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Council for Trade in Services

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COMMUNICATION FROM THE UNITED STATES

Computer and Related Services

The following communication received from the delegation of the United States was circulated informally on 22 July 1998 to the Members of the Council for Trade in Services to assist in the discussion on Computer-related Services in the context of the Information Exchange Programme.

I. GROWTH OUTLOOK AND BENEFITS OF LIBERALIZATION

1. Liberalization of trade in the computer and related services sub-sectors will increase the number of companies competing in the marketplace, improve the variety of computer services available, and will help reduce the costs of these services to businesses and the public. Further opening in this sector should support the growth of WTO Members' computer and telecommunications sectors. More generally, given the important role of computer services such as software development, database creation and database processing in supporting and stimulating business activity, further liberalization of the computer and related services sectors also should help countries expand existing and find new export markets for other types of goods and services. This trend is likely to continue as technological advances in the telecommunications sector, including the growth of the internet and electronic commerce, help promote additional cross-border trade in computer and related services.

2. This growth is not confined to European and North American countries. The WTO Secretariat has noted that the client base and emerging opportunities for the information technology industry are global. The Secretariat highlights that by 1995, countries such as the Republic of Korea, Brazil, and China had markets that were comparable to or larger than some European markets and on average, the market growth in non-OECD countries is nearly double that in OECD countries. The Secretariat paper also notes that the information technology sector is a substantial generator of new employment and of skilled, well-paying jobs, including in emerging markets.

3. According to official U.S. trade data, cross-border sales of computer and data processing services grew from \$1 billion in 1990 to \$3.1 billion in 1996. During the same period, U.S. cross-border imports of computer services grew from \$44 million to \$334 million. Thus, during that time period, exports of computer and data processing services to foreign purchasers grew by 210 percent, and imports by 660 percent. According to U.S. International Trade Commission data, in 1995, U.S. sales of computer and data processing services through foreign based affiliates totaled \$ 22.7 billion. U.S. purchases of services from U.S.-based affiliates of foreign firms increased by 11 percent, to \$ 3.5 billion.

II. POSSIBLE AREAS FOR FUTURE DISCUSSION AND WORK

4. Although many WTO Members have taken on significant market access commitments in this sector, further work is needed.

- (a) The coverage of W/120 with respect to computer and related services should be further examined and discussed to see whether and what changes are necessary to reflect the current nature of business activity in the sector, while not diminishing the value of any commitments already made by WTO members.
- (b) Those WTO Members that have not made commitments for computer and related services should consider doing so; what concerns have prevented them from making such commitments?
- (c) All WTO Members should strive for maximum transparency in this sector. WTO members have for the most part felt it unnecessary to impose regulations in this sector; this approach should be continued to the greatest extent possible given other policy requirements.
- (d) The Secretariat notes that the most common market access limitations in computer and related services are limitations on commercial presence, specifically on the type of legal entity allowed for commercial presence of service suppliers and on the level of participation of foreign equity. Why do countries believe that these restrictions are necessary?
- (e) Given the increasing importance of cross-border trade for delivery of computer and related services, WTO Members should endeavor to maintain liberal regimes for cross-border supply.

III. U.S. REGIME

5. The U.S., recognizing the benefits for economic growth in open markets for computer and related services, made substantial commitments in this sub-sector during the Uruguay Round. The U.S. commitments cover all computer and related services with the exception of airline computer reservation systems. The U.S. committed to fully open markets ("none") for both market access and national treatment, except for mode 4 of market access, where the commitment is "unbound, except as indicated in the horizontal section."

6. The activities of computer services companies are largely free from Federal and State Government regulation. The deregulation of the U.S. telecommunications sector also has supported the growth of computer and related services provided through electronic means.

IV. REMARKS ON WTO SECRETARIAT PAPER/QUESTIONS FOR DISCUSSION

7. We have reviewed the Secretariat's remarks in paras. 7-9 on the classification of computer and related services, including the Secretariat's finding that computer software would appear not to be covered under the scope of CPC 842 -- software implementation services. While we agree that the wording (and punctuation) of CPC 842 may be confusing, in our view there is no question that it includes the creation and supply of computer software, and that the commitments undertaken by WTO members in this sector reflect this understanding.
