

**COMMUNICATION FROM THE SEPARATE CUSTOMS TERRITORY OF TAIWAN,  
PENGHU, KINMEN AND MATSU**

Computer and Related Services

The attached communication has been received from the delegation of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu with the request that it be circulated to the Council for Trade in Services in Special Session and the Committee on Specific Commitments.

1. Computer and Related Services have evolved into the “application oriented” (total solution) era, with the result that existing descriptions in CPC 84 are no longer capable of differentiating between one service and another. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu would like to identify two problems with respect to the current coverage of CPC 84, and to propose possible solutions.

**I. BACKGROUND**

2. The Computer and Related Service Sector is one of the major driving forces in the development of the knowledge-based economy. It facilitates the more efficient operation of business activities and dramatically enhances the competitiveness of countries that have actively pursued the establishment of this new technology. In 1997, the WTO estimated the global market for this sector to be worth some US\$375 billion, a growth of 10% since 1995. This figure exceeded \$426 billion in 2001 and is expected to grow on average by 11.1% annually over the next four years to reach \$650 billion in 2005, largely because of the existence of an open, competitive and basically unrestricted business environment in these sectors.

3. However, the “digital divide” is also becoming a serious concern for developing countries. The presence of foreign services providers would help these countries to improve their information and communication infrastructures, to increase access to information and knowledge, and to train skilled technicians. In this regard, we are of the view that enhanced international trade in Computer and Related Services will benefit both the exporters and importers of all countries.

4. As the market for Computer and Related Services, becomes more liberalized, the following two concerns for Members remain. The first relates to the broad coverage of CPC 84. The second concern relates to the overlapping of Computer and Related Services with other services sectors.

5. In the first concern, some Members would prefer to use three-digit CPC numbers instead of two-digit numbers for negotiation. We consider that the traditional classifications of 3-digit sub-

sectors under CPC 84 are not capable of adequately defining classifications of computer-related services in the modern world. We would like in this submission to introduce the concept of the “value-chain” to identify the scope of Computer and Related Services; an approach that has been well accepted by the IT industries.

6. The second concern about the possible overlapping with other service sectors is indeed a legitimate one, but should not be so difficult to deal with. For instance, in banking services, some banks will operate with their own IT department, while others will outsource their “IT-intensive” operations to services providers. In this case, the outside services providers could be classified as Computer and Related Services if the services provided fall within the definition of CPC 84. The commitment on market access for CPC 84, in this case, will facilitate the provision of banking services only, and will not change the scope of commitments made in the banking services sector *per se*. We would like to register our concern, however, over the so-called “convergence services,” e.g., combining computer and telecom technologies to deliver internet-based telecom services, or integrating computer and audiovisual technologies to deliver multimedia content. As these convergence services would have a great impact on the regulatory environment, we are of the opinion that they should primarily be dealt with in other identified service sectors, e.g., telecommunication or audio-visual services sectors, but not within Computer and Related Services.

7. It should be noted that we are not seeking a re-classification of Computer and Related Services as currently defined in CPC 84.

## II. SCOPE OF COMPUTER AND RELATED SERVICES

8. The proposed “value-chain” approach would define the scope of Computer and Related Services in four stages, namely, the pre-implementation stage, the implementation stage, the operations stage, and the maintenance and support stage (see Annex for details).

- (i) Pre-Implementation Stage – the services provided in this stage mainly include consultancy services which can be classified within the scope of W/120 1.B.a and 1.B.b. (CPC 841+842). Even though it is necessary to perform some management consulting services at the same time, the core services undoubtedly belong to IT consulting services.
- (ii) Implementation Stage – the current W/120 /1.B.b. (CPC 842) classification already accommodates activities in this stage.
- (iii) Operations Stage – in-house services provided by businesses’ own functional departments require no additional classification. In the case of outsourcing services, as more and more companies are outsourcing some IT-intensive business processes (which do not affect their “core competencies”) to third-party services providers, it is widely accepted by the industry that these services are classified within the scope of Computer and Related Services. In addition, these services are usually “bundled” together and could cover the whole range of services under CPC 84 (W/120 1.B), sometimes overlapping with other services sectors. We must emphasize that in spite of this overlap, their core services still have the main characteristics of Computer and Related Services.
- (iv) Maintenance and Support Stage/ Others – this includes training services for staff of clients, and services that are not classified elsewhere. They can be accommodated by W/120 1.B.e.(CPC 845+849)

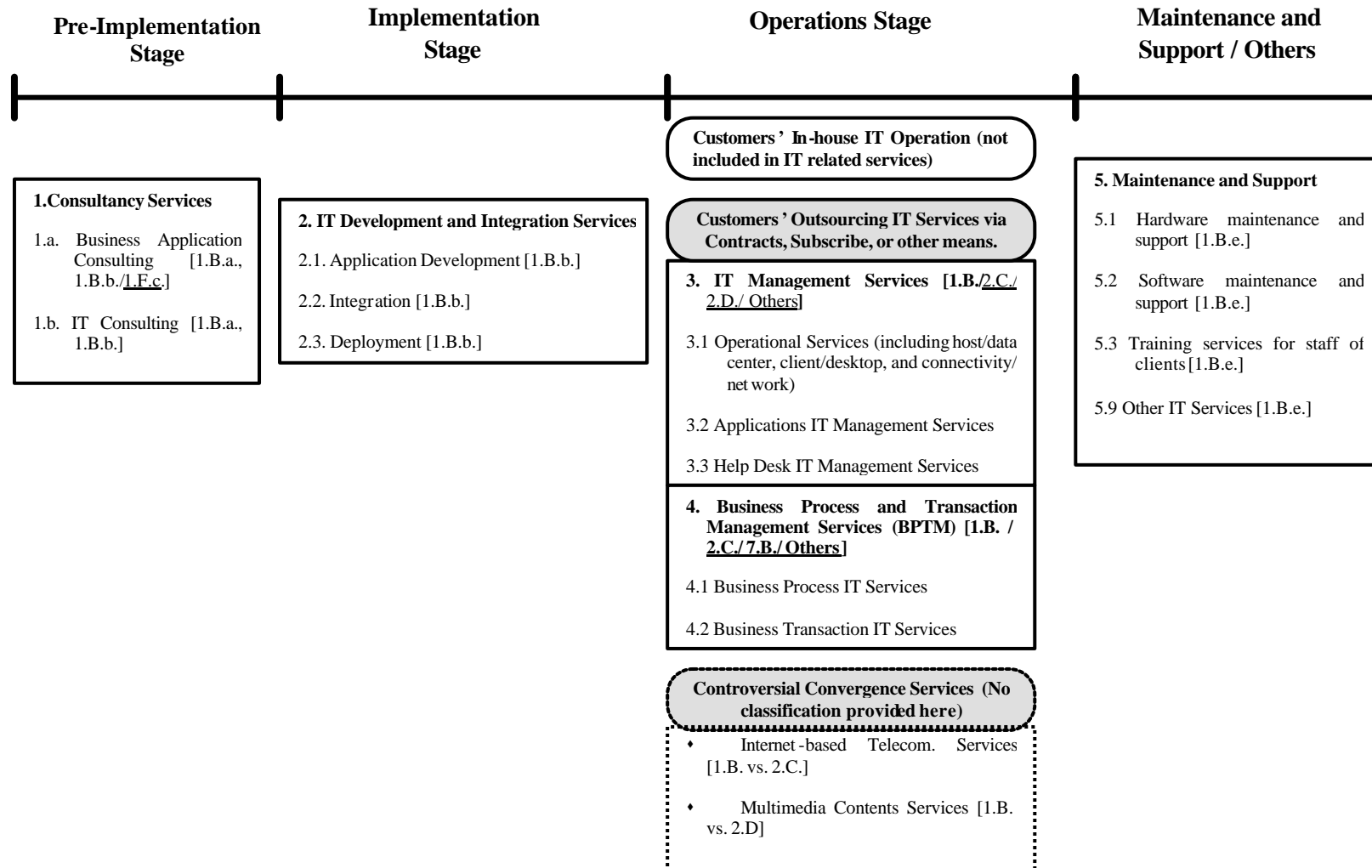
9. We are mindful of the fact that in a real world where businesses require “total solutions” from their service providers, application of computer services would usually combine services included in all four stages. In other words, computer-related services usually employ: (1) some consultancy services before implementation (CPC 841); (2) development and integration services to implement the application (CPC 842); (3) data processing, database, and connectivity services (CPC 843 and 845); (4) maintenance, support, and training services; and/or (5) others. In order to clarify the scope of classifications with the above-mentioned four-stage approach, it is essential to move from 3-digits to 2-digits. This is therefore our proposal.

### **III. PROPOSAL**

10. The Special Session of the Council for Trade in Services should initiate a dialogue, aimed at starting the negotiation on market access and the elimination of barriers to trade in the Computer and Related Services. At the same time, a subsidiary body, such as the Committee of Specific Commitments, should be instructed to examine the issue of convergence services, and identify the appropriate sectors that would either remain in the Computer and Related-Services sector or will be covered by other service sectors, in order to deal with those issues.

11. Regarding the complementary services such as management consultancy services classified elsewhere, they should be negotiated and scheduled in the relevant services sectors other than computer and related services.

# Annex - Scope of Computer and Related Services



## **SCOPE OF COMPUTER AND RELATED SERVICES DESCRIPTIONS**

### **1. Consultancy Services**

Consultancy services are advisory services to help companies analyze and improve the efficacy of business operations and technology strategies. Consulting services include two sub-segments: business application and IT consulting.

#### **1.1 Business Application Consulting Services**

Business application consulting services are advisory services that influence the adoption of information technology. These business application consulting services are intended to improve business operational efficiencies transform existing businesses or create new businesses via IT. Business application consulting activities include corporate strategy planning, review of business plans, business process analysis or re-engineering, and business requirements analysis, as well as change management and organizational consulting pertaining to the adoption of IT solutions. Some services examples include product/market portfolio consulting, corporate development, R&D, sales and marketing consulting, operations strategy, organization management and reorganization, operational effectiveness management, strategic sourcing, and supply chain management (SCM). Business application consulting services typically preface the design of IT solutions.

#### **1.2 IT Consulting Services**

IT consulting services are advisory services that help clients assess different technology strategies and in doing so, align their technology strategy with their business or process strategy. These services support customers' IT initiatives by providing strategic, architectural, operational and implementation planning. Strategic planning includes advisory services that help clients assess their information technology needs and formulate system implementation plans. Architecture planning includes advisory services that combine strategic plans and knowledge of emerging technologies to create the logical design of the system and the supporting infrastructure to meet customer requirements. Operational assessment/benchmarking includes services that assess the operating efficiency and capacity of a client's IT environment. Implementation planning includes services aimed at advising customers on the rollout and testing of new solutions deployment.

### **2. IT Development and Integration Services**

Development and integration services customize or develop IT solutions, assets, and processes and then integrate these solutions, assets, and processes with existing infrastructure and processes. Development and integration services implement solution designs. Development and integration services include three subsegments, application development services, integration services and deployment services.

#### **2.1 Application Development Services**

Services that create new functionality for customers' developed or packaged applications. Application development frequently serves to integrate or link internal or external business processes. These services may include conversion applications to run on different platforms or architectures.

#### **2.2 Integration Services**

Detailed design, implementation, and IT management services to link applications (custom or prepackaged) to each other or with the existing or planned information technology infrastructure. Specific activities might include project planning, project management, detailed design, and implementation of application programming interfaces.

### **2.3 Deployment Services**

Deployment services support the implementation and rollout of new applications and/or infrastructure. Activities may include: hardware and software procurement; configuration; tuning; staging; installation; and interoperability testing.

## **3. IT Management Services**

IT management services provide day to day management and operation of IT assets and processes. As such, they represent the core value components of IT outsourcing. IT management services include three subsegments: operational services, applications IT management services, and help desk IT management services.

### **3.1 Operational Services**

Transfer of all or part of the day-to-day system management responsibility for a customer's IT infrastructure (host/data center, client/desktop, or connectivity/network), and in some cases the transfer of ownership of the technology or personnel assets to an outside vendor. Services may include systems operation or support, administration, security, performance monitoring, technical diagnostics/ troubleshooting, configuration management, system repair management, and generation of management reports. Also included are services to manage and implement business continuation processes. Also included is the management of technology assets.

### **3.2 Applications IT Management Services**

This includes a wide variety of services, processes and methodologies for maintaining, enhancing and managing both custom and packaged software applications.

### **3.3 Help Desk IT Management Services**

Services to provide centralized information and support management services to handle a company's internal queries and operational problems about IT related processes, policies, systems and usage. Services include hardware and software support, logging of problems, dispatch of service technicians and parts, training coordination and other IT-related issues.

## **4. Business Process and Transaction IT Management Services**

Business process and transaction IT management services (BPTM) are a component of business process outsourcing (BPO).

### **4.1 Business Process IT Services**

Services provide business transformation knowledge and expertise applied as a part of a BPO contract. Examples of business processes that are outsourced to an external service provider (ESP) include logistics, procurement, human resources, finance/accounting, customer relationship management or other administrative or customer-facing business functions.

### **4.2 Business Transaction IT Services**

BPTM includes transaction processing services that provide IT operational support for specific types of transactions, such as for credit/debit cards, payroll, check/bank, and healthcare.

## **5. Maintenance and Support Services**

### **5.1 Hardware Maintenance and Support Services**

These are preventive and remedial services that physically repair or optimize hardware, including basic installation, contract maintenance, and per incident repair, both on site or at a centralized repair depot. Hardware support also includes telephone technical troubleshooting and assistance for setup

and all fee-based hardware warranty upgrades. Exclusive of parts bundled into maintenance contracts, sales of all parts used to repair high-tech equipment in carryin, mail-in, or per-incident on-site delivery modes, or purchased by internal staff to perform the repair, are included. This segment includes only external customer spending on these services.

**5.2 Software Maintenance and Support Services**

These services include revenue derived from long-term and pay-as-you-go support contracts. Technical support contracts include telephone and on-line troubleshooting, installation assistance and basic usability assistance. Software maintenance includes support contracts and custom software updates. Software products and technologies covered under this category include operating systems, application software and systems, application software, and systems and network management software, tools and utilities. The different types of software covered in the software maintenance and support services include the following:

**5.3 Training Services for Staff of Clients**

These services include training services for staff of clients, related to computer programs, computers or computer systems, and IT applications.

**5.9 Other IT Services**

Computer related services which are not elsewhere classified.

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