

**COMMUNICATION FROM THE EUROPEAN COMMUNITIES
AND THEIR MEMBER STATES^{1/2}**

GATS 2000: Business Services
(Other than Professional Services)

The attached communication³ has been received from the delegation of the European Communities and their Member States with the request that it be circulated to Members of the Council for Trade in Services.

I. INTRODUCTION

1. Business services are a very heterogeneous group of diverse service industries, ranging from computer and related services to building-cleaning services. All they have in common is that they provide an input to businesses. SMEs represent a large number of business service providers. In the EU, the business services sector employs almost 9% of the workforce (12 million), and accounts for 15% of total gross value added in the economy. Over the last years, growth per annum of both value added and employment has been 5%.⁴

2. Given the increasingly global outreach of industries in general, it is crucial that business services suppliers can 'move' with their clients. The rapid growth of international trade in business services shows the strong potential of many of these services industries to successfully compete on an international level. As an example, EU trade in business services has grown by about 10% per year, more than double the rate of EU trade in manufactures. Developing countries have an important potential to grow in this sector.

3. Technological progress, in particular electronic commerce, provides new possibilities for many business services suppliers to 'internationalise' their activities by making cross-border provision of certain business services more practical and technically easier.

¹ Hereinafter "The EC".

² The EC reserve their right to modify this proposal at any time. This proposal does not prejudice EC's position on other services sectors, nor any possible future offer on this or other sectors. This proposal has to be read together with the general approach of the EC to the services negotiations.

³ This document should be read in conjunction with S/CSS/W/32.

⁴ The Contribution of Business Services to Industrial Performance. European Commission 1999. The data are based on OECD and Eurostat statistics.

4. As opposed to Professional Services, most Business Services are much less regulated and GATS commitments are more liberal than in many other services sectors. Not least for that reason, access to the EU market for third country Business Services suppliers is in general very liberal. For instance, the sub-sector 'Other Business Services' (see scope of this proposal below) is fully committed, not only by the EC, but by all developed country WTO members. Also among developing countries, the majority has undertaken quite liberal commitments in this sub-sector. Out of these, remaining restrictions are few. Nevertheless, some WTO members still exclude some sub-sectors from their schedule of commitments. Out of the more than 130 WTO members, more than 70 have committed the sub-sectors "Computer and related" and "Other business". But only 46 have committed "Research & Development" and "Rental & Leasing", and only 28 WTO Members have entered commitments for "Real Estate services".

5. Consumer protection, quality of the service, and other public policy objectives motivate high levels of regulation of some business services, e.g. of investigation and security services, personnel placement services, aircraft leasing. The EC are in favour of taking these considerations fully into account whilst pursuing further liberalisation within the framework of GATS. In these sectors, remaining restrictions to market access and national treatment are more frequent in Member's schedules.

6. Our proposal aims at reducing unnecessary trade distortive barriers without affecting the quality of service and the protection of consumers.

II. SCOPE OF THIS PROPOSAL⁵

7. This proposal includes the following sub-sectors

B. Computer And Related Services

Consultancy Services Related to the Installation of Computer Hardware
Software Implementation Services
Data Processing Services
Data Base Services
Maintenance and repair
Other computer Services

C. Research and Development Services

R&D Services on Natural Sciences
R&D Services on Social Sciences and Humanities
Interdisciplinary R&D Services

D. Real Estate Services

Involving Own or Leased Property
On a Fee or Contract Basis

⁵ The coverage of this proposal is without prejudice to EC's final positions on classification issues and to EC's classification of their existing commitments. CPCs mentioned refer to Provisional CPC classification.

E. Rental/Leasing Services without Operators

*Relating to Ships, Aircraft, other Transport Equipment
Relating to other Machinery and Equipment*

F. Rental Services with Operators

*Rental of Vessels with Crew
Rental of Commercial Vehicles with Operator*

G. Other Business Services

*Advertising Services
Market Research and Public Opinion
Polling Services
Management Consulting Services
Services Related to Management Consulting
Technical Testing and Analysis Serv.
Advisory and Consulting Services Incidental to Agriculture, Hunting and Forestry
Advisory and Consulting Services Incidental to Fishing
Advisory and Consulting Services Incidental to Mining
Services Incidental to Manufacturing
Services Incidental to Energy Distribution
Placement and Supply Services of Personnel
Investigation and Security
Related Scientific and Technical Consulting Services
Maintenance and Repair of Equipment
Building-cleaning Services
Photographic Services
Packaging Services
Printing, Publishing
Convention Services
Other (Translation, Interior Design, Collection Agency Services)*

III. PROPOSAL

8. The Council for Trade in Services in Special Session should initiate a debate, whether in the Council or in a subsidiary body established for the purpose, on broad aims for negotiations in the business services sector.

9. Concerning the existing commitments scheduled, remaining restrictions, are, *inter alia*, that not all forms of establishment under mode 3 are allowed, limits on equity participation, and the like. Mostly, however, countries have chosen to leave an 'unbound', without further specifications.

10. This list is not exhaustive, and other restrictions are also maintained.

(a) Mode 1: The extent to which residency requirements could be replaced by other less trade restrictive measures (i.e. appointment of representative agent, liability insurance, etc.). In our view, residency requirements would be acceptable only for the purpose of consumer protection and, where maintained, because other less trade restrictive measures would not be

applicable. In such cases, the period of the residency required as a prior condition to meet the obligation should be reduced to the minimum.

- (b) Mode 2: Whether any restriction would be justified. In our view, it is hard to see any justification.
 - (c) Mode 3: Whether any restrictions would be justified. In particular, restrictions on ownership, equity, form of establishment can usually be eliminated. Citizenship requirements, and residency requirements should, where possible and feasible, be substituted by other less trade restrictive requirements (i.e. appointment of representative agent, liability insurance, etc.).
 - (d) Mode 4: The EC schedule includes, *inter alia*, temporary movement of intra-corporate transferees as well as contractual service suppliers (i.e. the service is supplied, on the basis of a contract, by an employee of a company not established in the Member's territory). The EC propose that, on this basis, further discussions are held on how to improve and facilitate the temporary movement of natural persons for the provision of specific services.
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