

**ANNUAL REPORT<sup>1</sup> OF THE COUNCIL FOR TRADE IN SERVICES  
TO THE GENERAL COUNCIL (2003)**

1. Since its last report to the General Council dated 8 July 2003, the Council for Trade in Services has held two formal meetings on 3-7 July 2003 and 2,9 and 24 October 2003. Reports of the meetings are contained in documents S/C/M/67 and S/C/M/68. The reports of the meetings should be read in conjunction with this report. During this period, the Council addressed the following matters:

**I. PROPOSALS FOR A TECHNICAL REVIEW OF GATS PROVISIONS  
- ARTICLE XX:2**

2. Substantive discussions on Proposals for a Technical Review – Article XX:2 began in June 2002 and have continued during the reporting period. At its meeting held on 3-7 July 2003, the Council decided to refer this item to the Committee on Specific Commitments for its consideration and report back at the Council's first formal meeting in 2004.

**II. RE-OPENING OF THE FIFTH PROTOCOL FOR ACCEPTANCE**

3. At its meeting held on 3-7 July 2003, following the request from the Republic of Poland contained in document S/C/W/225 the Council decided to re-open the Fifth Protocol relating to Financial Services for acceptance by Poland. The Decision is contained in document S/L/130.

**III. COMMUNICATION FROM THE EUROPEAN COMMUNITIES AND ITS MEMBER  
STATES PURSUANT TO ARTICLE V OF THE GATS – ACCESSION OF AUSTRIA,  
FINLAND AND SWEDEN TO THE EUROPEAN COMMUNITIES**

4. At its meeting of 3-7 July the Council for Trade in Services held a discussion based on a communication from the European Communities and Its Member States regarding the accession of Austria, Finland and Sweden contained in document S/DCS/W/EEC. In the light of this discussion the delegation of the European Communities requested that the Secretariat issue a notification in the three official languages of the WTO. The notification is contained in documents S/C/N/231 and Corr.1, dated 10 July 2003 and 15 August 2003.

**IV. NOTIFICATIONS MADE TO THE COUNCIL PURSUANT TO GATS  
ARTICLES V:5 AND XXVIII (K):(II):2.**

5. At its formal meeting held on 2, 9 and 24 October the Council took note of two notifications:
- (a) the first pursuant to Paragraph 5 of Article V of the GATS (Economic Integration) by the European Communities and Its Member States (S/C/N/231, S/C/N/231/Corr.1);
  - (b) the second pursuant to Article XXVIII (k):(ii):2 of the GATS by the Republic of Armenia (S/C/N/232, S/C/N/232/Corr.1).

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<sup>1</sup> This report, together with the update in document S/C/17/Rev.1, complete the reporting requirement for 2003.

## **V. IMPLEMENTATION OF ARTICLE VII OF GATS**

6. At the two formal meetings held during the reporting period, the Council held substantive discussions on the implementation of Article VII of GATS (Recognition) based on a submission from India (JOB(03)/120). The Council has agreed to revert to this item at its next meeting.

## **VI. REVIEW OF AIR TRANSPORT UNDER THE ANNEX ON AIR TRANSPORT**

7. At the meeting held on 2, 9 and 24 October 2003 the Council held a discussion on the basis of, *inter alia*, a submission from Australia and New Zealand (JOB(03)/193). The Council decided to conclude the first review mandated under the Annex on Air Transport Services and to formally commence the second review at the last regular meeting of the Council for Trade in Services in 2005. This was agreed without prejudice to Members' interpretation of Paragraph 5 of the Annex.

## **VII. WORK OF THE SUBSIDIARY BODIES**

8. The activities of the subsidiary bodies are reflected in their respective reports, which are annexed to this report as follows:

Annex I	Report of the Committee on Specific Commitments (S/CSC/9)
Annex II	Report of the Committee on Trade in Financial Services (S/FIN/10)
Annex III	Report of the Working Party on Domestic Regulation (S/WPDR/6)
Annex IV	Report of the Working Party on GATS Rules (S/WPGR/13)

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ANNEX I

**WORLD TRADE  
ORGANIZATION**

S/CSC/9  
5 December 2003

(03-6450)

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**ANNUAL REPORT<sup>1</sup> OF THE COMMITTEE ON SPECIFIC COMMITMENTS  
TO THE COUNCIL FOR TRADE IN SERVICES (2003)**

1. Since its update to the annual report of 2002 to the Council for Trade in Services, the Committee on Specific Commitments held two formal meetings on 30 June 2003 and 29 September 2003. Minutes of these meetings are contained in WTO documents S/CSC/M/29; 29 Corr. 1, and 30.<sup>2</sup> In the reporting period, the Committee addressed four items: classification issues; scheduling issues; consideration of issues relating to Article XX:2 of the GATS; and other topics for possible future work.

**I. CLASSIFICATION ISSUES**

2. The Committee continued its discussion on the classification of Legal Services based on a communication from the European Communities (S/CSC/W/39). The Committee also exchanged views on possible work on Mode 4, in particular parameters of a possible Secretariat note on categories of natural persons subject to commitments under mode 4, or a possible update of the 1998 Secretariat background note on Mode 4, S/C/W/75. In view of the on-going work in the Special Session of the Council for Trade in Services, it was agreed, that for the time being, the Committee would await the discussion in the Special Session, and consider any technical work that might emanate from these discussions thereafter. This agreement was without prejudice to the right of any Member to bring up any technical issue related to Mode 4 at any future meeting.

**II. SCHEDULING ISSUES**

3. At the request of Members, the Secretariat circulated its presentation on scheduling of specific commitments, which it had delivered during the 2002 Scheduling Workshop (JOB(03)/186). At the meeting of 29 September, the delegation of Brazil introduced a communication containing preliminary questions on initial offers (JOB(03)/189).

**III. CONSIDERATION OF ISSUES RELATING TO ARTICLE XX:2 OF THE GATS**

4. Further to a mandate from the Council for Trade in Services (Regular Session), the Committee held a first discussion of issues relating to paragraph 2 of Article XX of the GATS at its

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<sup>1</sup> This report, together with the update in document S/CSC/8, complete the reporting requirement for 2003.

<sup>2</sup> Meetings of 30 June 2003 (S/CSC/M/29 and Corr 1.), and 29 September 2003 (S/CSC/M/30 – to be issued).

meeting of 29 September 2003. It was agreed to convene an additional, dedicated meeting to consider this issue prior to the next regular meeting of the Committee.

**IV. OTHER TOPICS FOR POSSIBLE FUTURE WORK**

5. At its meeting of 30 June 2003, the Committee continued its discussion on possible items for future work.

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ANNEX II

**WORLD TRADE  
ORGANIZATION**

**S/FIN/10**  
2 December 2003

(03-6377)

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**Committee on Trade in Financial Services**

**ANNUAL REPORT<sup>1</sup> OF THE COMMITTEE ON TRADE IN FINANCIAL SERVICES TO  
THE COUNCIL FOR TRADE IN SERVICES (2003)**

1. Since its last report to the Council for Trade in Services (S/FIN/9), the Committee on Trade in Financial Services has held two formal meetings, on 7 July and 6 October 2003. Reports of those meetings are contained in documents S/FIN/M/41 and 42. In this period, the Committee addressed the following matters: the acceptance of the Fifth Protocol to the General Agreement on Trade in Services; technical issues; recent developments in financial services trade; and a proposal by Antigua and Barbuda, Belize, the Fiji Islands, Guyana, Papua New Guinea, The Maldives, Solomon Islands and St Kitts and Nevis.

**I. ACCEPTANCE OF THE FIFTH PROTOCOL TO THE GATS**

2. In the period under consideration, Dominican Republic, Poland and Uruguay accepted the Fifth Protocol, in accordance with decisions taken by the Council for Trade in Services. Three other Members have not yet accepted the Protocol: Brazil, Jamaica, and the Philippines. Some delegations expressed concern that there are still a few Members who have not yet accepted the Fifth Protocol.

**II. TECHNICAL ISSUES**

3. There were no discussions under this agenda item in the period under consideration.

**III. RECENT DEVELOPMENTS IN FINANCIAL SERVICES TRADE**

4. Members continued their consideration of issues related to e-finance on the basis of further information provided by Switzerland (S/FIN/W/26/Add.1). Additionally, Members addressed a communication from Malaysia, entitled "Challenges in the Financial Services Sector" (S/FIN/W/28). Finally, a capital based expert from Turkey made a presentation on recent developments in its securities market.

**IV. THE GATS AND THE ANNEX ON FINANCIAL SERVICES - INTERNATIONAL REGULATIONS AND FINANCIAL SERVICES**

5. Members considered for the first time a proposal submitted by Antigua and Barbuda on behalf of Antigua and Barbuda, Belize, Fiji, Guyana, Papua New Guinea, Maldives, Solomon Islands, and St. Kitts and Nevis (S/FIN/W/29/Rev.1). The proposal aims at addressing the concerns of these countries with regard to the development of international standards related to financial services, and calls for the modification of certain GATS provisions.

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<sup>1</sup> This report, together with the update in document S/FIN/9, complete the reporting requirement for 2003.

ANNEX III

**WORLD TRADE  
ORGANIZATION**

**S/WPDR/6**  
3 December 2003

(03-6432)

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**Working Party on Domestic Regulation**

**ANNUAL REPORT<sup>1</sup> OF THE WORKING PARTY ON DOMESTIC REGULATION  
TO THE COUNCIL FOR TRADE IN SERVICES (2003)**

1. Since the update (S/WPDR/5) to the annual report of 2002 to the Council for Trade in Services, the Working Party on Domestic Regulation (WPDR) held two formal meetings 1 July and 30 September 2003, both chaired by Mr. Johannes Bernabe of the Philippines. The Minutes of the formal meetings are found in WTO documents S/WPDR/M/22 and M/23. The next formal meeting is scheduled for 3 December 2003.

2. Formal and informal papers have been submitted to the Working Party. The formal papers were circulated by the Secretariat and the European Community and its Member States.<sup>2</sup> Informal papers were submitted India<sup>3</sup> and the Secretariat.<sup>4</sup>

**I. UPDATE TO THE ANNUAL REPORT OF 2002**

3. The first item on the agenda of the 1 July formal meeting was the update to the annual report of 2002 of the WPDR to the Council for Trade in Services, circulated as S/WPDR/W/24, dated 20 June 2003. Following comments by several delegations, Members adopted the report, with some amendments.

**II. DEVELOPMENT OF REGULATORY DISCIPLINES UNDER GATS ARTICLE VI:4**

4. With respect to the development of any necessary disciplines on domestic regulation, the Working Party further examined Japan's informal paper, *Draft Annex on Domestic Regulation* (the revised version of which was circulated as JOB/(03)/45/Rev.1, dated 2 May), as well as a paper from the European Community and its Member States, *Proposal for Disciplines on Licensing Procedures* (circulated as S/WPDR/W/25, dated 10 July 2003).

5. Members also further reviewed the measures, including the additional examples provided by delegations, in the informal Secretariat paper *Examples of Measures to be Addressed by Disciplines under GATS Article VI:4* (the latest version is JOB(02)/20/Rev.7, dated 22 September 2003).

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<sup>1</sup> This report, together with the update in document S/WPDR/5, complete the reporting requirement for 2003.

<sup>2</sup> S/WPDR/W/24, dated 20 June 2003, and S/WPDR/W/25, dated 10 July 2003, respectively.

<sup>3</sup> JOB(03)/192, dated 30 September 2003.

<sup>4</sup> JOB(02)/3/Rev.6, 24.06.03; JOB(02)/20/Rev.6, 24.06.03; JOB(03)/126, 25.06.03; JOB(03)/35/Rev.2, 1.07.03; JOB(02)/20/Rev.7, 22.09.03; JOB(03)/126/Rev.1, 22.09.03; JOB(02)/3/Rev.7, 23.09.03.

6. The Working Party also extensively discussed an informal paper by Singapore, *GATS Article VI:5 and its relation to the future Article VI:4 Disciplines* (JOB(03)/113, dated 11 June 2003).

7. No conclusions have yet been reached on any of the issues raised.

### **III. DEVELOPMENT OF DISCIPLINES FOR PROFESSIONAL SERVICES**

8. Members commented on the Secretariat compilation of the results of the consultations with international professional organizations, concerning the potential suitability of the *Disciplines on Domestic Regulation in the Accountancy Sector* (S/L/64, dated 17 December 1998) for other professions. The most recent version was circulated as JOB(03)/126/Rev.1, dated 22 September 2003.

9. Members also made extensive comments at the 1 July and 30 September formal meetings on an informal paper submitted by India on recognition issues, which was subsequently circulated as JOB(03)/192, dated 30 September 2003. The suggestion by New Zealand that delegations give presentations on their domestic recognition procedures under GATS Article VI:6 was well received by Members.

10. No further comments were made on the informal Secretariat paper *Synthesis of Results to Date of the Domestic Consultations in Professional Services* (the most recent version is JOB(02)/204/Rev.1, dated 21 February 2003).

### **IV. ORGANIZATION OF THE WPDR WORKSHOP ON DOMESTIC REGULATION**

11. At the formal WPDR meeting on 1 July, Members approved the revised Outline for the workshop, circulated as JOB(03)/35/Rev.1, dated 7 May 2003, and agreed on a date of 6-7 October 2003, which was subsequently revised to 8-9 December to provide further time for efforts to obtain funding. At the 30 September 2003 formal meeting, Members stated they were pleased that the Secretariat had succeeded in obtaining some funding for developing-country participants. Due to the lack of hotel availability, however, the workshop needed to be postponed until a later services cluster.

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ANNEX IV

**WORLD TRADE  
ORGANIZATION**

**S/WPGR/13**  
3 December 2003

(03-6420)

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**Working Party on GATS Rules**

**ANNUAL REPORT<sup>1</sup> OF THE WORKING PARTY ON GATS RULES  
TO THE COUNCIL FOR TRADE IN SERVICES (2003)**

1. Since its last update to the annual report, the Working Party on GATS Rules held two formal meetings: on 2-3 July 2003 and 1 October 2003. Reports of these meetings are contained in documents S/WPGR/M/43 and S/WPGR/M/44. They should be read in conjunction with this update. The three negotiating mandates the Working Party is entrusted with were put on the agenda of the two meetings: emergency safeguard measures (Article X), government procurement (Article XIII) and subsidies (Article XV). At its meeting of 2 and 3 July, the Working Party also took stock of progress made in the negotiations, as reflected in the report of that meeting, and subsequently reported by the Chairman in his personal capacity to the Special Session of the Council for Trade in Services.<sup>2</sup>

**I. NEGOTIATIONS ON EMERGENCY SAFEGUARD MEASURES UNDER GATS  
ARTICLE X**

2. At the meeting of July 2003, the question of emergency safeguard measures was not addressed. At the meeting of 1 October 2003, delegations continued their examination of issues related to the question of ESM, including desirability and feasibility. Also, a delegation drew attention to the usefulness of examining examples of safeguard-type provisions contained in economic integration agreements and in Members' schedules. As an answer to a Chairman's suggestion that Members should examine the hypothetical example presented by ASEAN Members under the different approaches considered by the Working Party, the Swiss delegation submitted a non-paper which goes through the example under approach (e) (i.e. no explicit ESM). Various points of views, as well as preliminary reactions were expressed. The delegation of Thailand, speaking for a number of other delegations, responded to questions previously asked regarding how an ESM model might apply to a hypothetical example it presented. These discussions are reflected in paragraphs 2-22 of S/WPGR/M/44.

**II. NEGOTIATIONS ON GOVERNMENT PROCUREMENT UNDER GATS  
ARTICLE XIII**

3. The issue of government procurement was not addressed at the meeting of July 2003. At the meeting of 1 October 2003, the European Communities explained its proposal to negotiate an annex to the GATS that would lay down the conditions under which a number of GATS provisions would

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<sup>1</sup> This report, together with the update in document S/WPGR/12, complete the reporting requirement for 2003.

<sup>2</sup> TN/S/M/8.



apply to government procurement.<sup>3</sup> The EC argued that this proposal showed that an agreement was feasible and could easily be put in place, enabling negotiations of commitments for government procurement within the framework of the GATS. A number of delegations commented and asked questions, while others reserved their position for the time being. Some delegations recalled their views on the negotiating mandate under Article XIII, questioning the negotiations on market access issues, and pointed out the uncertainty arising from work undertaken in other fora. These discussions are reflected in paragraphs 23-38 of S/WPGR/M/44. Also, the Secretariat had prepared a note on government procurement disciplines in economic integration agreements.<sup>4</sup>

### **III. NEGOTIATIONS ON SUBSIDIES UNDER GATS ARTICLE XV**

4. The issue of subsidies was discussed at both the meetings of July and October 2003. Discussions focused on the issue of definition and on ways to obtain more information on subsidies in services sectors. Regarding the latter point, a proposal by the delegation of Chile, supported by various other delegations, was put forward and several Members referred to UNCTAD's work on a study on subsidies in services sectors. In addition, Members mandated the Secretariat to update its previous Note on subsidy disciplines in economic integration agreements notified under Article V and to put together a list of studies pertaining to subsidies in services sectors that have been done by other international organizations. These discussions are reflected in paragraphs 44-69 of S/WPGR/M/43 and paragraphs 39-83 of S/WPGR/M/44.

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<sup>3</sup> S/WPGR/W/42.

<sup>4</sup> S/WPGR/W/44.