

**ANNUAL REPORT OF THE COUNCIL FOR TRADE IN SERVICES  
TO THE GENERAL COUNCIL (2006)**

1. Since its last report to the General Council, the Council for Trade in Services held five formal meetings, on 23 September 2005, 9 February 2006, 11 April 2006, 22 June 2006 and 12 September 2006.<sup>1</sup> During this period, the Council addressed the following matters:

**I. TRANSITIONAL REVIEW UNDER SECTION 18 OF THE PROTOCOL ON THE  
ACCESSION OF THE PEOPLE'S REPUBLIC OF CHINA**

2. At its meeting held on 23 September 2005, the Council for Trade in Services conducted and concluded the fourth transitional review of the implementation by China of its WTO commitments, pursuant to section 18 of the Protocol on the Accession of the People's Republic of China (WT/L/432). The Council took note of the report (S/FIN/15) of the Committee on Trade in Financial Services, which formed part of the Council's report on this matter to the General Council, contained in document S/C/25.

**II. REVIEW ON AIR TRANSPORT UNDER ANNEX ON AIR TRANSPORT SERVICES**

3. In accordance with paragraph 5 of the Annex on Air Transport Services, the Council for Trade in Services is to review periodically, and at least every five years, developments in the air transport sector and the operation of the Annex with a view to considering the possible further application of the Agreement in this sector. In accordance with the decision taken at the conclusion of the first Review, on 24 October 2003, the Council formally commenced the second Review at its last 2005 meeting, i.e. on 23 September 2005. On 12 September 2006, the Council held the first meeting dedicated to the second Review of Air Transport Services (S/C/M/84).

**III. REOPENING OF THE FOURTH PROTOCOL FOR ACCEPTANCE BY THE  
PHILIPPINES**

4. At its meeting on 11 April 2006, following the request of the Philippines contained in document S/C/W/268, the Council for Trade in Services decided to reopen the Fourth Protocol to the General Agreement on Trade in Services, relating to basic telecommunications for acceptance by the Philippines. The decision is contained in document S/L/251.

**IV. REQUEST FOR AD HOC OBSERVER STATUS BY THE UNIVERSAL POSTAL  
UNION (UPU)**

5. At its meeting on 11 April 2006, following a request for *ad hoc* observer status received from the Universal Postal Union (UPU), circulated as JOB(06)/72, the Council for Trade in Services, following previous practice, decided to grant *ad hoc* observer status to the Universal Postal Union.

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<sup>1</sup> Reports of the meetings are contained in documents S/C/M/80 to 84 and should be read in conjunction with this report.

## V. NEGOTIATIONS PURSUANT TO ARTICLE XXI

6. At its meeting of 22 June 2006, the Council for Trade in Services had an exchange of views on the issue of modification of specific commitments pursuant to GATS Article XXI (S/C/M/83 and JOB(06)/214).

## VI. NOTIFICATIONS MADE TO THE COUNCIL PURSUANT TO GATS ARTICLES III:3, V:5, AND V:7

7. At its meetings held on 23 September 2005, 9 February 2006, 11 April and 22 June 2006, the Council for Trade in Services took note of the following notifications:

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

Albania	(S/C/N/343-346, S/C/N/349-358)
Macao, China	(S/C/N/347-348, S/C/N/347/Corr.1-348/Corr.1)
Honduras	((S/C/N/364)

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

Mexico and Nicaragua	(S/C/N/359)
The European Communities and Chile	(S/C/N/360)
Thailand and New Zealand	(S/C/N/361)
Morocco and the United States	(S/C/N/362)
Korea and Singapore	(S/C/N/363)
The United States and El Salvador	(S/C/N/365)
Honduras, Nicaragua and the United States	(S/C/N/366)
El Salvador	(S/C/N/367)

## 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 Trade in Financial Services (S/FIN/16)
Annex II	Report of the Committee on Specific Commitments (S/CSC/12)
Annex III	Report of the Working Party on Domestic Regulation (S/WPDR/9)
Annex IV	Report of the Working Party on GATS Rules (S/WPGR/16)

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ANNEX I

**WORLD TRADE  
ORGANIZATION**

**S/FIN/16**  
28 November 2006

(06-5702)

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**ANNUAL REPORT OF THE COMMITTEE ON TRADE IN FINANCIAL SERVICES TO  
THE COUNCIL FOR TRADE IN SERVICES (2006)**

1. Since its last annual report to the Council for Trade in Services (S/FIN/14), the Committee on Trade in Financial Services has held three formal meetings, on 19 September 2005, 7 February 2006, and 11 April 2006.<sup>1</sup> 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; and recent developments in financial services trade. Additionally, the Committee carried out the fourth transitional review of the implementation by China of its WTO commitments, pursuant to section 18 of the Protocol on the Accession of the People's Republic of China.

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

2. Three Members have not yet accepted the Protocol: Brazil, Jamaica, and the Philippines. Some Members expressed concern that the three Members have not yet accepted the Fifth Protocol. At the Committee's request, these Members reported periodically on the situation of their domestic acceptance procedures.

**II. TECHNICAL ISSUES**

3. The Committee continued its consideration of the communication from Brazil on electronic commerce and financial services (JOB(05)/103), whose aim was to revisit the issue of the distinction between modes 1 and 2 in the case of cross-border financial transactions conducted through electronic means.

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

4. During the period under consideration, the Committee heard a presentation on the regulation and supervision of China's banking sector by Mr. Deng Hongguo, Deputy Director-General, Banking Supervision Department of the China Banking Regulatory Commission (CBRC).

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<sup>1</sup> Reports of these meetings are contained in documents S/FIN/M/50 to 52. They should be read in conjunction with this report.

**IV. TRANSITIONAL REVIEW UNDER SECTION 18 OF THE PROTOCOL ON THE  
ACCESSION OF THE PEOPLE'S REPUBLIC OF CHINA**

5. At its meeting on 19 September 2005, the Committee carried out the fourth transitional review of the implementation by China of its WTO commitments, pursuant to section 18 of the Protocol on the Accession of the People's Republic of China. The report submitted by the Committee to the Council for Trade in Services on this matter is contained in document S/FIN/15.

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ANNEX II

**WORLD TRADE  
ORGANIZATION**

S/CSC/12  
21 November 2006

(06-5593)

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**ANNUAL REPORT OF THE COMMITTEE ON SPECIFIC COMMITMENTS  
TO THE COUNCIL FOR TRADE IN SERVICES (2006)**

1. Since its Annual Report of 2005 to the Council for Trade in Services, the Committee on Specific Commitments held five formal meetings: on 22 September 2005, 8 February 2006, 10 April 2006, 22 June 2006, and 5 October 2006.<sup>1</sup> During the reporting period, the Committee addressed four items: classification issues; scheduling issues; editorial conventions for the submission of the second round of revised offers; and relationship between new and old commitments.

**I. CLASSIFICATION ISSUES**

2. The Committee addressed a revised proposal on the classification of energy services from Indonesia (S/CSC/W/42/Rev.1 and S/CSC/W/42/Rev.1/Corr.1) at the first two meetings of the reporting period, and a second revision of the proposal (S/CSC/W/42/Rev.2) at the April and June 2006 meetings.

3. Informal discussions on classification issues were held on 19 January and 8 February 2006, with a focus on Tourism and Travel-Related Services; Recreational, Cultural and Sporting Services; and Transport and Logistics Services. The chairman prepared an informal annotated agenda, dated 12 September 2005, as well as informal summaries of the discussions, dated 31 January and 7 March 2006. The informal discussion on 8 February 2006 concluded the cycle of exchanges of classification issues in informal mode. Upon request by Members, the Secretariat issued a Room Document dated 9 May 2006, with a compilation of all documents prepared in the context of this informal exchange.

4. In an informal Note, dated 31 January 2006, the Chairman provided an overview of selected classification issues on which earlier discussions had not revealed differences of opinion among those delegations who had expressed their views. In an informal Note dated 5 April 2006, the Chairman set out more specific suggestions on how certain of these classification issues could be addressed by the Committee.

5. At the meeting of 10 April 2006, the Chairman reported that during informal discussions, Members' attention had been drawn to an error in the French version of the Services Sectoral Classification List where parts of the headings of the sub-sectors corresponding to CPC 9401 and CPC 9403 had been inverted. The correct correspondence was set out in the report of the meeting, as well as in a corrigendum to the Scheduling Guidelines (S/L/92/Corr.1).

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<sup>1</sup> Reports of these meetings are contained in documents S/CSC/M/38, S/CSC/M/39, S/CSC/M/40, S/CSC/M/41 and S/CSC/M/42. They should be read in conjunction with this report.

6. At the meeting of 5 October 2006, delegations arrived at a common understanding to the effect that dredging services, which are not explicitly mentioned in the CPC, are covered by CPC 5133 - "Construction work for civil engineering for waterways, harbours, dams, and other water works."

7. Throughout the reporting period, the Committee discussed other classification issues that arose during earlier informal discussions in 2004 and 2005. The issues concerned (i) a technical error in the Maritime Model Schedule ("MMS"); (ii) the extension of additional commitments as described in the MMS also to private port operators; and (iii) the classification of certain distribution services.

## **II. SCHEDULING ISSUES**

8. During the reporting period, the Committee continued its discussions on general scheduling questions.<sup>2</sup> For the meeting in September 2005, the delegation of Hong Kong, China provided a Room Document, dated 31 August 2005, containing examples of entries in existing schedules and offers. At the same meeting, it was decided to hold discussions on general scheduling issues henceforth in informal mode.

9. On the basis of a Room Document, dated 4 April 2006, by the European Communities, Members discussed the scheduling of residency and domicile requirements. Upon request by Members, the Secretariat prepared a background Note (JOB(06)/159) providing an overview of the discussions concerning residency requirements that had taken place in the context of the development of the Accountancy Disciplines and the Scheduling Guidelines.

10. For the meeting in September 2005, the Chairman had prepared an annotated agenda, JOB(05)/184. He further provided informal summaries of the discussions and updates subsequent to each meeting, dated 28 November 2005; 2 March 2006; 9 May 2006; and 18 July 2006.

11. At the meeting of 8 February 2006, the Committee addressed a Communication from the Republic of Korea (S/CSC/W/49), submitted in response to JOB(04)/171 by Hong Kong, China, on economic needs tests in Korea's schedule to which a list of criteria had been added in the revised offer. Several aspects of ENTs were discussed, such as their specification and relationship with quantitative limitations under Article XVI.

## **III. EDITORIAL CONVENTIONS FOR THE SUBMISSION THE SECOND ROUND OF REVISED OFFERS**

12. At the meeting of 22 June 2006, the Committee took note of editorial conventions proposed by the Chairman with the objective of facilitating the preparation and submission of the second round of revised offers. The editorial conventions are contained in JOB(06)/181.

## **IV. RELATIONSHIP BETWEEN OLD AND NEW COMMITMENTS**

13. Discussions on the relationship between existing schedules and the new commitments resulting from the current negotiations commenced at the April 2006 meeting on the basis of a Room Document by Canada, dated 5 April 2006. Discussions at the June and September 2006 meetings were conducted in informal mode. The Chairman prepared an informal summary of the discussions, dated 18 July 2006, and updated 19 October 2006.

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<sup>2</sup> An overview of documentation submitted in this regard is contained in the Annual Report of the Committee on Specific Commitments to the Council for Trade in Services (2005), S/CSC/11.

ANNEX III

**WORLD TRADE  
ORGANIZATION**

**S/WPDR/9**  
20 November 2006

(06-5585)

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**ANNUAL REPORT OF THE WORKING PARTY ON DOMESTIC REGULATION  
TO THE COUNCIL FOR TRADE IN SERVICES (2006)**

1. Since the Annual Report of 2005<sup>1</sup>, the Working Party on Domestic Regulation (WPDR) held five formal meetings and several informal meetings<sup>2</sup>. Both formal and informal papers were submitted to the Working Party. Some Members also submitted proposals in the form of room documents.

2. In October and November 2005, the Working Party held several meetings to prepare a draft ministerial text and an illustrative list of possible elements for consideration by Ministers at the Sixth Ministerial Conference in Hong Kong, China. On 15 November 2005, the Chairman of the Working Party submitted a progress report (JOB(05)/280) to the Chairman of the Special Session of the Council for Trade in Services including a recommended text on domestic regulation (JOB(05)/279) and an illustrative list of possible elements for Article VI:4 disciplines (attached to JOB(05)/280).

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

3. In the period covered by this report, the Working Party received several submissions by Members on the development of regulatory disciplines under GATS Article VI:4. Many new and revised submissions were formulated in the form of text proposals for possible Article VI:4 regulatory disciplines. After the Sixth Ministerial Conference, Members strived to fulfil the ministerial mandate to develop Article VI:4 disciplines on domestic regulation before the end of the current round of negotiations and to develop text for adoption for this purpose.

4. The Working Party held several rounds of informal discussions to address on an individual as well as a thematic basis<sup>3</sup> all the proposals submitted by Members.<sup>4</sup> The Working Party examined the following new and revised submissions relating to the development of Article VI:4 disciplines:

*Communication from the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, Definitions of Qualification Requirements, Qualification Procedures, Licensing*

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<sup>1</sup> S/WPDR/8, 23 September 2005.

<sup>2</sup> Reports of these meetings are contained in documents S/WPDR/M/31 – 35. They should be read in conjunction with this report.

<sup>3</sup> The thematic discussions were based on a framework proposed by the Chairman in document JOB(05)/169.

<sup>4</sup> See summaries of informal meetings held on 6 and 7 September 2005 (JOB(05)/221); on 20 and 23 September 2005 (JOB(05)/223); on 7 October 2005 (JOB(05)/308); on 17 January 2006 (JOB(06)/16); on 6 February 2006 (JOB(06)/32); on 9 March 2006 (JOB(06)/65); on 27 March (JOB(06)/124); on 2 May 2006 (JOB(06)/157); on 1 and 2 June 2006 (JOB(06)/226); and on 19 and 20 June 2006 (JOB(06)/235).

*Requirements, Licensing Procedures and Technical Standards*, S/WPDR/W/37, 6 October 2005;

Communication from Switzerland and Mexico, *Proposal for Disciplines on Technical Standards in Services*, S/WPDR/W/32/Rev.1, 27 October 2005;

Communication from Brazil, Colombia, Dominican Republic, Indonesia, Peru and the Philippines, *Elements for Draft Disciplines on Domestic Regulation*, JOB(06)/34, 24 February 2006 and JOB(06)/34/Add.1, 15 June 2006;

Communication from Brazil, Indonesia and the Philippines, JOB(06)/133, 2 May 2006 and JOB(06)/133/Add.1, 15 June 2006;

Communication From the African Group on Domestic Regulation, Room Document, 2 May 2006;

Communication from Chile, India, Mexico, Pakistan, Peru and Thailand, *Proposed Disciplines on Qualification Requirements and Procedures*, JOB(06)/160, 30 May 2006;

Communication From the ACP Group, *Pro Development Principles for GATS Article VI:4 Negotiations*, JOB(06)/136/Rev.1, 19 June 2006;

Communication from China and Pakistan, *Proposed disciplines on Domestic Regulation under Article VI:4 of the GATS*, JOB(06)/158, 29 May 2006;

Communication from Australia; Chile; Colombia; Hong Kong, China; Korea; New Zealand and The Separate Customs Territory of Taiwan, Penghu, Kinmen And Matsu, *Article VI:4 Disciplines – Proposal for Draft Text*, JOB(06)/193, 19 June 2006;

Communication from Antigua and Barbuda, Barbados, Cuba, Dominica, Dominican Republic, El Salvador, Fiji, Grenada, Guatemala, Honduras, Jamaica, Mauritius, Mongolia, Nicaragua, Paraguay, St. Kitts and Nevis, St. Vincent and the Grenadines and Trinidad and Tobago, *Trade-Related Concerns of Small, Vulnerable Economies in the Working Party on Domestic Regulation*, JOB(06)/66/Rev.2, 10 July 2006;

Communication from the United States, *Outline of US Position on a Draft Consolidated Text in the WPDR*, JOB(06)/223, 11 July 2006.

5. The Working Party also examined an informal paper by the Secretariat on Domestic Regulatory Provisions in Economic Integration Agreements, which contained an overview of regulatory provisions contained in economic integration agreements notified under Article V of the GATS to date. This informal note had been circulated to Members as document JOB(05)/175, dated 14 September 2005.

6. At the formal meeting held on 19 and 20 June 2006, the Working Party asked the Chairman to prepare a first consolidated text of possible Article VI:4 disciplines, based on the proposals submitted by Members. The Chairman prepared this text, which was circulated to Members on 12 July 2006 as document JOB(06)/225. Members provided some preliminary comments on the draft text by the Chairman at the informal meeting held on 13 July 2006. No further discussions on the development of regulatory disciplines under Article VI:4 nor on any other issues covered under the mandate of the Working Party were taken up since the suspension of the Doha Round of negotiations, decided by the General Council on 27 and 28 July 2006.

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ANNEX IV

**WORLD TRADE  
ORGANIZATION**

**S/WPGR/16**  
23 November 2006

(06-5660)

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**ANNUAL REPORT OF THE WORKING PARTY ON GATS RULES  
TO THE COUNCIL FOR TRADE IN SERVICES (2006)**

1. Since its annual report for 2005, the Working Party on GATS Rules held four formal meetings: on 21 September 2005, on 10 February 2006, on 10 April 2006, and on 21 June 2006.<sup>1</sup> The three negotiating mandates the Working Party is entrusted with were put on the agenda of each meeting: emergency safeguard measures (Article X), government procurement (Article XIII), and subsidies (Article XV).

2. In the lead-up to the Hong Kong Ministerial Conference, the Chair of the Working Party undertook various informal consultations and convened three informal meetings with a view to suggesting text on GATS Rules for the draft Ministerial Declaration. The Chairperson submitted its report to the Special Session of the Council for Trade in Services, including an assessment of the status of work and a recommendation regarding the relevant section of the Ministerial Declaration (JOB(05)/273). Paragraph 4 of Annex C to the Ministerial Declaration contains guidance on the three GATS Rules topics.

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

3. At the meeting of September 2005, delegations exchanged views on possible ways forward in the light of the report of a workshop held in Indonesia on ESM, and engaged in discussions on the topic of safeguard-type entries in schedules. At the meetings of February and April 2006, delegations discussed a room document from the delegations of Brunei Darussalam, Indonesia, Malaysia, Myanmar, the Philippines, and Thailand, which offered thoughts on the issues of domestic industry, vested rights, determination of injury, modal issues, and special and differential treatment.

4. At the meeting of June 2006, delegations pursued their discussion on issues relating to emergency safeguard measures in the light of a Note from the Secretariat that provided a summary of main views expressed in the Working Party since the last extension of the negotiations in March 2004 (JOB(06)/165). Delegations also discussed the definition of domestic industry on the basis of a room document from the delegations of Brunei Darussalam, Indonesia, Malaysia, Myanmar, the Philippines, and Thailand. Divergent views continued to be expressed on the various aspects raised in relation to emergency safeguard measures, including desirability and feasibility.<sup>2</sup>

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<sup>1</sup> Reports of these meetings are contained in documents S/WPGR/M/53, S/WPGR/M/54, S/WPGR/M/55 and S/WPGR/M/56. They should be read in conjunction with this report.

<sup>2</sup> Discussions on emergency safeguard measures are reflected in paragraphs 4-41 of S/WPGR/M/53, paragraphs 2-16 of S/WPGR/M/54, paragraphs 3-21 of S/WPGR/M/55, and paragraphs 2-26 of S/WPGR/M/56.

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

5. At the meetings of September 2005, February 2006 and April 2006, delegations continued their discussion of a communication from the European Communities, which touched upon such issues as special and differential treatment, non-discrimination, thresholds, valuation of contracts, technical specification and qualification of suppliers, procurement methods, time periods, tender documentation, and contract award (S/WPGR/W/52).

6. At the meeting of June 2006, delegations exchanged views in the light of a communication from the European Communities that proposed a legal text for an Annex to the GATS on government procurement (S/WPGR/W/54). Other questions raised included the relationship to the plurilateral Government Procurement Agreement and MFN application. A number of delegations continued to reiterate that, in their view, the negotiating mandate under Article XIII did not entail market access issues, while others thought that these were covered.<sup>3</sup>

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

7. At the meeting of September 2005, delegations continued their discussion in the light of the communication from Chile, Hong Kong China, Mexico, Peru, and Switzerland (JOB(05)/96) on a provisional definition of subsidy for the purpose of the information exchange. At the meeting of February 2006, delegations discussed a communication from Switzerland (S/WPGR/W/16/Add.5), which provided a response to the questionnaire relevant to the information exchange required under Article XV:1.

8. At the meeting of April 2006, delegations continued deliberations on the information exchange, as well as on the provisional definition of subsidy, including on the basis of a Note from the Secretariat (JOB(05)/4/Add.1) that provided an update on the synthesis of views expressed on that issue.<sup>4</sup> A number of delegations continued to express concerns regarding the lack of progress on the information exchange. The Working Party asked the Chairperson to conduct consultations on obstacles encountered by Members in sharing of information required for the purpose of negotiations under Article XV.

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<sup>3</sup> Discussions on government procurement are reflected in paragraphs 57-62 of S/WPGR/M/53, paragraphs 35-42 of S/WPGR/M/54, paragraphs 22-31 of S/WPGR/M/55, and paragraphs 38-53 of S/WPGR/M/56.

<sup>4</sup> Discussions on subsidies are reflected in paragraphs 42-56 of S/WPGR/M/53, paragraphs 17-34 of S/WPGR/M/54, paragraphs 32-44 of S/WPGR/M/55, and paragraphs 27-37 of S/WPGR/M/56.