

**ANNUAL REPORT OF THE COUNCIL FOR TRADE IN SERVICES
TO THE GENERAL COUNCIL (2007)**

1. Since its last report to the General Council, the Council for Trade in Services held four formal meetings, on 30 November 2006, 1 March 2007, 7 June 2007 and 2 October 2007.¹ 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 30 November 2006, the Council for Trade in Services conducted and concluded the fifth 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/17) 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/27.

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

3. In 2007, the Council for Trade in Services held two meetings dedicated to the second review of air transport as mandated by the GATS Annex on Air Transport Services, on 1 March and on 2 October. Reports for these meetings are contained in documents S/C/M/87 (dated 10 April 2007), and S/C/M/89.

4. At the March meeting, the Council addressed developments in the sector with relation to bilateral Air Services Agreements on the basis of the Secretariat Quantitative Air Services Agreements Review (QUASAR) methodology and database (S/C/W/270/Add.1). The European Communities submitted a communication presenting the main developments in the sector in the EC since 2000 (S/C/W/280). Members reverted to repair and maintenance services on the basis of a Secretariat note (S/C/W/279), that had been requested by the delegation of Costa Rica at the previous review meeting. Members' discussions of the operation of the Air Transport Annex were mainly stimulated by a submission by Australia, EC, New Zealand, Switzerland, Norway (JOB(06)/237) which proposes extending the scope of the GATS to ground handling and airport operation services.

5. At the October meeting the Council addressed, on the basis of the Secretariat note contained in document S/C/W/270/Add.2, developments in the following aviation areas: plurilateral Air Services Agreements; economic and financial situation of scheduled passenger airlines; low-cost carrier services; non-scheduled passenger services; regional air transport services; general aviation services; air cargo services; slots; alliances and cooperation amongst airlines; ownership; and other significant economics and regulatory developments. The Council also reverted to QUASAR, on the

¹ Reports of the meetings are contained in documents S/C/M/85 to 89 and should be read in conjunction with this report.

basis of a communication from Australia (JOB(07)/136) and a Secretariat note outlining possible improvements to the methodology (S/C/W/284). As for the agenda item on the operation of the Annex, a communication by Canada and the United States (JOB(07)/143) provided the basis for the debate. No decision was taken as to further steps for the review, and the Chairman was mandated to hold informal consultations in this regard.

III. NOTIFICATION FORMAT FOR REGIONAL TRADE AGREEMENTS

6. At its meeting on 1 March, the Council for Trade in Services considered a new format for the notification of regional trade agreements (RTAs), including those under Article V of the GATS, recommended by the Committee on Regional Trade Agreements (WT/REG/16) at its 44th Session. At the request of the Council, the Secretariat prepared a draft decision for the purpose of adopting the proposed new format for RTAs and formally modifying the existing *Guidelines for Notifications under the GATS*, contained in S/L/5, as far as notifications made pursuant to GATS Article V:7 were concerned. This draft decision, circulated in document S/C/W/282, was considered by the Council at its meeting on 7 June 2007. The Council agreed to revert to it at its next meeting.

IV. NOTIFICATION PURSUANT TO GATS ARTICLE XXI

7. At its meeting on 7 June 2007, the Council for Trade in Services considered a notification from the United States made pursuant to GATS Article XXI (Modification of schedules), regarding a modification to its Schedule of Specific Commitments (GATS/SC/90). The exchange of views on this issue is contained in document JOB(07)/87.

V. NOTIFICATIONS MADE TO THE COUNCIL PURSUANT TO GATS ARTICLES III:3, V:7, AND VII:4

8. At its meetings held on 30 November 2006, 1 March 2007 and 7 June 2007, the Council for Trade in Services took note of the following notifications.

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

Switzerland	S/C/N/376-384 + 396
Armenia	S/C/N/389
Bolivia	S/C/N/390

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

Honduras	S/C/N/368/Rev.1
Guatemala	S/C/N/369
Jordan and Singapore	S/C/N/370
Japan and Malaysia	S/C/N/371
United States, Guatemala, Honduras, El Salvador and Nicaragua	S/C/N/372
EFTA States and the Republic of Korea	S/C/N/373
Costa Rica and Mexico	S/C/N/374
United States and the Kingdom of Bahrain	S/C/N/375
Brazil (on behalf of MERCOSUR)	S/C/N/388 + Corr.1
United States, the Dominican Republic, El Salvador, Honduras, Nicaragua and Guatemala	S/C/N/391
Panama and Singapore	S/C/N/392
India and Singapore	S/C/N/393
Brunei Darussalam, Chile, New Zealand and Singapore	S/C/N/394

(c) Notifications pursuant to Article VII:4

Switzerland

S/C/N/395 + Corr. 1

VI. WORK OF THE SUBSIDIARY BODIES

9. 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/18)
Annex II	Report of the Committee on Specific Commitments (S/CSC/13)
Annex III	Report of the Working Party on Domestic Regulation (S/WPDR/10)
Annex IV	Report of the Working Party on GATS Rules (S/WPGR/17)

ANNEX I

**WORLD TRADE
ORGANIZATION**

S/FIN/18
13 November 2007

(07-4926)

**ANNUAL REPORT OF THE COMMITTEE ON TRADE IN FINANCIAL SERVICES TO
THE COUNCIL FOR TRADE IN SERVICES (2007)**

1. Since its last Annual Report to the Council for Trade in Services (S/FIN/16), the Committee on Trade in Financial Services has held two formal meetings, on 27 November 2006, and 6 June 2007.¹ 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 the 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. At the Committee's request, these Members reported periodically on the situation of their domestic acceptance procedures. At the meeting held in June 2007, the representative of Brazil indicated that the main impediment to the acceptance of the Protocol had been removed, as legislation had been passed putting an end to the State monopoly in the reinsurance sector. Parliamentary work was still ongoing with a view to completing the acceptance procedure. At the same meeting, the representative of Jamaica reported that domestic consultations involving relevant stakeholders from the public and private sectors were still ongoing with a view to arriving at a final decision regarding the ratification of the Protocol. However, Brazil, Jamaica, and the Philippines were not in a position to indicate a concrete timeframe for accepting the Protocol.

II. TECHNICAL ISSUES

3. During the reporting period, no discussions took place under this agenda item.

III. RECENT DEVELOPMENTS IN FINANCIAL SERVICES TRADE

4. At the meeting held in June 2007, the Committee discussed briefly some suggestions made by the Chairperson regarding issues that could be tackled under this agenda item. The Committee finally agreed that the Chairperson would hold informal consultations with a view to identifying suitable issues for future discussion.

¹ Reports of these meetings are contained in documents S/FIN/M/53, and S/FIN/M/54 and Corr.1. 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 27 November 2006, the Committee carried out the fifth 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/17.

ANNEX II

**WORLD TRADE
ORGANIZATION**

S/CSC/13
13 November 2007

(07-4924)

**ANNUAL REPORT OF THE COMMITTEE ON SPECIFIC COMMITMENTS
TO THE COUNCIL FOR TRADE IN SERVICES (2007)**

1. Since its Annual Report of 2006 to the Council for Trade in Services, the Committee on Specific Commitments held three formal meetings: on 1 December 2006, 7 June 2007, and 18 September 2007.¹ During the reporting period, the Committee addressed three items: classification issues; scheduling issues; and relationship between new and old commitments.

I. CLASSIFICATION ISSUES

2. At the meeting of 7 June 2007, a group of Members introduced a Communication titled "Understanding on the scope of coverage of CPC 84 - Computer and Related Services" (S/CSC/W/51).²

3. At the meeting of 18 September 2007, the delegation of the European Communities circulated an informal Note on the classification of distribution (JOB(07)/138), in which it set out the classification it used for distribution services in negotiations of its preferential trade agreements.

II. SCHEDULING ISSUES

4. During the reporting period, no discussions took place under the agenda item of "Scheduling Issues".

¹ Reports of these meetings are contained in documents S/CSC/M/43-45. They should be read in conjunction with this report.

² Communication of 24 January 2007 from Albania, Australia, Canada, Chile, Colombia, Croatia, the European Communities, Hong Kong China, Japan, Mexico, Norway, Peru, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, Turkey and the United States. On 6 March 2007, the delegation of New Zealand was added to the list of sponsors, see document S/CSC/W/51/Add.1; on 30 April, the delegation of Singapore was added to the list of sponsors, see document S/CSC/W/51/Add.2; on 12 June 2007, the delegation of Israel was added to the list of sponsors, see document S/CSC/W/51/Add.3; and on 27 September 2007, the delegation of Costa Rica was added to the list of sponsors, see document S/CSC/W/51/Add.4.

III. RELATIONSHIP BETWEEN OLD AND NEW COMMITMENTS

5. Discussions on the relationship between existing commitments and commitments resulting from the current negotiations continued at the meeting of 1 December 2006 in informal mode. At the subsequent formal meeting on 7 June 2007, the issue was briefly touched upon, but was not further addressed at the meeting of 18 September 2007.

ANNEX III

**WORLD TRADE
ORGANIZATION**

S/WPDR/10
13 November 2007

(07-4922)

**ANNUAL REPORT OF THE WORKING PARTY ON DOMESTIC REGULATION
TO THE COUNCIL FOR TRADE IN SERVICES (2007)**

1. Since the Annual Report of 2006¹, the Working Party on Domestic Regulation (WPDR) held two formal meetings and several informal meetings².
2. In the period covered by this report, the Working Party advanced its work on the development of a draft text of regulatory disciplines pursuant to GATS Article VI:4, as mandated by the Hong Kong Ministerial Declaration. To facilitate this task and based on Members' proposals and subsequent inputs, the Chairman of the Working Party prepared a first draft text of possible regulatory disciplines, which was contained in a room document dated 18 April 2007.
3. Members agreed that the 18 April 2007 text by the Chairman constituted an acceptable basis for negotiations. Several consultations on this text have taken place since April 2007 focusing on all the elements of possible Article VI:4 disciplines. In these consultations, Members have engaged in paragraph-by-paragraph negotiations with a view to reaching compromise solutions on specific provisions in the text. A first thorough reading of the entire text was completed on 17 September 2007. The Chairman made a report on these informal consultations on his draft text at the meeting of the WPDR held on 17 September 2007.
4. At the meeting of the Special Session of the Council for Trade in Services held on 28 September 2007, the Chairman announced that based on his consultations with Members he would table a revised version of the text he had circulated on 18 April 2007.

¹ S/WPDR/9, 20 November 2006.

² Reports of these meetings are contained in documents S/WPDR/M/36 – 37. They should be read in conjunction with this report.

ANNEX IV

**WORLD TRADE
ORGANIZATION**

S/WPGR/17
16 November 2007

(07-4994)

**ANNUAL REPORT OF THE WORKING PARTY ON GATS RULES
TO THE COUNCIL FOR TRADE IN SERVICES (2007)**

1. Since its annual report for 2006, the Working Party on GATS Rules held three formal meetings: on 19 April 2007, on 4 July 2007, and on 17 September 2007.¹ 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). One informal meeting was also held, as well as various informal consultations.

I. NEGOTIATIONS ON EMERGENCY SAFEGUARD MEASURES (ARTICLE X)

2. At the meeting of 19 April, delegations exchanged views on a room document proposing legal text on the use of emergency safeguard measures in services, presented by the delegations of Brunei Darussalam, Cambodia, Indonesia, Malaysia, Myanmar, the Philippines, Thailand and Viet Nam.² Discussions were principally held in informal mode. Issues raised included the relationship to market access commitments, modal application, conditions of application, causal link, and special and differential treatment. Divergent views continued to be expressed on various aspects such as desirability and feasibility.³

II. NEGOTIATIONS ON GOVERNMENT PROCUREMENT (ARTICLE XIII)

3. At the meetings of April, July, and September 2007, delegations exchanged views on the most recent proposal from the European Communities, concerning a legal text for an Annex to the GATS on government procurement (S/WPGR/W/54). Issues raised included the possible benefits of opening procurement markets, procedural rules, special and differential treatment, and MFN application. No common understanding has been reached yet on the scope of the negotiating mandate under Article XIII.⁴

¹ Reports of these meetings are contained in documents S/WPGR/M/57, S/WPGR/M/58, and S/WPGR/M/59. They should be read in conjunction with this report.

² Outside the period of reference of this annual report, a WPGR meeting is due to be held on 29 November 2007 at which the above mentioned delegations intend to present a communication JOB 07/155 (circulated on 19 October 2007) containing a revised version of the room document.

³ Discussions on emergency safeguard measures are reflected in paragraphs 2-30 of S/WPGR/M/57, paragraphs 12-14 of S/WPGR/M/58, and paragraphs 2-5 of S/WPGR/M/59.

⁴ Discussions on government procurement are reflected in paragraphs 31-37 of S/WPGR/M/57, paragraphs 8-11 of S/WPGR/M/58, and paragraphs 6-8 of S/WPGR/M/59.

III. NEGOTIATIONS ON SUBSIDIES (ARTICLE XV)

4. At the meetings of April and July 2007, delegations discussed a Secretariat Note that compiled information on subsidies contained in TPR reports (S/WPGR/W/25/Add.5), as well as an informal communication from Hong Kong, China and Mexico on non-actionable subsidies in trade in services (JOB(07)/27). The Chairperson also reported, at the April meeting, on the consultations she had been asked to undertake on obstacles encountered by Members in sharing information as per Article XV:1. At the meeting of September 2007, discussions concentrated on a room document from Hong Kong, China that provided additional views on non-actionable subsidies on the basis of questions raised in JOB(07)/27.⁵ Members expressed various views on the issues raised.

⁵ Discussions on subsidies are reflected in paragraphs 38-59 of S/WPGR/M/57, paragraphs 2-7 of S/WPGR/M/58, and paragraphs 9-15 of S/WPGR/M/59.