

**COMMUNICATION FROM THE MEMBERS OF THE ANDEAN COMMUNITY  
BOLIVIA, COLOMBIA, ECUADOR, PERU, VENEZUELA**

Definition of Criteria for Classification of Services

The attached communication has been received from the members of the Andean Community, (Bolivia, Colombia, Ecuador, Peru, Venezuela) with the request that it be circulated to Members of the Council for Trade in Services.

---

1. The issue of service classification is addressed in a number of the negotiating proposals submitted by Members in the context of paragraph 2(c) of the work programme for the first phase of the negotiations under GATS Article XIX. Several proposals suggest changes to the sectoral classification list drawn up by the Group of Negotiations on Services (GNS), document MTN.GNS.W/120, hitherto used by most Members as a basis for undertaking specific commitments. Some of the proposed changes consist of reallocating activities from one sector or sub-sector of the above-mentioned classification to another, while others propose the inclusion of new activities not included in the classification.

2. The ideas for changes in the classification, included expressly or tacitly in the negotiating proposals, reflect the need for a new reference list for the negotiations which is better suited to the economic realities of trade in services. There are a number of reasons for making changes to the list, the most powerful perhaps being that the development of services has led to the emergence of new activities that were not considered during the Uruguay Round and so were not included in W/120. Moreover, some Members are interested in negotiating more comprehensive packages so as to ensure better access to an integrated group of activities which are directly or indirectly related to a specific service. Meanwhile, many developing countries need a more disaggregated list which will give them greater flexibility for opening – or not – their service activities to international competition.

3. The inclusion of new classifications in the negotiating proposals submitted in effect shifts the discussion on classification, hitherto carried on in the Committee on Specific Commitments, to the domain of sectoral negotiations. We nonetheless believe that an evaluation of the new proposals for classification in the sectoral negotiations should be founded on a single set of concepts and criteria common to all the sectors and agreed on multilaterally. This would facilitate orderly and coherent discussions on the changes to the classification suggested in the sectoral negotiating proposals already received and the new ones which will doubtless be submitted.

## Proposal

4. At its Special Session the Council for Trade in Services will address the issue of classification, starting out by identifying and negotiating classification criteria. Such criteria will add clarity to discussions on classification in the context of the evaluation of the sectoral proposals submitted for negotiation and any further sectoral analyses of classification undertaken in the Committee on Specific Commitments.

5. We propose initially and by way of illustration a few minimum criteria to be taken into account in the work on classification and particularly in establishing the reference list (a) uniformity; (b) specificity; (c) disaggregation.

- (a) Uniformity: The reference list or document must be agreed on by consensus. This will help to ensure unity of language and a better understanding of the scope of commitments. In the interest of consolidating statistics and coherence, and in order not to upset the balance of specific rights and obligations negotiated in the Uruguay Round on the basis of the nomenclature in document W/120, the reference list should use as a basis some internationally recognized classification such as the United Nations Central Product Classification (CPC) (the basis of W/120), the Annex on Financial Services, the ILO International Standard Classification of Occupations. This would make negotiating instruments more transparent and enable Members to base their future commitments on their own trade and development objectives.
- (b) Specificity: This criterion must be taken into account in establishing the classification. An activity's intrinsic characteristics are what determines its allocation to one category or another. In every production process there are both core activities, which are specific to and inherent in the process, and others which are merely support activities. Each sub-sector has a number of core characteristics which differentiate it from others yet are necessary for the development of other activities. For instance, one regularly hears that 75 per cent of tourism involves air travel. However, air transport has its own specificity which makes it fully identifiable and distinct from tourism. Consequently, it is not classified under tourism but has its own category in the classification.
- (c) Disaggregation: This is necessary to help countries, particularly developing countries, with the task of evaluating and undertaking commitments. Distinguishing between activities will not only clarify the options available in a given sector, but will enhance choice and confidence and hence increase market-opening commitments. Developing countries may have an interest in opening up some of their activities to international competition in order to benefit production and/or consumers. But at the same time, there may be other activities which for national policy reasons it is in their interest to protect by denying access to foreign competitors or subjecting it to conditions.

6. A single reference list adapted to economic realities in terms of coverage and detail will afford a sounder basis for the negotiation of specific commitments and would contribute to encouraging the least-developed countries to undertake more substantive and meaningful liberalization commitments. Only a detailed and specific classification will ensure the flexibility and discretion provided for in the GATS and reflected in the Negotiating Guidelines and Procedures adopted in March 2001.

---