first joint activity would take place in Abu Dhabi at the end of 2023 in cooperation with UNESCWA and UNSD, targeting Arab countries and financed by the WTO and the Arab Monetary Fund. A Geneva-based WTO course on measuring digital trade was planned for 2024. She invited delegates to contact the Secretariat if they needed more information or were interested in national technical assistance activities on this topic.

3.12. The Chairperson thanked the representative of the Secretariat for the interesting presentation which highlighted how digital technologies had transformed trade and congratulated all colleagues involved. He acknowledged the effort to produce such a handbook on a relatively new and evolving topic. He reiterated the suggestion in the annotated agenda for delegations to consider classification issues in relation to digital services.

3.13. The representative of China thanked the Secretariat for the thought-provoking presentation. He asked whether the Handbook addressed the measurement of non-monetary digital flows and if that was the case, would it be possible to provide an indication of the scale of such flows. He also sought further clarifications regarding the type of digitally delivered trade that was not digitally ordered, as it was likely that most of it was in fact ordered through electronic means.

3.14. The representative of the Russian Federation requested a clarification regarding the statement made that digitally delivered trade only covered services. How would electronic transmissions be classified in this case, such as in the case of digitally delivered electronic content in tariff schedules.

3.15. The representative of the United States congratulated the team for all the work done. He asked whether the Handbook considered that there was no digitally delivered trade through commercial presence and if so, why.

3.16. The representative of the Secretariat indicated that international trade and national accounts statistics did not cover non-monetary digital flows. Consequently, no estimates were available. She further clarified that in the case where datasets were built on the basis of data collected by platforms or search portals for example, and then sold to third parties, there would be a transaction that would be covered in digital trade. However, the actual data on consumers, such as those underlying the supply of services, which was collected by those platforms or portals, was not the output of a production process, and therefore could not be measured in economic statistics. She added that in the context of the revision of the System of National Accounts Manual, there were discussions on how to treat the databases, built on the basis of the data collected, as an economic asset. She however recalled that contrary to non-monetary flows, monetary digital flows were covered by digitally delivered trade.

3.17. Regarding the question on digitally delivered trade that was not digitally ordered trade, she confirmed that this existed, such as a corporate course ordered abroad by phone or via a manually typed email (which are not methods specifically designed to place orders), which is then delivered on-line by the foreign service supplier (i.e., digitally delivered). On the point that only services could be digitally delivered, the representative of the Secretariat clarified that the rationale was to be found in the sixth edition of the IMF Balance of Payments Manual, which stated that whatever was transmitted through digital means was considered to be a service. This approach would remain in the forthcoming 7th edition of the Manual. Finally, she clarified the scope of digital trade as defined in the 2nd edition of the Handbook on Measuring Digital Trade. This had already been established in the first edition of the Handbook, aligned with the statistical concept of trade as defined in the balance of payments, which only referred to international goods and services transactions between residents and non-residents, hence not covering digital delivery of services through commercial presence (i.e., transactions between residents of the same economy).

3.18. The Chairperson thanked the Secretariat. The presentation demonstrated again that as services trade was evolving fast, new classification issues were emerging. Members needed an updated classification to collect data to support informed decision-making on trade in services. In addition to digital services, climate-related services including renewable energy services were another area worth the Committee's attention in terms of classification. He encouraged Members to consider contributions to the Committee in areas of interest. For example, Members could share experiences on how digital services, climate-related services or renewable energy services were dealt with domestically in terms of data reporting and collection. He suggested to hold consultations on how to move the work forward under this agenda item.

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

3.20. It was so agreed.

4 ITEM D – SCHEDULING ISSUES

4.1. The Chairperson recalled that there had been no discussion under that item for some time, which did not mean that Members had no interest in scheduling related issues. Recently, the APEC Group on Services had adopted a Model Schedule of Commitments for Environmental and Environmentally Related Services. The purpose of the Model Schedule was to assist APEC member economies which were also WTO Members, to develop a schedule of commitments on environmental and environmentally related services based on the APEC Reference List of Environmental and Environmentally Related Services, which had been adopted in 2021. This was an important initiative to make commitments on environmental services up to date as the entire world was gearing up for the environmental and sustainability cause. He suggested that the Committee invite the APEC to present its Model Schedule of Commitments for Environmental and Environmentally Related Services at the next meeting.

4.2. The representative of Australia stated that the Chair's proposal was an intriguing idea. This was his initial reaction ahead of his capital's consideration. Bringing those APEC products into the WTO was the purpose behind their creation. In addition to the APEC Environmental Services List, he referred to another list recently drafted by Australia and Singapore, built upon the APEC approach. Inviting APEC for a presentation could be a valuable way to take the agenda forward.

4.3. The representative of the United States thanked the Chair for the proposal. Noting the need to consult with his capital, he suggested that the proposal be part of the Chair's consultations. He added that probably the best way would be for an interested Member to make the proposal, given the past practice in the CTS and its subsidiary bodies.

4.4. The Chairperson stated that he was happy to see some interest in his proposal and would hold consultations on how to move forward the work under that agenda item. He then suggested that the Committee take note of the statements made and revert to that item at the next meeting.

4.5. It was so agreed.

5 ITEM E - OTHER BUSINESS

5.1. The Chairperson reminded delegations that Members were engaging in the debate on WTO reform in the General Council and various WTO bodies. Such debate was about how the WTO could be improved and respond more effectively to the challenges facing the multilateral trading system. One issue under discussion that was particularly relevant to this Committee was how to strengthen the work of WTO regular bodies, improve transparency under the existing agreements, and enhance WTO's monitoring and deliberation functions. The primary function of this Committee was to "oversee the implementation of specific commitments". Nevertheless, that function had not been as well fulfilled as it should be. As a matter of fact, the last few years had seen the Committee become less active and Members' engagement largely declining. He also recalled that at the last CTS meeting Members discussed the possible improvements in the CTS and its subsidiary bodies, in particular the CSC. Believing Members still saw the value of that Committee, he intended to initiate a discussion on the functioning of the Committee in the context of WTO reform. To this effect, he encouraged Members to make contributions to the discussion. The Chair would hold consultations with Members shortly after that meeting. He informed delegations that the next meeting of the committee would be scheduled for October and that the exact date would be communicated in due time.

5.2. The meeting was adjourned.