

SERVICES SIGNALLING CONFERENCE

Report by the Chairman of the TNC

1. As WTO Members advanced towards the establishment of modalities for Agriculture and NAMA, with a view to moving the DDA negotiations into their final phase, many stressed the need to gauge progress in the services request/offer negotiations. Since the revised services offers will be submitted only at a later stage, it was agreed to hold a Signalling Conference at Ministerial level. The Conference provided Members with the opportunity to exchange indications on their own new and improved commitments as well as the contributions expected from others. It was understood that, while the signals exchanged were important in measuring progress, they would not represent the final outcome of the negotiations. They would instead provide comfort to Members by reflecting real progress in the services negotiations.

2. On Saturday, 26 July, the Conference was held among the following Members:

Argentina	India	Pakistan
Australia	Indonesia	Philippines
Bangladesh	Japan	Singapore
Brazil	Korea	South Africa
Canada	Lesotho	Switzerland
Chile	Malaysia	Chinese Taipei
China	Mauritius	Thailand
EC	Mexico	Turkey
EC Presidency (France)	Morocco	United States
Egypt	New Zealand	Uruguay
Hong Kong, China	Norway	

3. Participants stressed the central importance of the services sector for economic and social development and, thus, the need to help promote its future expansion through a successful conclusion of these negotiations. It was also recognized that, while Members proceeded with services liberalization in their economies, the gap between existing levels of openness and current commitments continued to widen. Some participants stressed that a satisfactory outcome of the services negotiations could be one of the most significant dividends of the DDA, as a development Round.

4. Participants clearly understood that the signals exchanged would be subject to a satisfactory conclusion of the DDA. Also, the Conference was without prejudice to the positions of non-participating Members, nor did it affect their right to benefit from future resulting commitments on an MFN basis.

5. As previously agreed, my Report will summarize the signals exchanged by sectors and modes of supply, but without attribution to individual Members.

I. BUSINESS SERVICES

6. Business services were frequently referred to during the Signalling Conference. Virtually all delegations mentioned either business services in general or specified one or more of the sub-sectors, in which they are ready to expand or improve current commitments. Given the particular nature of business services, often requiring the physical presence of individual professionals, a number of signals included the easing of restrictions on mode 4, temporary presence of natural persons. Other

signals focused on improving or locking-in current conditions for supplying services cross-border. Reference was made in this context to back-office operations, which extend across many sub-sectors, and to call-centre services.

7. The following areas were mentioned in particular:

- *Professional services*: Legal; accounting; architectural and engineering; integrated engineering; medical and dental; veterinary; and services provided by midwives and nurses.
- *Computer and related services*
- *Research and development services*
- *Rental and leasing services*
- *Other business services*: Advertising; market research and opinion polling; management consulting; technical testing and analysis; services incidental to agriculture; services incidental to mining; services incidental to manufacturing; printing and publishing; photographic; packaging; convention services; and further activities such as translation and interpretation, design, or mailing services.

8. Many envisaged improvements focused especially on 'modern services', such as computer services, research and development, and market research services. Services incidental to agriculture and services incidental to mining were frequently mentioned as well.

9. A few participants also listed a number of individual business services among the areas in which they expected commercially relevant commitments from others. The particular relevance of cross-border supply (modes 1 and 2) and presence of natural persons (mode 4) was mentioned in this context.

II. POSTAL AND COURIER SERVICES

10. A number of participants indicated their readiness to undertake new commitments in postal and courier services. In several cases, express delivery services were singled out. Most of the signalled improvements involved commitments on commercial presence with higher levels of foreign equity participation. In one case, it was indicated that all foreign equity limitations would be removed. In another, up to 51% foreign equity would be allowed. A few participants expressed willingness to clarify the coverage of their postal monopoly so as to better define the scope of existing commitments. In this connection, one delegation also envisaged undertaking additional commitments related to the independent regulation of the sector.

III. TELECOMMUNICATION SERVICES

11. Many participants were willing to improve existing, or undertake new, commitments across the range of sub-sectors in both basic and value added services. A few envisaged including satellite services in their commitments or removing existing limitations. Several participants indicated that limitations on mode 3 would be removed completely, so as to allow up to 100% foreign ownership. Others signalled that foreign equity limitations would be improved substantially. In one case, it was indicated that up to 74% foreign ownership would be permitted instead of 49%, while in another the ceiling would be raised to 60%. Some indications were also given of the removal of all limitations in mode 1; and one participant stated that his government would be willing to commit in full to the Reference Paper on regulatory principles.

12. Many participants requested new commitments to cover both basic and value added services. Several referred to the elimination or relaxation of foreign equity caps, for example for fixed line and mobile telephony. One participant stressed that there should be no bindings below 51% foreign ownership. The adoption of the Reference Paper in full was also requested from those that had not yet done so.

IV. AUDIOVISUAL SERVICES

13. One participant signalled new or improved commitments on film projection and production services. The same participant also expected deeper commitments from others on private motion picture production, projection and distribution services; broadcasting services; sound recording services; and promotion and marketing services. Another expressed general interest in improved commitments in audiovisual services.

V. CONSTRUCTION AND RELATED ENGINEERING SERVICES

14. Statements concerning construction and related engineering services were almost equally divided between signals of own improvements and expectations that other Members reciprocate in their revised offers. Virtually all modes were mentioned in this context.

VI. DISTRIBUTION SERVICES

15. Signals given related to virtually all sub-sectors, from commission agents' services and retail trade to wholesale trade and franchising. There were indications of increased foreign equity participation or new commitments at high equity levels, up to 100% in certain cases. The importance of liberal conditions for cross-border (electronic) supply of retailing services was also acknowledged. At least one participant intends for the first time to schedule commitments in this sector.

16. Several participants invited others to upgrade their schedules in this sector, emphasizing the importance of distribution services for trade in goods; farm products and cars were mentioned as cases in point.

VII. PRIVATE EDUCATION SERVICES

17. A few participants indicated readiness to undertake new commitments in private education services and to remove a number of existing limitations, which discriminate against foreign education providers. New commitments were envisaged for private primary, secondary and tertiary education, as well as for language, corporate, and technical and vocational training. In one case, it was indicated that all limitations on cross-border supply and commercial presence for (non-public) higher education services would be removed. In another case, the national treatment restrictions for private higher and other education would be eliminated.

18. There were indications from a few participants that they would be seeking more commitments in private education services. They called for significantly improved market access through the removal or relaxation of existing restrictions, including those on national treatment.

VIII. ENVIRONMENTAL SERVICES

19. Many indications of improvements were given across the range of environmental services, including: sewage services; sanitation services; refuse and solid waste disposal services; waste water management services; soil remediation and clean-up; environmental laboratory services; and other services related to air pollution control and noise abatement. In addition to expanding sectoral coverage, several participants were willing to expand the modal scope of their commitments, and to reduce or eliminate restrictions such as joint venture requirements and foreign equity limitations.

20. Several participants expressed aspirations for new commitments on all modes of supply across the range of environmental services. A specific request was made for commitments on advisory services under mode 1.

IX. FINANCIAL SERVICES

21. In financial services, there were many indications of new and improved commitments. These positive signals appear significant, given the importance of financial services in supporting trade in other products and services.

22. In banking, many participants were willing to make new or improved commitments in cross-border supply and commercial presence. With respect to cross-border commitments, several participants indicated improvements in sub-sectors such as asset management for sophisticated consumers, advisory services, and securities and underwriting. One participant envisaged removing all market access and national treatment limitations for existing cross-border commitments.

23. With respect to commercial presence, several participants intended to reduce, or remove altogether, restrictions on the level of foreign equity. Individual participants were also ready, *inter alia*, to eliminate a depositary requirement for foreign branches, widen the scope for underwriting and trading of securities, and quadruple the number of branches permitted. Another participant was prepared to bring existing commitments for commercial presence in this sector up to the level of full commitments.

24. More generally, several participants indicated their intention to liberalize a range of sub-sectors, including derivative products, leasing, asset management, advisory services, and transfer of financial information and data. A few participants intended to expand the coverage of their financial services commitments to substantially all sub-sectors specified in the Annex on Financial Services. Another was ready to adjust the definitions contained in his offer to accord with those contained in the Annex.

25. In insurance, several participants were prepared to make new or improved commitments. With respect to cross-border supply, one participant signalled its willingness to make overall improvements. Another specified his intention to expand the coverage of insurance intermediation to include reinsurance brokers in modes 1 and 2.

26. With respect to insurance supplied through *commercial presence*, one participant signalled the removal of a joint-venture restriction, while another was willing to remove a prior authorization requirement for companies and their branches. Some participants indicated improvements of commitments in non-life insurance and insurance intermediation under mode 3. Others were prepared to upgrade their commitments for insurance services under this mode. Another indication of commitments was made by one participant in relation to reinsurance.

27. More generally, some participants indicated their intention to liberalize insurance broking and agency services, and other auxiliary services. One participant signalled the removal of restrictions on non-life insurance premiums.

28. Another participant was ready to remove or narrow limitations at sub-national level, and to commit its current domestic ownership framework for financial institutions across all financial services.

29. Participants frequently expressed their desire for others to make or improve commitments in financial services. Some stressed the need for significant progress in this sector. Specific areas where improvements were sought included the reduction of foreign equity limitations, and commitments on

cross-border provision of asset management for sophisticated consumers and securities-related services.

X. HEALTH SERVICES

30. A few participants were willing to undertake new commitments for hospital and other health care services, including on physical wellness services which would cover traditional Asian medicine and traditional Thai massage. One participant signalled the removal of mode 3 limitations for health services.

31. There were indications from a few participants that they would be seeking commitments in modes 3 and 4 for private hospital services as well as extensions of sector coverage to include spa and wellness services, and traditional Chinese medicine.

XI. TOURISM AND TRAVEL-RELATED SERVICES

32. Tourism, especially hotel and restaurant services, is the sector that has drawn the highest number of commitments in current schedules. Although these are generally liberal for commercial presence, a few participants signalled scope for further improvements in their revised offers, including extensions in the geographic coverage of commitments and elimination of national treatment limitations. Other positive signals concerned the services provided by travel agencies and tour operators, as well as tour guide services. The same services were identified by at least two participants as priority areas of export interest. A call was also made for liberal commitments on hotel-related activities, such as the provision of management services.

XII. TRANSPORT SERVICES

33. Many signals were given in transport services, particularly in maritime transport. Like other infrastructural services, transportation is a key determinant for the competitiveness of other products, especially traded goods.

34. In maritime transport services, several participants signalled new or improved commitments, including for rental of vessels with crew, maintenance and repair services, port services, pushing and towing services, maritime freight transport services, international passenger transport, as well as maritime auxiliary and support services. One participant was ready to extend commitments on commercial presence under mode 3(b) of the Maritime Model Schedule, covering other forms of commercial presence for the supply of international maritime transport. Another participant signalled new market access in terms of commercial presence for salvage and refloating services, with a foreign equity ceiling of 49%. Other signals referred to the withdrawal of restrictions on the number of licenses in maritime cargo handling services, the complete removal of foreign equity requirements, and the withdrawal of preferences maintained at the sub-national level. An indication was also given by one participant that the scope of reserved cargoes in its existing schedule would be more precisely defined.

35. Many participants expressed their desire to see new and improved commitments in maritime transport. One delegation stressed the importance of removing or minimizing MFN exemptions affecting this sector.

36. In air transport services, several participants were ready to make improvements in aircraft repair and maintenance, computer reservation systems, and selling and marketing of air transport services. One participant signalled an increase in scope of commitments for air passenger and freight transportation, rental of aircraft with crew, and other supporting services. Another participant envisaged removing MFN exemptions.

37. In logistics services, several participants intended to broaden their commitments to include all modes of transport. Also, several participants sought new or improved commitments for all modes of transport in logistics services.

38. With respect to road transport services, one participant signalled the removal of quantitative restrictions, while another indicated new commitments in this sector. In rail transport, one participant envisaged new commitments, and one wished to see commitments from others in space transport services.

39. Some participants signalled an overall improvement in their commitments related to all forms of transport. One participant intended to withdraw a limitation concerning a review mechanism affecting transport services.

XIII. ENERGY SERVICES

40. Many participants indicated that they would be expanding the sectoral and modal coverage of their commitments on energy services. In a few cases, this would include commitments on services incidental to energy distribution, management consulting services, technical testing and analysis services, construction of long distance pipelines and local pipelines, as well the distribution of petroleum and natural gas. Several indications of improvements on mode 3, and other modes were also given. These included the full or partial removal of limitations on services incidental to mining and drilling; site preparation work for mining; related scientific and technical consulting services; and technical testing and analysis.

41. Several participants indicated their interest in further commitments on energy services, including activities such as mining, drilling, technical testing and analysis, and related scientific and technical consulting services. They also sought more meaningful market access commitments, particularly in mode 3.

XIV. CROSS-BORDER SUPPLY (MODES 1 AND 2)

42. Several participants were ready to improve current commitments on cross-border supply either in general terms or with regard to individual sectors, such as accounting and other professional services, financial services (especially financial consultancy services and services destined for sophisticated consumers), and distance learning. One participant expressly referred to the envisaged removal of residency requirements and similar restrictions.

43. The developmental importance of liberal commitments on cross-border trade was noted several times, and the relevant objectives in Annex C of the Hong Kong Ministerial Declaration ('commitments at existing levels of market access') were recalled. One participant referred to the economic importance of business process outsourcing for developing countries, and stressed the need for ambitious commitments in relevant sectors.

XV. COMMERCIAL PRESENCE (MODE 3)

44. In addition to what was already covered by sector-specific statements, several participants expressly signalled their intention to liberalize market access and/or national treatment under this mode, including with regard to current foreign equity ceilings, joint venture requirements, restrictions on branching, and residency requirements for board members. For example, one participant envisaged the abolition of foreign equity ceilings and joint venture requirements for all environmental services, while another signalled a similar move in financial services. With the possible exception of some sensitive sectors, one participant signalled an increase of the generally applicable foreign-equity limitation of 51% in the Uruguay Round schedule (60% in the initial offer) to 70% and even 100% in three sectors. One Member government would be prepared to permit foreign majority ownership

subject to approval under relevant laws. Another participant signalled a rise to over 49 % of his country's equity caps for foreign bank subsidiaries; various other financial services are earmarked for increases from 30 to 49%. Reference was also made to an ongoing review of a Member's general investment legislation with a view to cutting red tape and streamlining existing authorization procedures.

45. In terms of expectations, several participants sought the binding of foreign equity limitations at currently-applied levels, or at least at 51%. The reduction or removal of economic needs tests were also mentioned. Priority sectors of interest included computer services, telecommunication services, construction, and financial services. One representative called for improved investment conditions for small service suppliers from developing countries. Other proposed amendments related to vague entries, including poorly-specified public-utility exceptions, which affected the clarity of current commitments.

XVI. PRESENCE OF NATURAL PERSONS (MODE 4)

46. Many participants acknowledged the importance of mode 4 in the particular context of a 'development round'. Signals of possible improvements related to virtually all relevant categories, including intra-corporate transferees, business visitors, contractual service suppliers, and independent professionals. Some of the envisaged commitments were de-linked from commercial presence as referred to in Annex C of the Hong Kong Declaration. Several participants also indicated their willingness to extend permitted periods of stay; clarify, reduce or eliminate economic needs tests; remove definitional uncertainties; and adjust current entries to prevailing scheduling conventions. One participant specified the quota, in terms of minimum number of persons, that would replace current economic needs tests. In terms of particular professions, references were made, *inter alia*, to various business services (architectural and engineering services, medical professions, computer services, R&D services, opinion polling services, etc.). In addition, many delegations referred to the particular categories of installers and maintainers of machinery and industrial equipment. There were also indications that current quota limitations would be increased and, in one case, that the geographic coverage of certain existing mode 4 commitments be extended with liberalizing effects. One participant mentioned that the negotiated inclusion of more sectors in schedules would automatically expand the range of mode 4 commitments, which normally apply on a horizontal basis.

47. Not surprisingly, mode 4 was also frequently referred to as an area where contributions were expected from others. Some references were made to sub-sectors of particular interest, including architecture and engineering, medical services, computer and related services, construction, distribution, environmental services, various tourism-related services, logistics, maritime transport and space transport. The general need to improve conditions for business mobility, unrelated to other modes and without economic needs or labour market tests, was stressed in particular. There were also calls for the complete removal of numerical ceilings. Moreover, several interventions referred to the impact of domestic regulatory measures, including licensing and qualification requirements, on access opportunities under mode 4 and, accordingly, the need to agree on effective disciplines. In this context, participants recalled the mandate in Annex C of the Hong Kong Ministerial Declaration to develop disciplines on domestic regulation before the end of current negotiations.

XVII. CONCLUDING REMARKS

48. Considering the signals given under each of the sectors and modes of supply, I would like to make a few points regarding my overall impression of this Conference:

- I was impressed by the wide sectoral coverage of the signals. Virtually all major sectors were mentioned. In particular, some infrastructural services were frequently highlighted. Among those are financial services, telecommunications, transport and a range of professional services. I am also particularly pleased by frequent signals to facilitate access in environmental services, thus heeding objectives contained in the Doha Ministerial Declaration.
 - Equally impressive was the modal coverage of signals. All modes were regularly referred to, often in different sectoral contexts, but also in their own right. For example, most participants indicated their readiness to improve access conditions for mode 4. In several statements, these signals were expressly linked to the development character of this Round.
 - Several participants acknowledged the need to clarify, reduce or remove economic needs tests, and to act accordingly. These signals were particularly relevant in view of the discretionary nature of such tests.
 - I was pleased about several expressions of willingness to close the gap between applied regimes and existing commitments in a number of sectors. In one case, this was offered across the board. Another participant intended in most sectors to bind under the GATS the treatment currently extended under FTAs.
 - Particularly encouraging were several signals that involved new market opening beyond status quo conditions.
 - It also interesting to note that in the aspirations expressed by participants, the creation of effective disciplines on domestic regulation played an important role. The timelines contained in Annex of the Hong Kong Ministerial Declaration were reiterated.
 - Of course, participants had prepared their wish-list prior to the meeting and before they heard signals from each other. However, I noted with interest that some of the wishes had already been, or were on their way to being, fulfilled. This was also indicated by frequent references to collective requests in the signals given.
 - I was also pleased about several expressions of satisfaction with the progress achieved in the implementation of the modalities for the treatment of least-developed countries.
 - Finally, I would like to reiterate, as noted at the outset, that this exercise does not represent the final outcome of the services negotiations. There is still a considerable way to go.
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