

WORLD TRADE ORGANIZATION

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Group on Basic Telecommunications

REPORT OF THE MEETING OF 14 NOVEMBER 1996

Revision

Please note that paragraphs 4 and 5 of this document have been revised as agreed in the meeting of 15 January 1997.

1. The Group on Basic Telecommunications held its fourth meeting on 14 November 1996. The agenda for the meeting, contained in WTO/AIR/483 of 31 October 1996, consisted of five items: exchange of views on bilateral negotiations; recent developments in domestic regulatory policies in individual Members of the WTO; discussion of outstanding issues; organisation of future work; and other business.

Exchange of views on progress in bilateral negotiations

2. Several delegations registered that they had had very fruitful bilateral discussions in the past few days. Some delegations noted that it was important at this point in the negotiations to create momentum, in order to reach a "critical mass" of offers, which would allow the negotiations to be brought to a successful conclusion. The representatives of the European Union, the United States and the Slovak Republic announced that they were tabling improved offers. These revisions represented the first improvements submitted since the resumption of negotiations in July. Several other participants announced that they were also working on improved offers. Several delegations welcomed the improved offers and urged other delegations to come forward with improved or new offers. One delegation said that the deadline of February 15 could not be extended, and encouraged participants to show the necessary flexibility in seeking a commonly acceptable outcome.

Recent developments in telecommunications policies

3. Under the second agenda item the representative of South Africa announced the recent passage of legislation reforming the telecommunications regime, and introducing an independent regulator. The regulator would be responsible for spectrum allocation and for policing anti-competitive practices, and would be appointed by Parliament in conjunction with the President. The new legislation would allow South Africa to make an offer.

Discussion of outstanding issues

4. The Chairman invited views on international services and satellite-based services. Regarding international services issues, the representative of the United States indicated that the Federal Communications Commission would issue, before the end of the year, a Notice of Proposed Rule-Making, setting out proposals to update benchmarks for accounting rates. This initiative was generated by the FCC's ongoing programme of reform, and was independent of the WTO process. The Notice of Proposed Rule Making was open to public comment, including by any government. The proposed rules could be modified in light of such comments. The importance of this proposal for the present

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negotiation was that it opened the way to some new alternatives for the FCC in dealing with potential competitive distortions in the U.S. market resulting from obligations created by a WTO agreement on basic telecommunications. Unlike previous benchmarks, the new proposed benchmarks would likely include a target date for achieving those benchmarks. The FCC expected to propose licence conditions tied to the new benchmarks and set a ceiling for accounting rates paid by all U.S. licensed carriers on the routes to be served. Benchmarks would be used as a licensing condition, not as a market entry barrier. They would constitute a ceiling, as market conditions were expected to produce rates below the benchmarks. The new benchmarks would operate as an ex-post measure, as the FCC would grant licences to any WTO Member's carrier upon application, but it would impose a condition on operations subsequent to the granting of the licence. Due to the time needed for procedural requirements, there would be no final rules about benchmarks before 15 February 1997. However, if the WTO negotiation succeeded, the FCC would make sure that the final rules conformed to all of the U.S. obligations under the WTO, and in particular to the MFN principle and Article VI of the GATS.

5. Participants welcomed the explanation by the United States concerning its anticipated new rules on licensing. One delegation noted, as a preliminary observation, that artificial benchmark levels might create a disguised market entry barrier. The representative of the United States emphasized that action by regulatory authorities to prevent competition from being distorted need not be inconsistent with GATS. A number of participants reserved their rights in relation to the compatibility of the proposed rules with GATS obligations.

6. On satellite services, a draft note was circulated by the Chairman containing several points on how schedule entries may be made in relation to the supply of satellite-based services. The note was also of more general relevance to the question of how Members might wish to schedule commitments relating to basic telecommunications. The Chairman said that, while he took responsibility for the note, it was an attempt to reflect participants' views on how to eliminate any ambiguity regarding the substance of possible future commitments. He stressed that the note was not a legally binding document, but rather a proposed guide to scheduling. The note was generally well received by participants, although some delegations suggested certain amendments and others expressed the wish to study the note further. Following participants' comments on the note, the Chairman undertook to issue an amended version of the note taking into account the suggestions made.

Organisation of future work

7. A number of participants had expressed an interest in taking advantage of the presence of high-level officials at the Singapore Ministerial in December to hold discussions on issues relevant to the telecom negotiation. Other delegations expressed the view that the Ministerial Conference was not an appropriate occasion to convene a formal or informal meeting of the Group on Basic Telecommunications, which was essentially a technical negotiating body. Noting that no consensus existed as to the desirability of holding a formal or informal meeting of the GBT at Singapore, the Chairman stated that the next meeting of the Group on Basic Telecommunications would be on 15 January 1997. He also said that those delegations wishing to hold discussions in Singapore may wish to explore this idea further.

Other business

8. No matters were raised under other business.