

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

GATS 2000: Computer and Related Services (CPC 84)

Addendum

The following communication³ has been received from the delegation of the European Communities and their Member States with the request that it be circulated to the Members of the Council for Trade in Services. This paper supplements the Community's proposal on Business Services (S/CSS/W/34).

1. Computer and related services are fundamental for economic activity and permeate all sectors. They are a tool for economic development because of their role in building infrastructure. The rapid growth of the computer services market has led to employment creation (of skilled jobs), in both developing economies and developed countries.
2. Technological developments mean that computer and related services are a rapidly evolving sector. These advances are fed through to other services sectors:⁴ users of computer and related services are provided with greater computing power, ease of use, flexibility and efficiency in the fulfilment of their information technology needs. As such, computer related services constitute a cornerstone of the infrastructure of electronic commerce as explained in the EC Communication on the e-commerce work programme.⁵
3. Sub-sectors of CPC prov. Chapter 84⁶ cover the basic functions used to provide all complex computer and related services: software development and implementation, data processing and

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 Computer and related services enable the electronic provision of other services (e.g. banking, telecommunications). Computer and related services can themselves be delivered electronically. There is a distinction between Computer and Related Services provided by a service provider (provider A) to another service provider (provider B) on the one hand, and the content or core service that is being delivered electronically by provider B to its customers on the other. In such cases, the content or core service is not covered by CPC 84.

⁵ S/C/W/183

⁶ 841 - consultancy services related to the installation of computer hardware, 842 - software implementation services (software being defined for the purpose of this subheading as "the sets of instructions required to make computers work or communicate"), 843 - data processing services, 844 - data base services, 845 - maintenance and repair services, and 849 - other services.

storage, and related consultancy. Technological developments lead to increased speed and capacity, and to more and more elaborate computer and related services, such as web or domain hosting and data mining services for instance, consisting of a combination of services that can include some or all of the sub-sector of CPC 84 or, as may be the case for some of them, falling into sub-sector 849.

4. This development has two important consequences for the way that Computer and Related Services are scheduled under GATS:

- there is potential for misunderstanding amongst Members as to whether the scope of the commitments made under CPC 84 covers these technically evolved services; and
- the distinctions made in Members schedules between the sub-sectors of CPC 84 are becoming less and less meaningful.

5. In the light of this, the European Community and its Member States therefore makes the following proposals for the Services negotiations.

1. Scope of coverage of CPC 84

6. The EC considers that it is in the interest of WTO Members to reach a clear understanding on the scope of coverage of CPC 84. Members should seek to accommodate continually evolving IT services made possible by advances in information technology. So, for example, the EC considers that Members should reach a common understanding on a definition of computer and related services, the application of which would identify which of the so-called « new » computer and related services (e.g. systems integration services and web-hosting) are in fact no more than combinations of existing services covered under CPC 84.

7. Certain analogies can be drawn with the exercise undertaken for Financial Services during the Uruguay Round, which resulted in the list of financial services included in the Annex on Financial Services. It should be stressed, however, that the EC is not seeking a re-classification of computer services but rather to clarify the existing scope of coverage of CPC 84. Neither is the EC suggesting that an Annex on Computer Services be negotiated.

8. Any work should be done in such a way as not to render any understanding obsolete within a short space of time as the technology continues to evolve. In addition, care should be exercised to ensure that the outcome does not result in other service sectors (particularly non-« Business Services ») being considered as falling within the scope of CPC 84.

9. Furthermore, the common understanding on a definition of computer and related services that is being sought after would help clarifying within which category (computer and related services, or a neighbouring sector such as telecommunications) some services fall. In this matter, flexibility was shown during the Uruguay Round for computer reservations systems (CRS). It is recalled that – at that point in time – CRS was so closely linked with the selling of air transport services that it was considered under the Annex on Air Transport to be an air transport service. Another example occurs in the area of financial services, where the Annex on Financial services considers financial data processing (which might otherwise be covered under CPC 843) to be a financial service, and it is not excluded that such situations could arise in the future.

2. Scheduling of commitments

10. Members should make commitments in Computer and related Services at the highest possible level (i.e. the two-digit level - Provisional CPC Division 84). This would minimise the risk of confusion in seeking to determine whether a particular Computer and Related Service has been committed when the service actually offered involves services covered in a number of different sub-sectors, and so help to better reflect technological developments and commercial realities in this sector.

11. Services in this sub-sector are often delivered electronically. However, it is difficult to determine whether the electronic delivery of a service constitutes delivery under Mode 1 or Mode 2. One way to address this issue is for Members to ensure that commitments under both Modes are consistent.
