



30 October 2013

(13-6001)

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**ANNUAL REPORT OF THE COUNCIL FOR TRADE IN SERVICES
TO THE GENERAL COUNCIL (2013)**

Since its Annual Report of 2012 to the General Council¹, the Council for Trade in Services (CTS) held three formal meetings, respectively on 6 December 2012, 21 March and 20 June 2013.² During the period covered by this report, the Council addressed the following matters.

**1 NOTIFICATIONS MADE TO THE COUNCIL PURSUANT TO GATS ARTICLES III:3, III:5,
AND V:7**

1.1. At its meetings held in December, March and June, the Council for Trade in Services took note, altogether, of the following notifications:

(a) Notifications pursuant to Article III:3 of the GATS

South Africa	S/C/N/656-657, 682-683, 689
Japan	S/C/N/659-660
Thailand	S/C/N/661-670
Switzerland	S/C/N/671
Togo	S/C/N/672
Lesotho	S/C/N/673-677
Canada	S/C/N/679
European Union	S/C/N/684-688
Sweden	S/C/N/690

(b) Notifications pursuant to Article V:7 of the GATS

Hong Kong, China; Iceland; Liechtenstein; Norway; and Switzerland	S/C/N/654
Kenya	S/C/N/655
Panama and the United States	S/C/N/658
Nicaragua and Panama	S/C/N/678
Central America and the European Union	S/C/N/680
Colombia, Peru and the European Union	S/C/N/681/Rev.1
Canada and Panama	S/C/N/691
Guatemala and Panama	S/C/N/692/Rev.2
The European Union	S/C/N/693
Ukraine	S/C/N/694
Malaysia and Australia	S/C/N/695
Peru and Costa Rica	S/C/N/696

1.2. The agreements notified in these documents were referred to the Committee on Regional Trade Agreements for consideration.

1.3. At the December and March meetings of the Council, a number of questions were raised in respect of a few Economic Integration Agreements that had been notified pursuant to Article V:7 in the past, to which the delegations concerned provided answers orally and in writing (document JOB/SERV/121).

¹ S/C/39, dated 7 December 2012.

² Reports of these meetings are contained in documents S/C/M/112 to 114, and should be read in conjunction with this report.

1.4. With regard to the notification which had been submitted by Norway pursuant to GATS Article III:5 on a measure adopted by Thailand (document S/C/N/653, dated 26 September 2012), a number of supplementary questions were circulated by Norway for the December meeting of the Council (document JOB/SERV/126). The delegation of Thailand provided replies at the December and March meetings, and at the June meeting the delegations of Norway and the European Union offered updates on follow-up discussions.

2 COMPLIANCE WITH GATS NOTIFICATION REQUIREMENTS

2.1. The Council discussed the issue of compliance with GATS notification requirements throughout the reporting period. At the December meeting, it addressed a Note by the Secretariat updating a statistical account of services notifications, contained in document JOB(09)/10/Rev.3, dated 23 November 2012, and reverted to an older submission by Switzerland contained in document S/C/W/297. The Council also agreed to task the Secretariat with the preparation of a note on the type measures that had been notified under GATS Article III:3.

2.2. Accordingly, a Secretariat Note titled "Typology of Measures Notified pursuant to GATS Article III:3", contained in document S/C/W/351, was taken up at the March meeting. At that meeting, the Council also heard a presentation on the experiences with TBT and SPS notifications, and reverted to the Note entitled "Means to Improve Transparency" (document JOB/SERV/136) that had been circulated in preparation for an informal open-ended meeting the Council had held on 28 February. Generally, Members seemed agreeable to taking up several of the suggestions in that Note, specifically those contained in paragraphs 4a, 4b, 4c and 4e. Instead, there had been widespread scepticism with regard to the proposal in paragraph 4f, and definite opposition to the suggestion in paragraph 4d.

2.3. Following up on those discussions, at the Council meeting held in June the Secretariat was asked to consult with its colleagues in the TBT and SPS area to explore the feasibility of setting up an electronic format for services notifications and report back to the Council.

3 WORK PROGRAMME ON ELECTRONIC COMMERCE

3.1. Discussions under the Work Programme on Electronic Commerce continued throughout the reporting period. The Council carried on with its examination of a number of communications that had been previously submitted under this agenda item, and some Members shared information on their own experiences with regard to the issues discussed in the communications. In June, the Council considered a new submission by the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, contained in document JOB/SERV/140 and entitled "Protection of Personal Information and the Development of Electronic Commerce".

3.2. Following an initial proposal by the United States, Members agreed that a public workshop to examine services-related issues for e-commerce be organised under the auspices of the Council on 17 and 18 June 2013. The workshop featured representatives from international organizations, the private sector, government ministries and regulatory agencies. At the June 2013 meeting of the Council, Members expressed their satisfaction in particular with the diversity of the presenters, presentations and issues raised, and took the view that the workshop was a positive contribution to the Work Programme. An informal summing-up of the event by the chairman of the workshop is contained in JOB/SERV/155.

3.3. Duly noting the mandate in the Ministerial Decision on the Work Programme on Electronic Commerce adopted on 17 December 2011 (document WT/L/843), that the General Council periodically review progress with the Work Programme, the Council agreed in December and in June that the Chairman would produce, under his own responsibility, purely factual reports of the essence of the Council's discussion under that agenda item. The reports concerned are contained in documents S/C/40 and S/C/41.

4 DEVELOPMENTS IN SERVICES TRADE AND REGULATION

4.1. Following the agreement to invite UNCTAD to contribute to discussions under this agenda item, at the Council meeting held in March a representative of the UNCTAD Secretariat delivered a

presentation of the organization's work on services, focused on deliberations at "Expert Meetings" on the regulation of infrastructure services that had been held between 2009 and 2013.

5 DEDICATED DISCUSSION ON INTERNATIONAL MOBILE ROAMING

5.1. At the March meeting of the Council, the delegation of New Zealand reverted to this agenda item to provide an update of the joint market investigation into trans-Tasman international roaming charges conducted by New Zealand's Ministry of Business, Innovation and Employment and Australia's Department of Broadband Communications and the Digital Economy.

6 OPERATIONALIZATION OF THE MC8 DECISION ON THE SERVICES WAIVER FOR LDCS

6.1. At the request of the LDC Group, an item on the operationalization of the LDC services waiver was added to the Council's agenda, and addressed at the March and June meetings. The waiver foresees a dual role for the Council for Trade in Services. The Council is directed to receive Members' notifications of any preferences granted to LDCs; and to approve any preferences with respect to measures other than those listed in Article XVI of the GATS. So far, no submissions have been made to the Council in this regard. The LDC Group is working on the identification of areas where potential services preferences might be granted, and is keeping the Council informed about its progress.

7 WORK OF THE SUBSIDIARY BODIES

7.1. The activities of the subsidiary bodies in 2013 are reflected in their respective reports, which are annexed to this report, as follows:

- Annex I Report of the Committee on Trade in Financial Services (S/FIN/28)
 - Annex II Report of the Committee on Specific Commitments (S/CSC/19)
 - Annex III Report of the Working Party on Domestic Regulation (S/WPDR/16)
 - Annex IV Report of the Working Party on GATS Rules (S/WPGR/24)
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ANNEX I



S/FIN/28

29 October 2013

(13-5975)

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ANNUAL REPORT OF THE COMMITTEE ON TRADE IN FINANCIAL SERVICES TO THE COUNCIL FOR TRADE IN SERVICES (2013)

Since its previous Annual Report to the Council for Trade in Services¹, the Committee on Trade in Financial Services held three formal meetings, respectively on 5 December 2012, 20 March 2013 and 19 June 2013.² In addition, it met informally on 5 February 2013 and 23 May 2013.

1 ACCEPTANCE OF THE FIFTH PROTOCOL TO THE GATS

The Committee continued to monitor the status of acceptance of the Fifth Protocol to the GATS, which has yet to be accepted by Brazil.

2 MACROPRUDENTIAL POLICY AND REGULATION - MEMBERS' EXPERIENCE

Following a proposal by Ecuador, the Committee held a dedicated discussion at its March meeting on Members' experiences with macroprudential policies and regulation. Many Members, some of whom had circulated statements or presentations beforehand, participated. The debate made evident that the recent global financial crisis had prompted a reassessment of financial regulation and supervision, showing in particular the need to focus on macroprudential policy as a complement to the hitherto almost exclusive emphasis on a microprudential approach. The diversity of experiences shared by Members suggested that no "one-size-fits-all" model was available for the implementation of macroprudential policies and regulation. While some Members entrusted a single agency with additional responsibilities regarding macroprudential policy, others focused on coordination between different agencies.

Many delegations referred to the need to avoid the build-up of excessive leverage in the banking system. The macroprudential instruments used were diverse and included, *inter alia*, counter-cyclical capital buffers, sectoral capital requirements, liquidity requirements, loan-to-value ratios, and large exposure limits. Some Members made reference to the instability brought about by extensive and volatile capital flows and the need to apply capital flow management measures. Some Members considered that the Committee should be kept abreast of developments regarding prudential regulation, so as to better understand the effects of these regulations and policies on trade in financial services.

3 TRADE IN FINANCIAL SERVICES AND DEVELOPMENT

At the December 2012 meeting, China made a presentation on the availability and organization of microcredit, followed by another presentation in March 2013 on the access of small and medium-sized enterprises to financial services.

At the meeting held in June, Norway and Pakistan made presentations on mobile banking services in the latter country. The presentations were followed by a focused discussion, which touched upon not only various issues involved in mobile banking services like regulation, business models,

¹ S/FIN/25, dated 5 December 2012.

² The reports of the formal meetings are contained in documents S/FIN/M/75 to 77, and should be read in conjunction with this report.

interoperability of platforms, data security, payment risk management and consumer protection, but also the broader issue of access to financial services.

4 REGULATORY ISSUES IN FINANCIAL SERVICES

At its June meeting, the Committee discussed regulatory issues in financial services, on the basis of a Secretariat Note on these issues, contained in document S/WPDR/W/48. The section on financial services is to be found in paragraphs 185 to 195 of the document. The Committee agreed to revert to this agenda item at the following meeting, so as to give Members another opportunity to comment.

5 TECHNICAL ISSUES (CLASSIFICATION ISSUES)

The Committee continued with its consideration of classification issues in financial services. As agreed by Members, the discussions were held in informal mode.

ANNEX II



S/CSC/19

29 October 2013

(13-5974)

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**ANNUAL REPORT OF THE COMMITTEE ON SPECIFIC COMMITMENTS
TO THE COUNCIL FOR TRADE IN SERVICES (2013)**

Since its Annual Report of 2012 to the Council for Trade in Services¹, the Committee on Specific Commitments (CSC) held three formal meetings, respectively on 6 December 2012, 20 March 2013 and 20 June 2013.² During the period covered by this report, the Committee addressed three items: classification issues; scheduling issues; and the review of procedures under Article XXI.

1 CLASSIFICATION ISSUES

1.1. The examination of classification issues based on the Secretariat's sectoral Background Notes continued to be the focus of the Committee's work this year. As in the previous year, in order to facilitate exchange of view, discussions were carried out in informal mode, and an informal, non-attributable summary of the discussion was circulated to Members after each meeting under the Chairperson's responsibility. During the reporting period, services sectors that were considered under this item include: postal and courier, distribution, maritime transport, logistics, and legal services. To stimulate discussions, for each sector under examination, the Secretariat prepared an informal Note providing an overview of relevant classification issues and suggesting specific questions for Members' consideration (JOB/SERV/110, JOB/SERV/111, JOB/SERV/129, JOB/SERV/137, and JOB/SERV/138).

1.2. With a view to adding input to the Committee's sectoral discussion under this item, at the request of the Committee, the Secretariat also prepared a background Note (S/CSC/W/61 and Corr.1) examining services classification issues arising in the WTO jurisprudence, including the interpretative approach applied by panels and the Appellate Body. Discussions were undertaken based on this Note as well.

1.3. At the meeting on 20 March 2013, the Trade Statistics Section of the WTO Secretariat made a presentation on guidelines set out in the new IMF Balance of Payments Manual (BPM6) and the Manual on Statistics of International Trade in Services with respect to the classification of international transactions related to intellectual property products (IPPs).

2 SCHEDULING ISSUES

2.1. There was no substantive discussion under this item during the reporting period. At the meeting of 20 June 2013, it was suggested that Members could share scheduling experiences that had been gained outside the WTO on an intellectual and educational basis so as to ensure the uniformity and clarity of services commitments in future negotiations. The Chairperson is holding consultations on how to proceed with this proposal.

¹ S/CSC/18, dated 6 December 2012.

² The reports of the formal meetings are contained in documents S/CSC/M/65-67, and should be read in conjunction with this report.

3 REVIEW OF THE OPERATION OF PROCEDURES UNDER ARTICLE XXI

3.1. This item was included in the agenda since October 2012 at the request of Australia. Under this item, Members shared their experiences with using the Procedures for the Implementation of Article XXI of the GATS (document S/L/80), and the Procedures for the Certification of Rectifications or Improvements to Schedules (document S/L/84), adopted by the Council for Trade in Services respectively in July 1999 and April 2000. As agreed, to facilitate the exercise, the Secretariat prepared, on the basis of publicly available information, a factual Note containing a statistical account of the application of these procedures to date. It was circulated in document JOB/SERV/123.

3.2. At the meeting on 6 December 2012, the Committee held informal discussions under this item, and a non-attributable summary was circulated under the Chairperson's responsibility (JOB/SERV/131). A number of important issues were raised in the discussion, concerning *inter alia* the invocation of Article XXI, timing of negotiations, conclusion of the process, and consolidation and distribution of the results of negotiation.

3.3. There was no further substantive discussion at subsequent meetings during the reporting period. It was agreed that the Committee would revert to this item at a future meeting.

ANNEX III**WORLD TRADE
ORGANIZATION****S/WPDR/16**

29 October 2013

(13-5973)

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**ANNUAL REPORT OF THE WORKING PARTY ON DOMESTIC REGULATION
TO THE COUNCIL FOR TRADE IN SERVICES (2013)**

Since its Annual Report of 2012 to the Council for Trade in Services¹, the Working Party on Domestic Regulation (WPDR) held three formal meetings, respectively on 5 December 2012, 21 March 2013 and 19 June 2013.² During the period covered by this report, the Working Party continued with its work on the domestic regulation disciplines pursuant to GATS Article VI:4. Discussions were undertaken on two main sub-items: technical issues based on questions submitted by Members; and regulatory issues in sectors and modes of supply.

1 TECHNICAL ISSUES

Members continued to answer queries and exchanged information on the 93 questions contained in the "List of Potential Technical Issues Submitted for Discussion" (RD/SERV/68). In the three meetings falling under this Annual Report, Members undertook discussions on questions 47 to 90 covering verification and assessment of qualifications; identification of deficiencies of qualifications; examinations; technical standards; general provisions and development-related aspects of the disciplines. Additional information on regulatory practises was also provided by some Members on the time-frame for processing applications; permission to supply services after fulfilment of requirements; and fees. Responses from Members sought to clarify the use of certain domestic regulation concepts and terms, as well as actual regulatory practices. Certain Members also reflected on the implications of the information provided during the technical discussions for horizontal disciplines. These discussions have been conducted in informal mode and summaries were provided by the Chairperson.³

2 REGULATORY ISSUES IN SECTORS AND MODES OF SUPPLY

Members have also launched a programme of discussions based on the Secretariat Note on "Regulatory Issues in Sectors and Modes of Supply" (S/WPDR/W/48 and Add.1). A provisional schedule organizing the discussions is contained in the document JOB/SERV/134. The discussions were launched at the meeting of 21 March and Members addressed sections of the Note concerning architectural services; construction and related engineering services; legal services; accountancy services and mode 4. At the meeting of 19 June, Members continued their discussions on development; telecommunication services; computer and related services; audiovisual services; and modes 1 and 2. On the subject of development, the Secretariat circulated a supplementary Note on "Services-related regulatory challenges faced by developing countries" (S/WPDR/W/51). In the discussions, Members exchanged views on the importance of regulatory issues for services trade, national experiences with regulatory reform and capacity building, as well as the specific challenges faced by developing countries.

¹ S/WPDR/15, dated 5 December 2012.

² The reports of the formal meetings are contained in documents S/WPDR/M/56-58 and should be read in conjunction with this report.

³ Chair's summaries of informal discussions can be found in JOB/SERV/124/Add.1, JOB/SERV/133, JOB/SERV/133/Add.1, JOB/SERV/147, JOB/SERV/147/Add.1, JOB/SERV/150, JOB/SERV/156 and JOB/SERV/157.

ANNEX IV



S/WPGR/24

29 October 2013

(13-5976)

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**ANNUAL REPORT OF THE WORKING PARTY ON GATS RULES
TO THE COUNCIL FOR TRADE IN SERVICES (2013)**

Since its Annual Report of 2012 to the Council for Trade in Services¹, the Working Party on GATS Rules (WPGR) held two formal meetings, on 20 March and 20 June 2013.² In addition, it met informally on 5 December 2012. During the period covered by this report, the Working Party continued to engage in discussions on all three GATS Rules subjects; however, progress on substance was limited due, inter alia, to the overall context of the DDA negotiations.

1 NEGOTIATIONS ON EMERGENCY SAFEGUARD MEASURES (ARTICLE X)

The proponents presented a revised version of their room document (RD/SERV/79/Rev.1), compiling their proposals and positions since 1995. This systematic reference documentation could, in their view, serve as a starting point for possible future work. They recalled that their October 2007 Communication (JOB(07)/155) proposed rules to implement a safeguard clause in a Member's domestic framework, not a fully-fledged one-size-fits-all mechanism. At the June 2013 meeting, the proponents suggested initiating a dedicated technical discussion on emergency safeguard provisions in regional trade agreements (RTAs) whereby Members, notably those that were signatories to agreements containing such provisions, could share their experiences. Members agreed to further discuss a possible framework for such a dedicated discussion at the next WPGR meeting.

2 NEGOTIATIONS ON GOVERNMENT PROCUREMENT (ARTICLE XIII)

The work on government procurement saw two main developments: firstly, it was agreed that Members would discuss a (yet to be finalized) WTO Staff Working Paper on the scope of government-procurement-related commitments in RTAs; secondly, at the June meeting, the Secretariat made a presentation on the main features of the revised Government Procurement Agreement (GPA), formally adopted in March 2012, and its significance for trade in services. The representative of the Secretariat stressed the interface and complementarity between the GPA and the GATS, both from a legal and economic perspective. The revision had an important services dimension, through additions notably in terms of public entities and services sectors covered by the Parties. The presentation was followed by a substantive and stimulating discussion.

3 NEGOTIATIONS ON SUBSIDIES (ARTICLE XV)

At the June meeting, several delegations made interventions based on the Secretariat's Background Note titled "*Subsidies for Services Sectors – Information contained in WTO Trade Policy Reviews*" (S/WPGR/W/25/Add.6). The Note presents updated empirical evidence of subsidy programmes in service sectors, based on information contained in the Secretariat's Trade Policy Review reports. Members agreed that more conceptual work needed to be undertaken to better understand how subsidies were provided and what trade effects they might have.

¹ S/WPGR/23, dated 29 November 2012.

² The reports of these meetings are contained in documents S/WPGR/M/80 and 81, and should be read in conjunction with this annual report.