Asia-Pacific
Economic Cooperation

APEC UR Implementation Seminar on WTO New Agreements

APEC Committee on Trade and Investment (CTI)

May 1999

APEC UR Implementation Seminar on WTO New Agreements

May 24-26, 1999

Nankai Univeristy, Tianjin, China

Program

May 24 Monday

08:30-09:20	Registration
09:20-10:00	Opening Address by Mr. YI Xiaozhun on behalf of Mr. LONG Yongtu, Deputy Minister of Foreign Trade and Economic Cooperation Welcoming Address by Mr. WANG Shuzu, Vice Mayor of Tianjin Municipality Welcoming Address by Mr. HOU Zixin, President of Nankai University
10:00-10:15	Coffee break
10:15-12:00	**Topic:** An Introduction to Information Technology Agreement and its impact on trade **Speaker:** Mr. GAO Bin (P. R. China) **Contents:** Background information, initiation and negotiating process, concrete terms and commitments. Liberalization of trade in information technology and its perspective impact on world trade
12:00-14:00	Lunch
14:00-14:45	Q&As
14:45-15:00	Coffee break
15:00-17:00	Open Discussion **Contents**: Introductions by APEC member economies on current status of their Information Technology industry, their perspectives toward future liberalization, including their commitments, if applicable, under the Information Technology Agreement.
18:00-20:00	Welcome dinner hosted by Mr. YI Xiaozhun on behalf of Mr. LONG Yongtu, Deputy Minister of Foreign Trade and Economic Cooperation

May 25 Tuesday

09:00-10:15	**Topic:** Basic Telecommunications under the GATS

	Speaker: Mr. Rudolf ADLUNG (WTO Secretariat) **Contents:** Background information, initiation and negotiating process, concrete terms and commitments
10:15-10:30	Coffee break
10:30-11:45	**Topic:** Impact of Agreement on Basic Telecommunications on trade **Speaker:** Mr. Low Aik LIM (Singapore) **Contents:** Liberalization in telecommunication industry and its perspective impact on world trade, especially APEC regional trade, challenge faced by APEC economies and the ways to address them
11:45-12:15	Q&As
12:15-14:00	Lunch
14:00-16:00	**Topic:** The GATS and Financial Services **Speaker:** Mr. Rudolf ADLUNG (WTO Secretariat) **Contents:** Background information, initiation and negotiating process, concrete terms and commitments, liberalization in financial services and its perspective impact on trade, especially APEC regional trade, challenge faced by APEC economies and the ways to address them
16:00-16:15	Coffee break
16:15-17:00	Q&A

May 26 Wednesday

09:00-11:00	Open Discussion **Contents**: Introductions by APEC member economies on current status of their basic telecommunications and financial services sectors, their perspectives toward future liberalization, including their commitments, if applicable, under the Agreement on Basic Telecommunications and the Agreement on Financial Services
11:00-11:15	Coffee break
11:15-12:00	Evaluation of the Seminar by participants and proposals on APEC’s future work
12:00-12:15	Summary of the Seminar and adoption of summary report
12:15-14:00	Lunch
14:00-18:00	Activities arranged by local sponsor
19:00-21:00	Farewell dinner hosted by Mr. HOU Zixin, President of Nankai University

Summary Report for the APEC UR Implementation Seminar on WTO New Agreements

1. The APEC UR Implementation Seminar on WTO New Agreements, initiated by Department International Trade and Economic Affairs (DITEA) of Ministry of Foreign Trade and Economic Cooperation (MOFTEC) and supported by APEC Study Center of Nankai University of China, was held at Nankai University from 24-26 May 1999.

2. The WTO New Agreements refer respectively to Information Technology Agreement, Agreement on Basic Telecommunications and Agreement on Financial Services. The seminar is one of the APEC-related activities in China this year. Its objective is to promote a better understanding within APEC economies of the three WTO new agreements and the possible impact of their implementation among APEC economies. The seminar also aims at providing an opportunity for an exchange of views concerning these agreements.

3. Seven APEC member economies including Australia, China, Indonesia, Malaysia, Singapore, Chinese Taipei and Thailand and APEC Secretariat participated in the seminar. Most of the seven member economies have provided written submissions on related topics. The experts from the People's Republic of China, Singapore and WTO Secretariat were invited to deliver lectures to the Seminar.

4. The first topic of the seminar was Information Technology Agreement (ITA). Mr. GAO Bin, section chief of DITEA of MOFTEC of the P. R. China, introduced the initiation, negotiation process and detailed contents of ITA.

5. He mentioned that the value of the world trade in IT products is approximately $600 billion accounting for more than 10% of world trade in goods. The tariff on IT products in most developed countries (U.S, Japan,

Canada and EU) is quite low. However, the tariff in developing world is rather high, except for some emerging industrialized economies. The initiative to establish the ITA was first introduced by the United States in early 1996. On July 15-16, 1996, APEC Trade Ministers met in Christchurch, New Zealand. They announced their support to the idea of negotiating the ITA. After series of informal consultations among interested parties, at the First WTO Ministerial Conference held in Singapore on December 9-13, 1996,. the Ministerial Declaration on Trade in IT products was reached and 29 countries and areas signed the declaration.

6. The major elements of the declaration include: Elimination of customs duties and other charges on IT products through equal annual reductions beginning on 1 July, 1997 and concluding on 1 January, 2000; Tariff cuts implemented on an MFN basis; Implementation of the agreement contingent on the signing on of participants that would cover 90 per cent of world trade in IT products. Annex for product coverage is divided into attachment A and B. Under ITA, participants agreed to remove all duties on more than 300 items, including semiconductors, computers, software, telecom equipment and scientific instruments. Several countries and areas (Costa Rica, Indonesia, India, Korea, Malaysia, Chinese Taipei and Thailand) have been granted flexibility in cutting their tariffs on a few products to zero after the year 2000, but not beyond 2005.

7. The significance of ITA lies in the fact that IT products at lower price are more affordable to the consumers and there are fewer barriers to the spread of technology. In the end it will improve living standards for the world's citizens.

8. In the discussion that followed, a large variety of issues were raised and discussed. A participant asked China's intention to join the ITA. Mr. Gao responded that China has already announced its decision to join the ITA and held some consultations with certain WTO members. The negotiation has not been finished.

9. A scholar from China asked about the possibility of whether China will be granted the same flexibility in reducing tariff as other developing economies after it joins the ITA. Mr. Gao answered that it depends on the result of the negotiation between China and ITA members. And from his personal view,

China won't have much difficulty in achieving an extended staging.

10. Another scholar from China asked whether ITA would bring negative impact on those economies less developed in technology. A delegate from Singapore answered that as long as all the ITA members have the same goal towards liberalization, some flexibility is acceptable, whereas the most important task here was to promote the implementation of ITA as soon as possible. A participant from Chinese Taipei also viewed that different approaches should be applied, according to specific situation of different economies.

11. The second topic of this seminar was on Agreement on Basic Telecommunications. At first, Mr. Rudolf Adlung, counselor of WTO Secretariat gave a comprehensive introduction to Basic Telecommunications under the General Agreement on Trade in Services (GATS). His speech touched three main aspects.

12. The first aspect of his report was about the results of the extended negotiations on basic telecommunications. Delegates of negotiating parties reached agreements on market access, national treatment and additional commitments. As to market access, all members agreed that there should be no restrictions in those areas such as services suppliers, value of transactions or number of operations, legal form of establishment, and no ceilings on numbers of foreigners employed and foreign equities. National treatment means absence of all measures that discriminate all foreign suppliers, for example, no nationality requirements for senior managers and staffs. National treatment also requires fair competition between domestic and foreign suppliers. Additional commitments include that any limitations and qualifications must be inscribed in schedules.

13. The second part of this topic was about the commitments made by signatories. There are six general commitments that are applied to all service sectors including basic telecommunication, most-favored-nation treatment, transparency, domestic regulation, and no absence of monopoly positions, consultations and annex on telecommunications. Mr. Adlung stated that most-favored-nation treatment was significant especially to small economies, such as H.K., China and Singapore. Article II of GATS requires that each member shall accord immediately and unconditionally to services

and services suppliers of any other Member treatment no less favorable than that it accords to like services and services suppliers of any other economy.

14. In this part, Mr. Adlung also informed the participants how specific commitments were structured. He took the schedule of specific commitments of Hong Kong, China as an example, illustrating how the four modes of supply (cross-border supply, consumption abroad, commercial presence and presence of natural persons) were committed in the sub-sector of voice services by Hong Kong government. Details were provided, for instance, as to limitations on market access. The limitation on the fourth mode of supply was "unbound except for intro-corporate transfer of general managers, senior managers and specialists as set out in the Attachment to GATS/SC/39".

15. The third part of his lecture was about progressive liberalization in service trade. According to the Article XIX of GATS, "members shall enter into successive rounds of negotiations with a view to achieving a progressively higher level of liberalization". It implies that each member of GATS could adjust to the progress with regard to its national policy objective and level of development. There is also flexibility for developing countries to open fewer sectors and liberalize fewer types of transactions.

16. Mr. LOW Aik Lim, Senior Manager from Singapore, delivered a lecture on Singapore's perspective of the impact of the WTO Agreement on basic telecommunication on trade in services. He also provided insights into the basic telecommunications commitments of the other APEC economies which were also members of the WTO. He informed the participants of the leadership role that APEC economies played in contributing to the success of the negotiations on basic telecommunications. He shared Singapore's view that liberalization policies within a multilateral trade framework provide stability and certainty when foreign investors enter a market. He also reminded participants that the WTO Agreement allow different economies the latitude to liberalize in a way that best suits their levels of development and particular market conditions. He remarked that the implementation of the WTO Agreement by APEC economies would help facilitate the APEC goal of building the Asia-Pacific Information Society (APIS).

17. Participants from different member economies gave their ideas about the

Agreement on Basic Telecommunications. They talked about the CPC classification of new telecom services, and it was proposed that every economy could put forward its own questions and join the discussion. In this way, every economy can gain benefits. The reclassification of telecom services was under discussion and more clarity was needed. Another focus was how to resolve the disputes about different explanation of classification. It was suggested that independent regulation was needed before getting common ideas.

18. The third topic was on Agreement on Financial Services. Mr. Adlung introduced the relationship between GATS and Financial Services. As a result of the post-Uruguay Round negotiations on financial services in 1995, an interim agreement was reached at the end of July 1995. And on December 12, 1997, a permanent, MFN-based agreement was reached.

19. Commitments under the GATS are: Members of the WTO have the possibility to choose the services sectors in which they make commitments to apply the market access and national treatment obligations. They can also maintain exemptions to the MFN obligation (MFN exemptions). Besides most–favored–nation treatment, to promote and improve transparency, market access, national treatment, and disciplines regarding domestic regulation and obligations conditional on the existence of special commitments were also among the key obligations of members on Financial Services Agreement.

20. He mentioned that telecommunication and financial services are the infrastructural core of modern economy and their ramification spreads through all sectors. He also introduced concrete terms of GATS and the documentation relevant to financial services.

21. A participant from China raised the doubt whether China will be permitted to commit as it intends to do in financial services negotiation under the situation that China now allows foreign insurers to establish branches which are regarded as a very liberal step compared with other developing countries. Mr. Adlung responded that nothing in the GATS will limit members' flexibility in deciding its liberalizing steps. The measures a member intends to maintain have to be clearly specified in its schedules.

22. In the opening discussion on the two services agreements, participants from Australia, China, Indonesia and Chinese Taipei respectively introduced their submissions.

23. Mr. Gregory Andrews, First Secretary of Australian Embassy Beijing, gave a report of Australia's experience on telecommunication services and financial services. The Australian financial services industry was fully supportive of efforts to liberalize trade in financial services and was satisfied with the final outcome of GATS negotiations. Since Australia agreed to bind legislation already in place. Australia was not required to take any further action to implement its commitments when the Fifth Protocol came into effect. As one of the most service-intensive economies in the world, Australia's view on the next steps was clear and has been stated previously in the WTO. Australia was continuing its process of continued examination and reform of its financial services sector. At the same time, They were also engaged in extensive consultations with industry to assist them in framing their negotiating priorities.

24. Mr. Guo Xiuming from Ministry of Information Industry of China gave a brief introduction of China's telecommunication. He sketched the telecommunication reform, the telecommunication regulatory work of China as well as foreign investment in Chinese telecommunication market.

25. Mr. Meng Zhaoyi, Director from China Insurance Regulatory Commission made a statement of the situation of the opening of China's insurance market. Since China started to open its insurance market on experimental basis in September 1992, 13 insurance companies from 8 countries have established 18 offices and 111 foreign insurers from 17 countries and regions have established 198 representative offices in China. Up to now, laws and regulations enacted by China to govern foreign–funded insurance companies are Insurance Law of the People's Republic of China and Contemporary Provisions Governing Foreign Insurance Companies in Shanghai. According to the latter, foreign–funded insurance companies in China can be either branch or joint venture. As China's insurance market gets continuously mature, China will further open its insurance market.

26. Mr. WANG Mingwei, Deputy Director-General from China Security Regulatory Commission, gave a brief introduction to the current status of

China's security market. He sketched the establishment of security market in China, the types of securities and other related aspects. He also made clarifications to the questions raised by participants.

27. Mr. Djatmiko Bris Witjaksono from Indonesia introduced Indonesia's commitments in Financial Services. He provided their commitments in financial services by using alternative approach as mentioned on GATS part III (market access, national treatment and additional commitment). Besides contributing in SC, Indonesia also had made MFN exemption list based on Article II part 2. With respect to joint-venture banks, licenses can only be granted to foreign banks of countries, which adopt reciprocal policies regarding Indonesian banks.

28. Mr. HSU Kuo-Gen from Chinese Taipei introduced the telecom liberalization and policy development in Chinese Taipei. The telecom industry of Chinese Taipei is in a process of rapid structural change and dramatic economic growth which reflected and stimulated by the commitments made in the GATS negotiations on basic telecommunications. During its WTO accession, Chinese Taipei committed to complete full market liberalization in July 2001 and to raise the ceiling of foreign investment to 60% in which direct shareholding is limited to 20%. Chinese Taipei also committed to adopt the regulatory framework for basic telecommunications services set forth in the WTO Reference Paper.

29. Participants showed interests in the topics of the seminar and believed that the Seminar was successful and productive. They also hope to communicate more with each other in the future. They also expressed their satisfaction and sincere gratitude to MOFTEC and Nankai University for their hospitality and successful organizational work, to the lecturers for their informative work and to APEC Secretariat for its support.

Opening Remarks

by

Mr. YI Xiaozhun, Acting Director General
on behalf of
His Excellency Mr. LONG Yongtu
Deputy Minister and Chief Representative for Trade Negotiation
Ministry of Foreign Trade and Economic Cooperation
The People's Republic of China

Distinguished Guests,
Ladies and Gentlemen,

It is my great pleasure to be here today to meet the notable key-note speakers and the representatives from APEC economies. First of all, on behalf of the Chinese Government, I wish to extend our sincere welcome to all of you. My special gratitude goes to the key-note speakers who have made great efforts to prepare the valuable presentations. I would also like to thank the APEC Budget and Management Committee for supporting this seminar and the Nankai University for co-sponsoring this occasion.

With respect to the main subjects of the seminar, as you are aware, the successful conclusion of the negotiations on Information Technology Agreement, on Basic Telecommunications Services and on Financial Services marked a great progress in the WTO. The three agreements respectively cover 93 per cent of the global information technology trade, over 91 per cent of the world telecom revenue, and 95 per cent of the global financial services market as measured in revenue. Most of the world's industrialized countries participated in these deals and many developing countries and areas large and small from virtually all the regions of the world also took part in. The three new agreements could be regarded as the greatest achievements made by the WTO since its establishment. Just as the former WTO Director General, Mr. Ruggiero, said, I quote, this is comparable to having achieved a new major round, the technological and financial round for the 21st century.

There is no doubt to say that the liberalization in these sectors will bring greater market access, promote procompetitive environment in the world, and create new opportunities for businessmen and private sectors. In the end, it will contribute to the world economic growth and the consumers worldwide will benefit from the low-price and high-quality IT products and from improved services at reduced costs. However, it should also be noted that as far as developing countries are concerned, their underdeveloped services sectors are exposed to more fierce competition from developed countries. Although we are not saying that liberlization brings more risks to developing economies, the fact is that when we talk about trade and investment liberalization, the infrastructure development and capacity building of developing countries should be given full account.

Taking into consideration the importance of three agreements with respect to trade and economic growth, this project provides an opportunity for APEC member economies to have better knowledge on the contents of three agreements and exchange views in this regard. As for business and private sectors, they will further acknowledge and take advantage of new trade and investment opportunities arising from the implementation of these agreements. In addition, this project serves as the educational process which is important for developing economies in APEC, especially at a time that many of them are still suffering from the aftermath of financial market turbulence although signs of revitalization just emerged. The better understanding of WTO agreements will also assist APEC member economies toward further participation of multilateral trade negotiation. I hope the objectives of this project will be fully achieved.

Finally, let me thank you again for your support and participation in this seminar and wish all of you a pleasant stay in Tianjin.

Welcoming Address

By

Professor Wang Shuzu

Vice Mayor of Tianjin Municipal Government

Ladies and Gentlemen,

Let me start by expressing thanks to the Ministry of Foreign Trade and Economic Cooperation and Nankai University for inviting me to the seminar on the implementation of WTO new agreements. Please also allow me, on behalf of Tianjin Municipal Government, to extend my warmest welcome to the delegates of APEC economies, WTO experts, colleagues from various ministries and commissions and all the participants present here today.

As we know, China is trying to get WTO membership by the end of this year. The seminar on the implementation of WTO new agreements is helpful for us to gain a better understanding of the contents and framework of the three important agreements, namely, the Information Technology Agreement, Basic Telecommunication Agreement and Financial Service Agreement. I believe that the seminar will contribute positively to the economic development of China and Tianjin.

I am very honored to host this event. Nankai University is one of the most prestigious universities in China. Late Premier Zhou Enlai used to study here. The University maintains close contact with Tianjin Municipal government. Suggestions made by the experts of the University have always received serious consideration of the municipal leaders. Personally, I am a part-time professor of APEC Research Center in Nankai University. It is a privilege for Nankai University and Tianjin to host such a high-profile international seminar and allow APEC economies to make acquaintance with Tianjin. The city, as a major economic center in North China, enjoys dynamic commerce and solid industrial foundation. Tianjin is also the most important port city for foreign trade, having China's largest container yard and maintaining trade links with more than 160 countries and regions in the world. Tianjin Economic and Technological Area, one of the first national-level development areas approved by the central government, has constantly improved its investment environment over the past ten years and achieved rapid economic growth and become the most attractive investment area in China and Asia at large.

Over the years, Tianjin government has been dedicated to foreign trade and economic and technical development. Asia Pacific region, one of the most dynamic regions in terms of economic growth in the world, is taking up a more and more important position in Tianjin's foreign trade and economic cooperation. Many APEC economies, including the US, Japan, Korea, Chinese Taipei, Thailand, Singapore, have established manufacturing facilities in Tianjin Development Area.

As a part-time professor of APEC Research Center in Nankai University, I have a keen interest in the progress of all APEC functions. As far as I know, one of the major objectives of APEC is to increase its influence among APEC economies. Special efforts are devoted to strengthening ties with business community and creating more opportunities for them. I believe that the business community in Tianjin shares the same aspiration. On the part of the government, we'll give gull support to their economic and technical cooperation with APEC economies.

As a local citizen, I feel proud of the long history and vitality of the city. I have full confidence in its future. Ten million hardworking Tianjin citizens will be able to make the city a more beautiful place to live in. I hope that all the participants will, in the course of this seminar, have full exchange of views with academic and business circles, acquire a broad and in-depth understanding of the city and leave the city with fond memory on mind.

Finally, I wish the seminar on WTO new agreements a crown success.

Welcoming Address

by

Professor HOU Zixin

President of Nankai Unversity

Respected guests and participants,

I am very honored to attend today's international seminar organized by the Ministry of Foreign Trade and Economic Cooperation in collaboration with APEC Research Center in Nankai University.

On behalf of Nankai University, I wish to extend my warmest welcome and most sincere greetings to delegates from WTO Secretariat, APEC economies, Chinese government agencies and experts and scholars attending this seminar.

There is no doubt about the fact that the trend of globalization is increasingly apparent. WTO, a multilateral trading system, is playing a more and more important role in the process of globalization. In post-Uruguay Round period, global trade has extended beyond traditional concept of trade to include new areas such as service, trade-related investment measures and IPR protection. The seminar will concentrate on three new WTO agreements The three WTO new agreements, namely, Basic Telecommunication Agreement, Information Technology Agreement, and Financial Service Agreement will be the major subjects for discussion. These agreements represent the latest development of global trade liberalization in respective areas and will exert profound impact on the world economy in the 21st century.

APEC, the largest regional organization for economic cooperation, is playing a more and more important role in WTO and has contributed significantly to global trade liberalization. For instance, the accelerated implementation of

Uruguay Round Agreement by APEC reflects the organization's confidence in and contribution to global trade liberalization. Another example is that APEC first proposed the basic framework of Information Technology Agreement which was then submitted to WTO before agreement was reached by extensive negotiations. Before the new round of WTO multilateral trade negotiations, I believe that the participants and experts attending this seminar would like to contribute their ideas on how APEC, an Asia-Pacific community, will be able to play a bigger role in the coming negotiations.

Although China is yet to be a WTO member, as a developing economy within APEC, China has been actively participated in all APEC activities and contributed its part to APEC trade and investment liberalization and facilitation, economic and technical cooperation. After an extended negotiation, China has come to the final and the most critical stage. In-depth understanding of the new WTO agreements will help us foresee the market conditions and environment, make corresponding industrial adjustment and weigh, from strategic perspective, pros and cons in formulating policy of related industries and making foreign economic policy adjustment. By doing so can we go for benefits without falling victim to harmful elements and ensure healthy development of national economy.

I am extremely happy that the International Seminar is held in Nankai University which is a very famous university in China. This autumn will witness its 80th birthday. Today's Seminar marks the beginning of the series of international academic seminars for the celebration. It will surely add flavor to the celebration and help create a favorable setting for subsequent functions. As a host, we are ready to provide all-round support and quality service for a smooth Seminar.

Finally, I wish the Seminar a complete success. Thank you.

List of Participants

Australia

Mr. Gregory Williamson ANDREWS
First Secretary
Australian Embassy Beijing
Tel: 86-10-6532-2331
Fax: 86-10-6532-6959

The People's Republic of China

Mr. ZHANG shaogang
Deputy Director
Department of International Trade and Economic Affairs
Ministry of Foreign Trade and Economic Cooperation
Tel: 86-10-6519 7706
Fax: 86-10-6519 7213
Email: apecdiv@moftec.gov.cn

Mr. ZHONG Chuanshui
Deputy Director
Department of International Trade and Economic Affairs
Ministry of Foreign Trade and Economic Cooperation
Tel: 86-10-6519 7706
Fax: 86-10-6519 7213
Email: apecdiv@moftec.gov.cn

Mr. GAO Bin
Department of International Trade and Economic Affairs
Ministry of Foreign Trade and Economic Cooperation
Tel: 86-10-6519 7720
Fax: 86-10-6519 7213
Email: apecdiv@moftec.gov.cn

Ms. ZHU Lingyan
Department of Foreign Trade and Economic Affairs
State Economic and Trade Commission
Tel: 86-10-6319 3228
Fax: 86-10-6319 3246

Mr. GUO Xiuming
Deputy Director
Department of Policies and Regulations
Ministry of Information Industry
Tel: 86-10-6601 2208

Fax: 86-10-6601 1310
Email: guoxm@infotron.cn.net

Mr. ZHANG Jianbin
China Telecom
Tel: 86-10-6602 7086
Fax: 86-10-6602 7229

Mr. GAO Dingxin
People's Bank of China
Tel: 86-10-6619 4734
Fax: 86-10-6601 6489

Mr. WANG Mingwei
Deputy Director General
Department of International Cooperation
China Securities Regulatory Commission
Tel: 86-10-6621 0205
Fax: 86-10-6621 0206

Ms. TAN Yajing
Department of International Cooperation
China Securities Regulatory Commission
Tel: 86-10-8806 1375
Fax: 86-10-6621 0206

Mr. MENG Zhaoyi
Director
Department of International Cooperation
China Insurance Regulatory Commission
Tel: 86-10-6601 1882
Fax: 86-10-6601 1869

Ms. DU Mo
Department of International Cooperation
China Insurance Regulatory Commission
Tel: 86-10-6602 1548
Fax: 86-10-6601 1869

Mr. GONG Zhankui
Professor
APEC Research Center
Nankai University, Tianjin
Tel: 86-22-2350 1573
Fax: 86-22-2350 0035
Email: apecnk@sun.nankai.edu.cn

Mr. LI Kunwang
Professor
Nankai University, Tianjin
Tel: 86-22-2350 1573
Fax: 86-22-2350 0035
Email: apecnk@sun.nankai.edu.cn

Mr. YAN Gang
Deputy Director of Research Department
Tianjin Commission of Foreign Economic Relations & Trade
Tel: 86-22-2330 0004
Fax: 86-22-2331 5231

Ms. ZHANG Bin
Wuhan University

Ms. ZHONG Xin
The Renmin University

Mr. WANG Huocan
Shanghai Foreign Trade College

Mr. SONG hong
Chinese Academy of Social Science

Mr. XIONG Xingmei
Nankai University

Mr. YIN Ruxiang
Nankai University

Mr. CHEN Yue
Nankai Unveristy

Mr. ZHANG Yangui
Nankai Unveristy

Mr. HAN Jinglun
Nankai Unveristy

Mr. ZHU Tong
Nankai Unveristy

Mr. LI Ronglin
Nankai Unveristy

Ms DAI Jinping
Nankai Unveristy

Mr. GAO Leyong
Nankai Unveristy

Ms. CAO Sufeng
Nankai Unveristy

Mr. CHEN Jianguo
Nankai Unveristy

Mr. SHENG Bin
Nankai Unveristy

Mr. HU Xiaoqing
Nankai Unveristy

Indonesia

Mr. Djatmiko Bris Witjaksono
Section Head of APEC-Trade Liberalization
APEC Division
Directorate for Regional Relations
Ministry of Industry and Trade
Tel: 62-21-3858203
Fax: 62-21-3858203

Malaysia

Mr. Noor-Ihsan Bin CHE MAT
Assistant Secretary
Ministry of Finance
Tel: 60-3-2582541
Fax: 60-3-2535707
Email: ihsancm@treasury.gov.my

Singapore

Mr. Gerald LOH
Senior Trade Officer
Trade Development Board
Tel: 65-433-4916
Fax: 65-337-6898
Email: Gerald_loh@tdb.gov.sg

Chinese Taipei

Mr. Hong-Chi YANG
Director of the Third Department
Board of Foreign Trade
Ministry of Economic Affairs
Tel: 886-2-2391-6258
Fax: 886-2-2321-6445

Mr. Kuo-Gen HSU
Specialist
General Planning Department
Directorate General of Telecommunications
Tel: 886-2-2343-3921
Fax: 886-2-2343-3938

Thailand

Mr. Surat SRISUWANPATAI
Senior Economist
Department of Business Economies
Ministry of Commerce
Tel: 66-2-629-1789
Fax: 66-2-629-1792

Ms. Niramon ASAVAMANEE
Assistant Director
Department of Financial Institutions Development
Bank of Thailand
Tel: 66-2-283-5830
Fax: 66-2-283-5983

Mr. Phisal JORPHOCHAUDOM
Vice President
Telecommunications Planning and Development Department
The Communications Authority of Thailand
Tel: 66-2-573 4519
Fax: 66-2-573 7093

APEC Secretariat

Mr. SUN Yuanjiang
Director (Program)
Tel: 65-276-1880
Fax: 65-276-1775

Key-note Speakers

Mr. GAO Bin
Section Chief
Department of Internation Trade and Economic Affairs
Ministry of Foreign Trade and Economic Cooperation
Tel: 86-10-6519 7720
Fax: 86-10-6519 7213
Email: apecdiv@moftec.gov.cn

Mr. Aik Lim LOW
Senior Manager
Telecommunication Authority of Singapore
Tel: 65-322-1864
Fax: 65-323-0964

Mr. Rudolf ADLUNG
Trade in Services Division
WTO Secretariat
Tel: 41-22-7395436
Fax: 41-22-7395771
Email: rudolf.adlung@wto.org

BASIC TELECOMMUNICATIONS

UNDER THE GATS

Rolf Adlung

World Trade Organization

Tianjin

May 1999

The Results of the Extended Negotiations on Basic Telecommunications:

- Market Access
- National Treatment
- Additional Commitments

(↑ The Reference Paper)

Main Provisions Governing Market Access and National Treatment:

- **MARKET ACCESS**
  - **No restrictions on number of services suppliers, value of transactions or number of operations**
  - **No ceilings on number of foreigners employed**
  - **No restriction on legal form of establishment**
  - **No foreign equity ceilings or joint venture requirements**
- **NATIONAL TREATMENT**
  - **Non-discrimination – *de facto* – with regard to *all* measures affecting the supply of a service**
- **ANY LIMITATIONS AND QUALIFICATIONS MUST BE INSCRIBED IN SCHEDULES**

The Reference Paper:

- Competitive safeguards
- Interconnection guarantees
- Neutral universal service policies
- Transparent licensing
- Independent regulator
- Fair allocation of resources (e.g. frequencies)

How Specific Commitments are structured:

HONG KONG - SCHEDULE OF SPECIFIC COMMITMENTS

Modes of supply: 1) Cross-border supply 2) Consumption abroad 3) Commercial presence 4) Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments
(a) Voice services […]	(1) None (2) None (3) None other than the following: - […] - Four licences for local fixed network services were issued in 1995. New licences will not be considered before June 1998. Whether more licences will be issued thereafter is subject to review in 1998. (4) Unbound except for intra-corporate transfer of general managers, senior managers and specialists as set out in the Attachment to GATS/SC/39.	(1) None (2) None (3) None (4) Unbound	Additional commitments on regulatory principles (Details at Annex)

General Commitments apply as well:

- Most-Favoured-Nation Treatment (unconditional) - Article II
- Transparency - Article III
- Domestic Regulation - Article VI
- No abuse of monopoly positions - Article VIII
- Consultations (↑ Business Practices, Subsidies) - Articles IX and XV
- Annex on Telecommunications

Most Favoured Nation Treatment: Article II (1) of GATS

"... each Member shall accord immediately and unconditionally to services and service suppliers of any other Member treatment no less favourable than that it accords to like services and service suppliers of any other country."

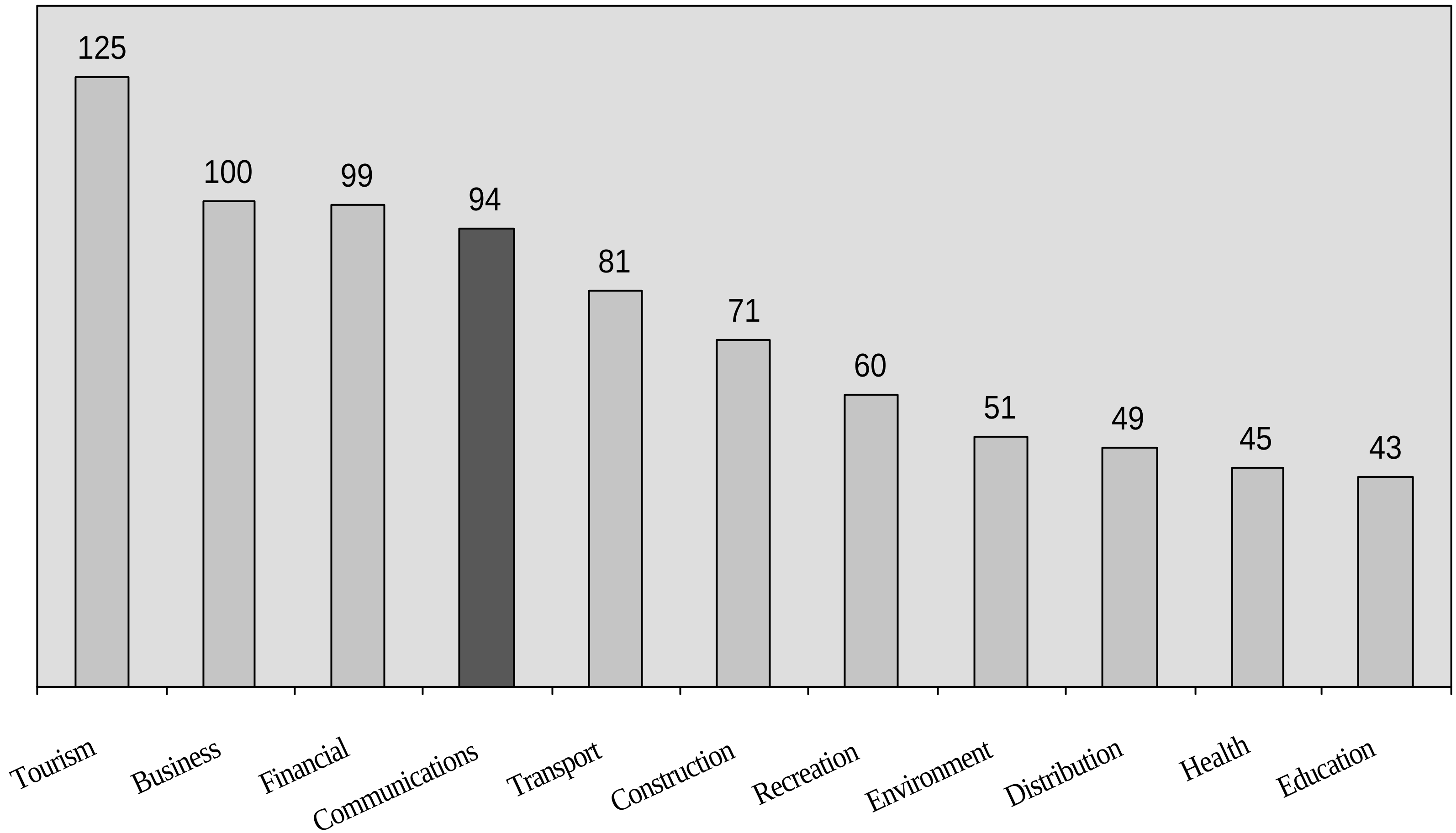
Exemptions may be listed for periods not exceeding ten years in principle.

Annex on Telecommunications:

Rules Governing Access to and Use of Public Telecom Networks and Services

- Reasonable and Non-Discriminatory Terms and Conditions
  - User Rights
  - Scope for Regulators

Commitments by Sector:



Commitments under the Fourth Protocol: (Basic Telecommunications)

- 69 governments (including EU 15)
- 4 late submissions

of these:

Liberalization of voice service:	36
Pre-commitments:	26
Inclusion of Reference Paper:	57

More on the Reference Paper:

- Interconnection guarantees
  - Non-discriminatory terms, conditions and rates;
  - Quality not less favourable than that provided for own services;
  - Timely fashion;
  - Terms, conditions and cost-oriented rates that are transparent, reasonable and sufficiently unbundled;
  - Provision of connection points in addition to the network termination points offered to most users.

Progressive Services Liberalization:

Article XIX of GATS:

"… Members shall enter into successive rounds of negotiations … with a view to achieving a progressively higher level of liberalization …"

- Due respect for national policy objectives and levels of development
- Flexibility for developing countries to open fewer sectors and liberalize fewer types of transactions

Article IV:1:

- Facilitate increasing participation of developing country Members in world trade

(access to technology, access to distribution channels,

liberalization of sectors and modes of export interest)

MINISTERIAL DECLARATION ON TRADE IN INFORMATION TECHNOLOGY PRODUCTS

SINGAPORE, 13 DECEMBER 1996

Ministers,

Representing the following Members of the World Trade Organization (?WTO?), and States or separate customs territories in the process of acceding to the WTO, which have agreed in Singapore on the expansion of world trade in information technology products and which account for well over 80 per cent of world trade in these products ("parties"):

Australia
Canada
European Communities
Hong Kong
Iceland
Indonesia
Japan
Korea
Norway
Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu
Singapore
Switzerland[1]
Turkey
United States

Considering the key role of trade in information technology products in the development of information industries and in the dynamic expansion of the world economy,

Recognizing the goals of raising standards of living and expanding the production of and trade in goods;

Desiring to achieve maximum freedom of world trade in information technology products;

Desiring to encourage the continued technological development of the information technology industry on a world-wide basis;

Mindful of the positive contribution information technology makes to global economic growth and welfare;

Having agreed to put into effect the results of these negotiations which involve concessions additional to those included in the Schedules attached to the Marrakesh Protocol to the General Agreement on Tariffs and Trade 1994, and

Recognizing that the results of these negotiations also involve some concessions offered in negotiations leading to the establishment of Schedules annexed to the Marrakesh Protocol,

Declare as follows:

1. Each party's trade regime should evolve in a manner that enhances market access opportunities for information technology products.

2. Pursuant to the modalities set forth in the Annex to this Declaration, each party shall bind and eliminate customs duties and other duties and charges of any kind, within the meaning of Article II:1(b) of the General Agreement on Tariffs and Trade 1994, with respect to the following:

[1]On behalf of the customs union Switzerland and Liechtenstein.

(a) all products classified (or classifiable) with Harmonized System (1996) (?HS?) headings listed in Attachment A to the Annex to this Declaration; and

(b) all products specified in Attachment B to the Annex to this Declaration, whether or not they are included in Attachment A;

through equal rate reductions of customs duties beginning in 1997 and concluding in 2000, recognizing that extended staging of reductions and, before implementation, expansion of product coverage may be necessary in limited circumstances.

3. Ministers express satisfaction about the large product coverage outlined in the Attachments to the Annex to this Declaration. They instruct their respective officials to make good faith efforts to finalize plurilateral technical discussions in Geneva on the basis of these modalities, and instruct these officials to complete this work by 31 January 1997, so as to ensure the implementation of this Declaration by the largest number of participants.

4. Ministers invite the Ministers of other Members of the WTO, and States or separate customs territories in the process of acceding to the WTO, to provide similar instructions to their respective officials, so that they may participate in the technical discussions referred to in paragraph 3 above and participate fully in the expansion of world trade in information technology products.

Annex: Modalities and Product Coverage

Attachment A: list of HS headings

Attachment B: list of products

ANNEX

Modalities and Product Coverage

Any Member of the World Trade Organization, or State or separate customs territory in the process of acceding to the WTO, may participate in the expansion of world trade in information technology products in accordance with the following modalities:

1. Each participant shall incorporate the measures described in paragraph 2 of the Declaration into its schedule to the General Agreement on Tariffs and Trade 1994, and, in addition, at either its own tariff line level or the Harmonized System (1996) (?HS?) 6-digit level in either its official tariff or any other published versions of the tariff schedule, whichever is ordinarily used by importers and exporters. Each participant that is not a Member of the WTO shall implement these measures on an autonomous basis, pending completion of its WTO accession, and shall incorporate these measures into its WTO market access schedule for goods.

2. To this end, as early as possible and no later than 1 March 1997 each participant shall provide all other participants a document containing (a) the details concerning how the appropriate duty treatment will be provided in its WTO schedule of concessions, and (b) a list of the detailed HS headings involved for products specified in Attachment B. These documents will be reviewed and approved on a consensus basis and this review process shall be completed no later than 1 April 1997. As soon as this review process has been completed for any such document, that document shall be submitted as a modification to the Schedule of the participant concerned, in accordance with the Decision of 26 March 1980 on Procedures for Modification and Rectification of Schedules of Tariff Concessions (BISD 27S/25).

(a) The concessions to be proposed by each participant as modifications to its Schedule shall bind and eliminate all customs duties and other duties and charges of any kind on information technology products as follows:

(i) elimination of such customs duties shall take place through rate reductions in equal steps, except as may be otherwise agreed by the participants. Unless otherwise agreed by the participants, each participant shall bind all tariffs on items listed in the Attachments no later than 1 July 1997, and shall make the first such rate reduction effective no later than 1 July 1997, the second such rate reduction no later than 1 January 1998, and the third such rate reduction no later than 1 January 1999, and the elimination of customs duties shall be completed effective no later than 1 January 2000. The participants agree to encourage autonomous elimination of customs duties prior to these dates. The reduced rate should in each stage be rounded off to the first decimal; and

(ii) elimination of such other duties and charges of any kind, within the meaning of Article II:1(b) of the General Agreement, shall be completed by 1 July 1997, except as may be otherwise specified in the participant?s document provided to other participants for review.

(b) The modifications to its Schedule to be proposed by a participant in order to implement its binding and elimination of customs duties on information technology products shall achieve this result:

(i) in the case of the HS headings listed in Attachment A, by creating, where appropriate, sub-divisions in its Schedule at the national tariff line level; and

(ii) in the case of the products specified in Attachment B, by attaching an annex to its Schedule including all products in Attachment B, which is to specify the detailed HS headings for those products at either the national tariff line level or the HS 6-digit level.

Each participant shall promptly modify its national tariff schedule to reflect the modifications it has proposed, as soon as they have entered into effect.

3. Participants shall meet periodically under the auspices of the Council on Trade in Goods to review the product coverage specified in the Attachments, with a view to agreeing, by consensus, whether in the light of technological developments, experience in applying the tariff concessions, or changes to the HS nomenclature, the Attachments should be modified to incorporate additional products, and to consult on non-tariff barriers to trade in information technology products. Such consultations shall be without prejudice to rights and obligations under the WTO Agreement.

4. Participants shall meet as soon as practicable and in any case no later than 1 April 1997 to review the state of acceptances received and to assess the conclusions to be drawn therefrom. Participants will implement the actions foreseen in the Declaration provided that participants representing approximately 90 per cent of world trade[2] in information technology products have by then notified their acceptance, and provided that the staging has been agreed to the participants? satisfaction. In assessing whether to implement actions foreseen in the Declaration, if the percentage of world trade represented by participants falls somewhat short of 90 per cent of world trade in information technology products, participants may take into account the extent of the participation of States or separate customs territories representing for them the substantial bulk of their own trade in such products. At this meeting the participants will establish whether these criteria have been met.

5. Participants shall meet as often as necessary and no later than 30 September 1997 to consider any divergence among them in classifying information technology products, beginning with the products specified in Attachment B. Participants agree on the common objective of achieving, where appropriate, a common classification for these products within existing HS nomenclature, giving consideration to interpretations and rulings of the Customs Co-operation Council (also known as the World Customs Organization or ?WCO?). In any instance in which a divergence in classification remains, participants will consider whether a joint suggestion could be made to the WCO with regard to updating existing HS nomenclature or resolving divergence in interpretation of the HS nomenclature.

6. The participants understand that Article XXIII of the General Agreement will address nullification or impairment of benefits accruing directly or indirectly to a WTO Member participant through the implementation of this Declaration as a result of the application by another WTO Member participant of any measure, whether or not that measure conflicts with the provisions of the General Agreement.

7. Each participant shall afford sympathetic consideration to any request for consultation from any other participant concerning the undertakings set out above. Such consultations shall be without prejudice to rights and obligations under the WTO Agreement.

8. Participants acting under the auspices of the Council for Trade in Goods shall inform other Members of the WTO and States or separate customs territories in the process of acceding to the WTO of these modalities and initiate consultations with a view to facilitate their participation in the expansion of trade in information technology products on the basis of the Declaration.

9. As used in these modalities, the term "participant" shall mean those Members of the WTO, or States or separate customs territories in the process of acceding to the WTO, that provide the document

[2]This percentage shall be calculated by the WTO Secretariat on the basis of the most recent data available at the time of the meeting.

described in paragraph 2 no later than 1 March 1997.

10. This Annex shall be open for acceptance by all Members of the WTO and any State or any separate customs territory in the process of acceding to the WTO. Acceptances shall be notified in writing to the Director-General who shall communicate them to all participants.

There are two attachments to the Annex.
Attachment A lists the HS headings or parts thereof to be covered.
Attachment B lists specific products to be covered by an ITA wherever they are classified in the HS .

Attachment A, Section 1

	HS96		HS description
	3818		**Chemical elements doped for use in electronics, in form of discs, wafers or similar forms; chemical compounds doped for use in electronics**
	8469	**11**	**Word processing machines**
	8470		**Calculating machines and pocket-size data recording, reproducing and displaying machines with a calculating function; accounting machines, postage franking machines, ticket-issuing machines and similar machines, incorporating a calculating devices; cash registers:**
	8470	10	Electronic calculators capable of operating without an external source of electric power and pocket size data recording, reproducing and displaying machines with calculating functions
	8470	21	Other electronic calculating machines incorporating a printing device
	8470	29	Other
	8470	30	Other calculating machines
	8470	40	Accounting machines
	8470	50	Cash registers
	8470	90	Other
	8471		**Automatic data processing machines and units thereof; magnetic or optical readers, machines for transcribing data onto data media in coded form and machines for processing such data, not elsewhere specified or included:**
	8471	10	Analogue or hybrid automatic data processing machines
	8471	30	Portable digital automatic data processing machines, weighing no more than 10 kg, consisting of at least a central processing unit, a keyboard and a display
	8471	41	Other digital automatic data processing machines comprising in the same housing at least a central processing unit and an input and output unit, whether or not combined
	8471	49	Other digital automatic data processing machines presented in the form of systems
	8471	50	Digital processing units other than those of subheading 8471 41 and 8471 49, whether or not in the same housing one or two of the following types of units : storage units, input units, output units
	8471	60	Input or output units, whether or not containing storage units in the same housing
	8471	70	Storage units, including central storage units, optical disk storage units, hard disk drives and magnetic tape storage units
	8471	80	Other units of automatic data processing machines
	8471	90	Other
ex	**8472**	**90**	**Automatic teller machines**
	8473	**21**	**Parts and accessories of the machines of heading No 8470 of the electronic calculating machines of subheading 8470 10, 8470 21 and 8470 29**
	8473	**29**	**Parts and accessories of the machines of heading No 8470 other than the electronic calculating machines of subheading 8470 10, 8470 21 and 8470 29**
	8473	**30**	**Parts and accessories of the machines of heading No 8471**
	8473	**50**	**Parts and accessories equally suitable for use with machines of two or more of the headings Nos. 8469 to 8472**
ex	**8504**	**40**	**Static converters for automatic data processing machines and units thereof, and telecommunication apparatus**
ex	**8504**	**50**	**Other inductors for power supplies for automatic data processing machines and units thereof, and telecommunication apparatus**

	8517		**Electrical apparatus for line telephony or line telegraphy, including line telephone sets with cordless handsets and telecommunication apparatus for carrier-current line systems or for digital line systems; videophones:**
	8517	11	Line telephone sets with cordless handsets
	8517	19	Other telephone sets and videophones
	8517	21	Facsimile machines
	8517	22	Teleprinters
	8517	30	Telephonic or telegraphic switching apparatus
	8517	50	Other apparatus, for carrier-current line systems or for digital line systems
	8517	80	Other apparatus including entry-phone systems
	8517	90	Parts of apparatus of heading 8517
ex	**8518**	**10**	**Microphones having a frequency range of 300 Hz to 3,4 KHz with a diameter of not exceeding 10 mm and a height not exceeding 3 mm, for telecommunication use**
ex	**8518**	**30**	**Line telephone handsets**
ex	**8518**	**29**	**Loudspeakers, without housing, having a frequency range of 300 Hz to 3,4 KHz with a diameter of not exceeding 50 mm, for telecommunication use**
	8520	**20**	**Telephone answering machines**
	8523	**11**	**Magnetic tapes of a width not exceeding 4 mm**
	8523	**12**	**Magnetic tapes of a width exceeding 4 mm but not exceeding 6,5 mm**
	8523	**13**	**Magnetic tapes of a width exceeding 6,5 mm**
	8523	**20**	**Magnetic discs**
	8523	**90**	**Other**
	8524	**31**	**Discs for laser reading systems for reproducing phenomena other than sound or image**
ex	**8524**	**39**	**Other :** **- for reproducing representations of instructions, data, sound, and image, recorded in a machine readable binary form, and capable of being manipulated or providing interactivity to a user, by means of an automatic data processing machine**
	8524	**40**	**Magnetic tapes for reproducing phenomena other than sound or image**
	8524	**91**	**Media for reproducing phenomena other than sound or image**
ex	**8424**	**99**	**Other :** **- for reproducing representations of instructions, data, sound, and image, recorded in a machine readable binary form, and capable of being manipulated or providing interactivity to a user, by means of an automatic data processing machine**
ex	**8525**	**10**	**Transmission apparatus other than apparatus for radio-broadcasting or television**
	8525	**20**	**Transmission apparatus incorporating reception apparatus**
ex	**8525**	**40**	**Digital still image video cameras**
ex	**8527**	**90**	**Portable receivers for calling, alerting or paging**
ex	**8529**	**10**	**Aerials or antennae of a kind used with apparatus for radio-telephony and radio-telegraphy**
ex	**8529**	**90**	**Parts of:** **transmission apparatus other than apparatus for radio-broadcasting or television** **transmission apparatus incorporating reception apparatus** **digital still image video cameras,** **portable receivers for calling, alerting or paging**
	8531	**20**	**Indicator panels incorporating liquid crystal devices (LCD) or light emitting diodes (LED)**
ex	**8531**	**90**	**Parts of apparatus of subheading 8531 20**
	8532		**Electrical capacitors, fixed, variable or adjustable (pre-set):**
	8532	10	Fixed capacitors designed for use in 50/60 Hz circuits and having a reactive power handling capacity of not less than 0,5 kvar (power capacitors)
	8532	21	Tantalum fixed capacitors
	8532	22	Aluminium electrolytic fixed capacitors
	8532	23	Ceramic dielectric, single layer fixed capacitors

	8532	24	Ceramic dielectric, multilayer fixed capacitors
	8532	25	Dielectric fixed capacitors of paper or plastics
	8532	29	Other fixed capacitors
	8532	30	Variable or adjustable (pre-set) capacitors
	8532	90	Parts
	8533		**Electrical resistors (including rheostats and potentiometers), other than heating resistors:**
	8533	10	Fixed carbon resistors, composition or film types
	8533	21	Other fixed resistors for a power handling capacity not exceeding 20 W
	8533	29	Other fixed resistors for a power handling capacity of 20 W or more
	8533	31	Wirewound variable resistors, including rheostats and potentiometers, for a power handling capacity not exceeding 20 W
	8533	39	Wirewound variable resistors, including rheostats and potentiometers, for a power handling capacity of 20 W or more
	8533	40	Other variable resistors, including rheostats and potentiometers
	8533	90	Parts
	8534		**Printed circuits**
ex	**8536**	**50**	**Electronic AC switches consisting of optically coupled input and output circuits (Insulated thyristor AC switches)**
ex	**8536**	**50**	**Electronic switches, including temperature protected electronic switches, consisting of a transistor and a logic chip (chip-on-chip technology) for a voltage not exceeding 1000 volts**
ex	**8536**	**50**	**Electromechanical snap-action switches for a current not exceeding 11 amps**
ex	**8536**	**69**	**Plugs and sockets for co-axial cables and printed circuits**
ex	**8536**	**90**	**Connection and contact elements for wires and cables**
	8541		**Diodes, transistors and similar semiconductor devices; photosensitive semiconductor devices, including photovoltaic cells whether or not assembled in modules or made up into panels; light-emitting diodes; mounted piezo-electric crystals:**
	8541	10	Diodes, other than photosensitive or light-emitting diodes
	8541	21	Transistors, other than photosensitive transistors, with a dissipation rate of less than 1 W
	8541	29	Transistors, other than photosensitive transistors, with a dissipation rate of 1 W or more
	8541	30	Thyristors, diacs and triacs, other than photosensitive devices
	8541	40	Photosensitive semiconductor devices, including photovoltaic cells whether or not assembled in modules or made up into panels; light emitting diodes
	8541	50	Other semiconductor devices
	8541	60	Mounted piezo-electric crystals
	8541	90	Parts
	8542		**Electronic integrated circuits and microassemblies**
	8542	12	Cards incorporating an electronic integrated circuit ('smart' cards)
	8542	13	Metal oxide semiconductors (MOS technology)
	8542	14	Circuits obtained by bipolar technology
	8542	19	Other monolithic digital integrated circuits, including circuits obtained by a combination of bipolar and MOS technologies (BIMOS technology)
	8542	30	Other monolithic integrated circuits
	8542	40	Hybrid integrated circuits
	8542	50	Electronic microassemblies
	8542	90	Part
	8543	**81**	**Proximity cards and tags**
ex	**8543**	**89**	**Electrical machines with translation or dictionary functions**
ex	**8544**	**41**	**Other electric conductors, for a voltage not exceeding 80 V, fitted with connectors, of a kind used for telecommunications**

ex	**8544**	**49**	**Other electric conductors, for a voltage not exceeding 80 V, not fitted with connectors, of a kind used for telecommunications**
ex	**8544**	**51**	**Other electric conductors, for a voltage exceeding 80 V but not exceeding 1000 V, fitted with connectors, of a kind used for telecommunications**
	8544	**70**	**Optical fibre cables**
	9009	**11**	**Electrostatic photocopying apparatus, operating by reproducing the original image directly onto the copy (direct process)]**
	9009	**21**	**Other photocopying apparatus, incorporating an optical system**
	9009	**90**	**Parts and accessories**
	9026		**Instruments and apparatus for measuring or checking the flow, level, pressure or other variables of liquids or gases (for example, flow meters, level gauges, manometers, heat meters), excluding instruments and apparatus of heading No 9014, 9015, 9028 or 9032:**
	9026	10	Instruments for measuring or checking the flow or level of liquids
	9026	20	Instruments and apparatus for measuring or checking pressure
	9026	80	Other instruments and apparatus for measuring or checking of heading 9026
	9026	90	Parts and accessories of instruments and apparatus of heading 9026
	9027	**20**	**Chromatographs and electrophoresis instruments**
	9027	**30**	**Spectrometers, spectrophotometers and spectrographs using optical radiations (UV, visible, IR)**
	9027	**50**	**Other instruments and apparatus using optical radiations (UV, visible, IR) of heading No 9027**
	9027	**80**	**Other instruments and apparatus of heading No 9027 (other than those of heading No 9027 10)**
ex	**9027**	**90**	**Parts and accessories of products of heading 9027, other than for gas or smoke analysis apparatus and microtomes**
	9030	**40**	**Instruments and apparatus for measuring and checking, specially designed for telecommunications (for example, cross-talk meters, gain measuring instruments, distorsion factor meters, psophometers)**

Attachment A, Section 2

Semiconductor manufacturing and testing equipment and parts thereof

	HS Code	Description	Comments
ex	7017 10	Quartz reactor tubes and holders designed for insertion into diffusion and oxidation furnaces for production of semiconductor wafers	For Attachment B
ex	8419 89	Chemical vapor deposition apparatus for semiconductor production	For Attachment B
ex	8419 90	Parts of chemical vapor deposition apparatus for semiconductor production	For Attachment B
ex	8421 19	Spin dryers for semiconductor wafer processing	
ex	8421 91	Parts of spin dryers for semiconductor wafer processing	
ex	8424 89	Deflash machines for cleaning and removing contaminants from the metal leads of semiconductor packages prior to the electroplating process	
ex	8424 89	Spraying appliances for etching, stripping or cleaning semiconductor wafers	
ex	8424 90	Parts of spraying appliances for etching, stripping or cleaning semiconductor wafers	
ex	8456 10	Machines for working any material by removal of material, by laser or other light or photo beam in the production of semiconductor wafers	
ex	8456 91	Apparatus for stripping or cleaning semiconductor wafers	For Attachment B
	8456 91	Machines for dry-etching patterns on semiconductor materials	
ex	8456 99	Focused ion beam milling machines to produce or repair masks and reticles for patterns on semiconductor devices	
ex	8456 99	Lasercutters for cutting contacting tracks in semiconductor production by laser beam	For Attachment B
ex	8464 10	Machines for sawing monocrystal semiconductor boules into slices, or wafers into chips	For Attachment B
ex	8464 20	Grinding, polishing and lapping machines for processing of semiconductor wafers	
ex	8464 90	Dicing machines for scribing or scoring semiconductor wafers	
ex	8466 91	Parts for machines for sawing monocrystal semiconductor boules into slices, or wafers into chips	For Attachment B
ex	8466 91	Parts of dicing machines for scribing or scoring semiconductor wafers	For Attachment B
ex	8466 91	Parts of grinding, polishing and lapping machines for processing of semiconductor wafers	
ex	8466 93	Parts of focused ion beam milling machines to produce or repair masks and reticles for patterns on semiconductor devices	
ex	8466 93	Parts of lasercutters for cutting contacting tracks in semiconductor production by laser beam	For Attachment B
ex	8466 93	Parts of machines for working any material by removal of material, by laser or other light or photo beam in the production of semiconductor wafers	
ex	8456 93	Parts of apparatus for stripping or cleaning semiconductor wafers	For Attachment B
ex	8466 93	Parts of machines for dry-etching patterns on semiconductor materials	
ex	8477 10	Encapsulation equipment for assembly of semiconductors	For Attachment B
ex	8477 90	Parts of encapsulation equipment	For Attachment B
ex	8479 50	Automated machines for transport, handling and storage of semiconductor wafers, wafer cassettes, wafer boxes and other material for semiconductor devices	For Attachment B
ex	8479 89	Apparatus for growing or pulling monocrystal semiconductor boules	
ex	8479 89	Apparatus for physical deposition by sputtering on semiconductor wafers	For Attachment B
ex	8479 89	Apparatus for wet etching, developing, stripping or cleaning semiconductor wafers and flat panel displays	For Attachment B

ex	8479 89	Die attach apparatus, tape automated bonders, and wire bonders for assembly of semiconductors	For Attachment B
ex	8479 89	Encapsulation equipment for assembly of semiconductors	For Attachment B
ex	8479 89	Epitaxial deposition machines for semiconductor wafers	
ex	8479 89	Machines for bending, folding and straightening semiconductor leads	For Attachment B
ex	8479 89	Physical deposition apparatus for for semiconductor production	For Attachment B
ex	8479 89	Spinners for coating photographic emulsions on semiconductor wafers	For Attachment B
ex	8479 90	Part of apparatus for physical deposition by sputtering on semiconductor wafers	For Attachment B
ex	8479 90	Parts for die attach apparatus, tape automated bonders, and wire bonders for assembly of semiconductors	For Attachment B
ex	8479 90	Parts for spinners for coating photographic emulsions on semiconductor wafers	For Attachment B
ex	8479 90	Parts of apparatus for growing or pulling monocrystal semiconductor boules	
ex	8479 90	Parts of apparatus for wet etching, developing, stripping or cleaning semiconductor wafers and flat panel displays	For Attachment B
ex	8479 90	Parts of automated machines for transport, handling and storage of semiconductor wafers, wafer cassettes, wafer boxes and other material for semiconductor devices	For Attachment B
ex	8479 90	Parts of encapsulation equipment for assembly of semiconductors	For Attachment B
ex	8479 90	Parts of epitaxial deposition machines for semiconductor wafers	
ex	8479 90	Parts of machines for bending, folding and straightening semiconductor leads	For Attachment B
ex	8479 90	Parts of physical deposition apparatus for for semiconductor production	For Attachment B
ex	8480 71	Injection and compression moulds for the manufacture of semiconductor devices	
ex	8514 10	Resistance heated furnaces and ovens for the manufacture of semiconductor devices on semiconductor wafers	
ex	8514 20	Inductance or dielectric furnaces and ovens for the manufacture of semiconductor devices on semiconductors wafers	
ex	8514 30	Apparatus for rapid heating of semiconductor wafers	For Attachment B
ex	8514 30	Parts of resistance heated furnaces and ovens for the manufacture of semiconductor devices on semiconductor wafers	
ex	8514 90	Parts of apparatus for rapid heating of wafers	For Attachment B
ex	8514 90	Parts of furnaces and ovens of Headings No 8514 10 to No 8514 30	
ex	8536 90	Wafer probers	For Attachment B
	8543 11	Ion implanters for doping semiconductor materials	
ex	8543 30	Apparatus for wet etching, developing, stripping or cleaning semiconductor wafers and flat panel displays	For Attachment B
ex	8543 90	Parts of apparatus for wet etching, developing, stripping or cleaning semiconductor wafers and flat panel displays	For Attachment B
ex	8543 90	Parts of ion implanters for doping semiconductor materials	
	9010 41 to 9010 49	Apparatus for projection, drawing or plating circuit patterns on sensitized semiconductor materials and flat panel displays	
ex	9010 90	Parts and accessories of the apparatus of Headings No 9010 41 to 9010 49	
ex	9011 10	Optical stereoscopic microscopes fitted with equipment specifically designed for the handling and transport of semiconductor wafers or reticles	For Attachment B
ex	9011 20	Photomicrographic microscopes fitted with equipment specifically designed for the handling and transport of semiconductor wafers or reticles	For Attachment B
ex	9011 90	Parts and accessories of optical stereoscopic microscopes fitted with equipment specifically designed for the handling and transport of semiconductor wafers or reticles	For Attachment B

ex	9011 90	Parts and accessories of photomicrographic microscopes fitted with equipment specifically designed for the handling and transport of semiconductor wafers or reticles	For Attachment B
ex	9012 10	Electron beam microscopes fitted with equipment specifically designed for the handling and transport of semiconductor wafers or reticles	For Attachment B
ex	9012 90	Parts and accessories of electron beam microscopes fitted with equipment specifically designed for the handling and transport of semiconductor wafers or reticles	For Attachment B
ex	9017 20	Pattern generating apparatus of a kind used for producing masks or reticles from photoresis t coated substrates	For Attachment B
ex	9017 90	Parts and accessories for pattern generating apparatus of a kind used for producing masks or reticles from photoresist coated substrates	For Attachment B
ex	9017 90	Parts of such pattern generating apparatus	For Attachment B
	9030 82	Instruments and apparatus for measuring or checking semiconductor wafers or devices	
ex	9030 90	Parts and accessories of instruments and apparatus for measuring or checking semiconductor wafers or devices	
ex	9030 90	Parts of instruments and appliances for measuring or checking semiconductor wafers or devices	
	9031 41	Optical instruments and appliances for inspecting semiconductor wafers or devices or for inspecting masks, photomasks or reticles used in manufacturing semiconductor devices	
ex	9031 49	Optical instruments and appliances for measuring surface particulate contamination on semiconductor wafers	
ex	9031 90	Parts and accessories of optical instruments and appliances for inspecting semiconductor wafers or devices or for inspecting masks, photomasks or reticles used in manufacturing semiconductor devices	
ex	9031 90	Parts and accessories of optical instruments and appliances for measuring surface particulate contamination on semiconductor wafers	

Attachment B

Positive list of specific products to be covered by this agreement wherever they are classified in the HS. Where parts are specified, they are to be covered in accordance with HS Notes 2(b) to Section XVI and Chapter 90, respectively.

Computers: automatic data processing machines capable of 1) storing the processing program or programs and at least the data immediately necessary for the execution of the program; 2) being freely programmed in accordance with the requirements of the user; 3) performing arithmetical computations specified by the user; and 4) executing, without human intervention, a processing program which requires them to modify their execution, by logical decision during the processing run. The agreement covers such automatic data processing machines whether or not they are able to receive and process with the assistance of central processing unit telephony signals, television signals, or other analogue or digitally processed audio or video signals. Machines performing a specific function other than data processing, or incorporating or working in conjunction with an automatic data processing machine, and not otherwise specified under Attachment A or B, are not covered by this agreement.
Electric amplifiers when used as repeaters in line telephony products falling within this agreement, and parts thereof
Flat panel displays (including LCD, Electro Luminescence, Plasma and other technologies) for products falling within this agreement, and parts thereof.
Network equipment: Local Area Network (LAN) and Wide Area Network (WAN) apparatus, including those products dedicated for use solely or principally to permit the interconnection of automatic data processing machines and units thereof for a network that is used primarily for the sharing of resources such as central processor units, data storage devices and input or output units - including adapters, hubs, in-line repeaters, converters, concentrators, bridges and routers, and printed circuit assemblies for physical incorporation into automatic data processing machines and units thereof.
Monitors : display units of automatic data processing machines with a cathode ray tube with a dot screen pitch smaller than 0,4 mm not capable of receiving and processing television signals or other analogue or digitally processed audio or video signals without assistance of a central processing unit of a computer as defined in this agreement. The agreement does not, therefore, cover televisions, including high definition televisions.[3]
Optical disc storage units, for automatic data processing machines (including CD drives and DVD-drives), whether or not having the capability of writing/recording as well as reading, whether or not in their own housings.
Paging alert devices, and parts thereof .
Plotters whether input or output units of HS heading No 8471 or drawing or drafting machines of HS heading No 9017.
Printed Circuit Assemblies for products falling within this agreement, including such assemblies for external connections such as cards that conform to the PCMCIA standard. Such printed circuit assemblies consist of one or more printed circuits of heading 8534 with one or more active elements assembled thereon, with or without passive elements "Active elements" means diodes, transistors, and similar semiconductor devices, whether or not photosensitive, of heading 8541, and integrated circuits and micro assemblies of heading 8542.
Projection type flat panel display units used with automatic data processing machines which can display digital information generated by the central processing unit.
Proprietary format storage devices including media therefor for automatic data processing machines, with or without removable media and whether magnetic, optical or other technology, including Bernoulli Box, Syquest, or Zipdrive cartridge storage units.
Multimedia upgrade kits for automatic data processing machines, and units thereof, put up for retail sale, consisting of, at least, speakers and/or microphones as well as a printed circuit assembly that enables the ADP machines and units thereof to process audio signals (sound cards).
Set top boxes which have a communication function: a microprocessor-based device incorporating a modem for gaining access to the Internet, and having a function of interactive information exchange

[3] Participants will conduct a review of this product description in January 1999 under the consultation provisions of paragraph 3 of the Declaration

The GATS and Financial Services

World Trade Organization

Tianjin

May 1999

WTO OMC

Uruguay Round Negotiations

- **Negotiations on financial services were not concluded at the end of the Uruguay Round in 1993, and had to be extended until end-June 1995. This deadline was further extended to end-July 1995.**

Financial Services Negotiations in 1995

- **As a result of the post-Uruguay Round negotiations on financial services in 1995, an interim agreement was reached at the end of July 1995; this agreement entered into force on 1 September 1996.***

***For a small number of Members, it entered into force at a later date due to procedural delays. Two Members have not yet ratified the agreement also due to procedural delays.**

Commitments annexed to the Second Protocol to the GATS

- **43 Members (in 29 schedules) improved their commitments at the end of these negotiations.**

- **However, some countries, including the United States, were not satisfied with the results, and took broad MFN exemptions based on reciprocity.**

- **It was decided to conduct further negotiations in 1997.**

Negotiations in 1997

- **The negotiations started in April 1997.**
- **These negotiations resulted in a permanent, MFN-based agreement on 12 December 1997.**

Commitments annexed to the Fifth Protocol to the GATS

- **A total of 70 WTO Member countries made improved commitments in 56 schedules. Those schedules are annexed to the Fifth Protocol to the GATS;**
- **The Protocol is expected to enter into force by 1 March 1999, after ratification and acceptance by the Members concerned;**
- **Significant improvements were made in the financial services commitments of Members.**

Acceptance of the Fifth Protocol

- **17 Members have not yet accepted the Fifth Protocol formally.**

- **They have until 15 June 1999 to accept.**

What is the use of GATS Commitments ?

- **The commitments made under the GATS will:**
  - **Create new opportunities and provide greater security for financial service suppliers;**
  - **Promote the efficient functioning of financial markets; and through these,**
  - **Enable the consumers - firms as well as individuals - to benefit from the efficient supply of a wider variety of reasonably priced financial services.**

The GATS and Financial Stability

- **There is nothing in the GATS that would put the financial stability of a country at risk.**
- **The GATS can help build financial stability through:**
  - **Creating a stable and transparent legal environment for investors;**
  - **Building a resilient financial system through injection of foreign capital and expertise.**

Coverage of the GATS

- The GATS covers all tradable services, including financial services, except governmental services
- It covers not just services supplied across borders, but also all other means of supplying a service, including the establishment of commercial presence*

*Includes subsidiaries, branches and representative offices

Key Obligations

- Most-favoured-nation treatment (MFN)
- Transparency
- Market Access*
- National Treatment*
- Disciplines regarding domestic regulation*

*Obligations conditional on the existence of specific commitments

Commitments under the GATS

- Members of the WTO have the possibility to choose the services sectors in which they make commitments to apply the market access and national treatment obligations

- They can also maintain exemptions to the MFN obligation (MFN exemptions)

The Understanding on Commitments in Financial Services

- Optional text containing a formula approach to liberalization, as an alternative to the normal scheduling approach

- 26 Members have adopted the Understanding so far; five more Members have decided to adopt it with the entry into force of the Fifth Protocol

List of financial services in the Annex on Financial Services

- Financial Services include:
  - – insurance and insurance-related services
  - – banking and other financial services, including not only traditional banking services, but also a whole range of other financial services such as trading in securities, derivatives and foreign exchange; settlement and clearing services; asset management; and provision and transfer of financial information

Typical Market Access Limitations

- **Limitations on the number of service suppliers or the application of an economic needs test; e.g. only a fixed number of bank licenses granted per year.**
- **Limitations on the value of transactions or assets; e.g. only a fixed aggregate amount of loans can be made to residents by foreign banks.**
- **Limitations on the number of operations or on the total quantity of service output; e.g. only a fixed number of bank branches or a fixed total amount of bank lending in local currency allowed.**

Typical Market Access Limitations (continued)

- **Limitations on the total number of natural persons that may be employed; e.g. only ten foreign personnel allowed for each establishment of a bank.**
- **Measures which restrict or require specific types of legal entity or joint venture; e.g. only incorporated subsidiaries of banks allowed.**
- **Limitations on the participation of foreign capital; e.g. only 51% foreign ownership allowed in banks.**

Typical National Treatment Limitations

- **Nationality or residency requirements on the directors of a bank;**
- **Requirement to invest certain amounts of assets in local currency;**
- **Restrictions on the acquisition of land by foreign financial institutions;**
- **Special subsidy or tax privilege granted to domestic institutions only;**
- **Special operational limits (limitations on the location of branches, prohibition of promotional activities, for example) applying only to branches or operations of foreign institutions.**

Prudential Measures

- **The GATS Annex on Financial Services allows Members to take measures for prudential reasons**
  - **Prudential measures are measures taken for prudential reasons, *including* for the protection of investors, depositors, policy holders or persons to whom a fiduciary duty is owed by a financial service supplier, or to ensure the integrity and stability of the financial system**
  - **Prudential measures shall not be used as a means of avoiding the Member's commitments or obligations under the GATS**

Typical Prudential Measures

- **Capital adequacy ratios and solvency margin requirements**
- **Restrictions on credit concentration or portfolio allocation**
- **Requirements for preserving asset quality (provisioning or classification requirements)**
- **Liquidity ratios**

Typical Prudential Measures (continued)

- **Control of market risk**
- **Check of management controls**
- **Fit and proper tests for members of the board of directors**
- **Disclosure and reporting requirements**
- **Non-discriminatory authorization procedures for checking the soundness of management and financial conditions of a financial institution**

Activities conducted by a central bank or monetary authority

- Activities conducted by a central bank or monetary authority or by any other public entity in pursuit of monetary or exchange rate policies are outside the scope of the GATS

- Such activities need not be liberalized under the GATS

The Scope of the GATS with respect to Government Policy

- Domestic regulations other than prudential regulations are also allowed, subject to certain disciplines;

- Article XII allows restrictions to be taken to safeguard the balance of payments under certain conditions.

The GATS and Measures to ensure financial stability

- **The GATS does not prevent Members from taking measures to ensure financial stability**

- **The objective of the GATS is to remove trade restrictions, and to establish secure and transparent rules for services trade**

The GATS and International Payments and Transfers (Article XI)

- Current transactions
- Capital transactions

Current Transactions

- **A Member shall not apply restrictions on international transfers and payments for current transactions relating to its specific commitments, with the exception of exchange actions in conformity with the IMF Articles of the Agreement.**

Capital Transactions

- **A Member shall not impose restrictions on any capital transactions inconsistently with its specific commitments regarding such transactions, except under Article XII (balance-of-payments safeguards) or at the request of the Fund.**

Obligations to allow capital movement (Article XVI footnote 8)

- Cross-border supply (mode 1)

- Commercial presence (mode 3)

*** No obligations of this kind exist for the other two modes of supply, i.e. consumption abroad (mode 2) and presence of natural persons (mode 4).**

Making an Offer in Financial Services

- **Expression of a willingness to invite foreign investment and expertise by** providing **legal security and transparency;**
- **A guarantee to foreign and domestic service suppliers that liberalization policy will not be reversed;**
- **A road map for future macro-economic, structural and prudential policies.**

APEC UR Implementation Seminar on WTO New Agreements
Australia's Experience
Financial Services

Australia formally accepted the Fifth Protocol to the General Agreement on Trade in Services on 3 May 1999.

Consultations

The commitments were formulated after extensive consultations. The State and Territory Governments played an active role in the drafting of Australia's individual schedule of commitments under the Protocol relating to their areas of jurisdiction. Regular consultations were also held with the Australian financial services industry, including the Australian Services Network, the Insurance Council of Australia, and the Australian Stock Exchange throughout the negotiations. The Australian financial services industry was fully supportive of efforts to liberalise trade in financial services and was satisfied with the final outcome of the negotiations. After the conclusion of the negotiations, and before accepting the Protocol, The Federal Parliament's Joint Standing Committee on Treaties carefully considered the benefits of Australia's acceptance of the Fifth Protocol, including for the broader Australian community, and recommended that the Government accept the Protocol.

Australia's commitments

The commitments that Australia has made in accepting the Protocol, listed below, bind the significant reforms that have been undertaken by the Australian Government in the period to December 1997, particularly those reforms made as a result of the Wallis Inquiry. Since Australia agreed to bind legislation already in place, Australia was nor required to take any further action to implement its commitments when the Fifth Protocol came into effect.

1. Elimination of the prohibition on banks (resident and non-resident) from holding shares in the Commonwealth Bank of Australia (CBA) and other entities from holding more than five per cent of its issued share capital.

2. Modification of the entry relating to guarantees by the Commonwealth Government given to the financial operations of the CBA. The new entry reflects transitional arrangements for the phasing out of these guarantees following privatisation of the CBA

3. Removal of the exemption to most-favoured-nation (MFN) treatment which covered requirements for reciprocal access to gain membership of the Australian Stock Exchange.

4. Removal of the blanket prohibition of foreign takeovers of the four major banks.

5. Revision of the entry covering the Australian Industry Development Corporation (AIDC). The revised entry reflects transitional arrangements for the phasing out of Commonwealth Government guarantees following the sale of the AIDC.

6. Addition of a new entry to cover the role of Comcare as the monopoly provider of worker's compensation insurance to Commonwealth Government employees.

7. Elimination of the restrictions placed on share ownership of Authorised Money Market Dealers by banks (Domestic and foreign), and the restrictions imposed on relationships and dealings between authorised dealers and related banks.

8. Elimination of the prohibition on foreign banks located overseas from raising funds in Australia, subject to conditions. These conditions include that the securities are only traded in the wholesale market and that specific disclosure requirements must be met.

9. Removal of the entry relating to the reservation by State and Territory governments of the right to prohibit foreign control of State-owned or controlled banks following privatisation of most of these banks. A new entry reflecting the transitional guarantees given to some of the assets and liabilities of the former State-owned or controlled banks has been added.

10. Addition of a new entry covering conditions attached to the sale of the Trust Bank of Tasmania as specified in the *Trust Bank (Corporatisation) Act 1997*. These include the possible requirement for a joint venture arrangement, and the requirements that as least a majority of the directors of the Trust Bank be resident in Tasmania and that policy and control of the Trust Bank be exercised in Tasmania.

A number of technical changes have also been included for the purpose of clarification. For example, the addition of text to clarify that foreign banks may establish locally incorporated subsidiaries in Australia as well as branch operations, and the simplification of entries covering the establishment of stock and futures exchanges in Australia.

Next steps

As one of the most service-intensive economies in the world, Australia's view on the next steps is clear and has been stated previously in the WTO (WT/GC/W/116). Australia believes that the WTO negotiations on services commencing in 2000 should be comprehensive and should automatically cover all services sectors.

In the financial services sector we hope to build on the successful conclusion of the financial services negotiations, including by demonstrating the benefits that have already flowed multilaterally and domestically by the liberalisation to date. We want to use the WTO negotiations on financial services to build up a framework of rules which will facilitate and reliability, stability and security.

We will be working also to ensure that the need for continued flexibility to promote the interests of developing countries is taken into account. We urge developing countries to use the services negotiations to secure concessions from other Members, and to use the opportunity the negotiations present to review and revise their own offers and regulatory systems. We recognise the need for technical assistance to help regional countries move towards best practice in financial services management. To that end, the Prime Minister Pledged $50 million at the APEC summit in Kuala Lumpur in November 1998 to provide advice and expertise on capacity-building for economic governance, in fields such as fiscal transparency, banking supervision and securities regulation.

Australia is continuing its process of continued examination and reform of its financial services sector. At the same time, we are also engaged in extensive consultations with industry to assist us in framing our negotiating priorities.

TELECOMMUNICATIONS

Australia welcomed the successful conclusion of negotiations on basic telecommunications on 15 February 1997. A total of 68 countries (the European Union counting as one), covering 93% of world telecommunications trade, entered commitments on market access and national treatment. Most of Australia's major trading partners offered improved access to their telecommunications markets. Those Members which did not offer great market opening made standstill access commitments (i.e., not to introduce any new measures which would restrict market access further), which were also valuable in adding certainty to the trading environment. Australia also welcomed the Reference Paper on regulatory principles affecting trade in telecommunications services, particularly since a large number of members accepted it in full.

During these negotiations, Australia made a commitment to bind the market-opening it had undertaken with the introduction of a new telecommunications regime in 1997.

Specifically, the commitments cover:

(i) the binding of the 1997 telecommunications regime which comprises the Telecommunications Act 1997, the Australian Communications Authority Act 1997 and other instruments which were introduced on 1 July;

(ii) the sale of one third of the Government's equity in Telstra (with foreign equity limited to 35% of the one third available and a limit of 5% of the one third available to individual or associated group foreign investors);

(iii) no limits on total foreign equity in Optus; and

(iv) the limitation until 30 June 1997 of the primary supply of satellite services to two service providers and of the primary supply of public mobile cellular telecommunications to three service providers, unfettered thereafter.

The Telecommunications Act provided for open competition for telecommunications services from July 1997. Under the current regulatory regime, there is no limit on the number of carrier licences which may be issued and any corporation or public body may apply for a licence. The new regime also brings competitive safeguards in the telecommunications industry more closely into line with general competition law, while introducing some telecommunications industry-specific rules, including some on interconnection.

Since Australia agreed to bind legislation already in place as part of these negotiations, Australia was not required to take any further action to implements its commitments when the agreement on basic telecommunications came into effect.

Year 2000 Services Negotiations

Telecommunications services will be a priority sector for Australia in the forthcoming negotiations on services. Given Australia has a very liberal access regime for its telecommunications market, it will be seeking similar commitments from its trading partners.

Barriers which Australian industry would particularly like addressed include the maintenance of monopolies or limited competition for the supply of international telephony services;

restrictions on foreign direct investment, including foreign equity cops; and restrictions on the types of activities foreign companies may undertake in host markets (e.g, countries may allow services to be supplied on a facilities basis, but not on the basis of resale). We will also press for those members which have not already done so to accept the Reference Paper in full.

In addition, we will be seeking to augment the framework of rules on trade in telecommunications services to ensure that further liberalisation is underpinned by a legal environment which encourages fair competition. This work will include addressing reform of the international accounting rates in favour of a uniform system that is based on costs, and is non-discriminatory and transparent. Other issues include:

. Development of international internet traffic pricing and access principles that are non-discriminatory and compensate all carriers appropriately for the use of their infrastructure and deliver Internet services that are fair and reasonable for consumers (see below)

. Allocation of spectrum on a more objective, timely, transparent and non-discriminatory manner

. Removal of limitations on market access, privileges and immunities (including from competitive safeguards) that currently provide competitive advantage for some satellite operators

Interconnection

Fair and open interconnection regimes are of key importance in liberalising trade in telecommunications services. It is also an issue of interest to Australian telecommunications carriers seeking to expand their international business. Australia believes that Members should adequately discuss international rules for interconnection during the next round of negotiations.

To begin with, the Reference Paper, which represents a good start, contains gaps and ambiguities which should be addressed. For example, the Reference Paper states the " interconnection with a major supplier will be ensured at any technically feasible point in the network". The fact that "technically feasible point" has not been defined creates opportunities for a wide range of disparate interpretations to be applied. Restrictive definition could constitute non-tariff barriers to entry. Australia interprets "technically feasible point" to mean:

> any point in a telecommunications network where a point of interconnection can be established, including the international exchange, the trunk exchange, the local exchange, a radiocommunications base station, or any other point that may or may not be within national borders.

Australia also believes that Members should confirm that WTO interconnection obligations apply to the cross-border mode of supply, as well as to carriers with a commercial presence in the host country.

The Opening of China's Insurance Market

Since China started to open its insurance market on an experimental basis in September 1992, 13 insurance companies from 8 countries (the U.S, Canada, Japan, Switzerland, Germany, Britain, France and Australia) have established 18 offices in China. By corporate organization, 10 of them are branches and the other 8 are joint ventures. By line business, 7 of them are property insurers and 11 are life insurers. So far, 111 foreign insurers from 17 countries and regions have established 198 representative offices in China. Foreign-funded insurers recorded a premium income of 1260 million yuan for the year 1998, which is 1% that of the domestic market. The premium incomes for property insurance and life insurance are 290 million yuan and 970 million yuan respectively, accounting for 0.6% and 1.3% of the two businesses' nationwide premium income.

Up to now, the laws and regulations governing foreign-funded insurance companies are mainly as follows: The Insurance Law of the People's Republic of China, The contemporary Provisions Governing Foreign Insurance Companies in Shanghai. According to the latter, foreign-funded insurance companies in China can be either branch or joint venture. Foreign insurance company should meet the following conditions to apply for business license in China: firstly, it has a history of at least 30 years in insurance business; secondly, its total assets shall not be less than $5 billion at the end of the previous year; thirdly, it has a representative office in China with a history of more than 2 years.

It has been proved that the experiment with opening insurance market has been very successful. And has played a very positive role in the development of China's insurance industry. As China's insurance market gets more mature, as insurance laws and regulations further amplify, and as insurance supervision becomes more efficient, we believe that China will further open its insurance market, and its insurance industry will greatly prosper in its general efforts of reform and opening to the outside world.

The Implication of New Agreements in Basic Telecommunication, Financial Services and Information Technology in Indonesia

Djatmiko B.Witjaksono

1. Introduction

Firstly, before I explain deeply in those sectors listed above, let me five my briefly description about a general services sector in Indonesia. I believe everybody in this seminar agree with my opinion that basic telecommunication and financial services as a part of services sector have a specific characteristics in term of trade. Services can be defined as an intangible mutual relationship that can be seen and felt only by parties that are doing some action together. The specific characters inherent in services are experiential and intangible, simultaneous, country and culture specific, information intensive and knowledge intensive.

Economically, there are few factors, which made services tradable as goods. First is impact from a development of trade in goods. Second is impact from the increasing of income in line with the change of consumption and production. Third is impact of innovation in technology, which made production divisible that finally, fostering the expansion of supporting services.

Indonesia is still a net importer of services. The deficit of services balance was increasing since 1987. Based on the report of Central Bank, Indonesia's services balance was deficit US$ 7,098 billion in 1987 and in 1995 it's greater than US$ 10 billion. These condition caused by the value of foreign exchange which gain from export of services like remittances from TKI (Indonesia overseas worker) was smaller than expenditure for importing services e.g. freight, professional etc.

2. Indonesia Commitment in Financial and Telecommunication Services

Our commitment on trade in services as a Schedule XXI (GATS/SC/43) including five sectors in services e.g. telecommunication, industry/construction, tourism, maritime transport and financial services. We provide our commitment in financial services by using alternative approach as mentioned on GATS part III (market access, national treatment and additional commitment). Besides contributing in SC, Indonesia also had make MFN Exemption List based on Article II part 2:

1) Financial services:

- measures relating to a joint-venture bank of national and foreign origin under which entry of a foreign bank in Indonesia is allowed on reciprocity basis (Pursuant to Article 14 (3) the Ministry of Finance Decree No. 220/KMK.017/1993)
- With respect to joint-venture banks, licenses can only be granted to foreign banks of countries which adopt reciprocal policies regarding Indonesian banks.

2) Movement of personnel/semi-skilled workers:

- Low level occupation are reserved for Indonesian citizens only
- Based on government Policy, limited exemptions may be granted to citizens of certain countries.

3) Construction Services (government funded projects):

- Measures relating to preferential short-listing in international competitive biding.

According to informal summary of commitments and MFN exemptions which been arranged by NGBT per March 6th, 1997, Indonesia has already made a prevailing conditions and commitments:

- to delete an economic needs test for new entrants in domestic mobile cellular communication services, and regional and national paging services.
- Public voice telephone, circuit switched public data network and teleconferencing services currently supplied by a number of suppliers with exclusive rights.
- Commits to a policy review to determine whether to admit additional suppliers upon the expiry of the exclusive rights: exclusivity expires in 2001 for local service; in 2006 for long distance direct service and in 2005 for international services.
- Offers competition for packed-switched public data network services, telex, telegraph and Internet access services, subject to use of networks of PT Indosat and PT Satelindo for international traffic.
- Offer competition in domestic mobile cellular telephone services, paging public

payphone services.

- Foreign equity limited to 35% for all services except personal communication services, which require venture with state-owned company.
- Commits to the reference paper on regulatory principles.

3 Indonesia Commitments in Information Technology Sector

First of all, almost all developing countries, which involve as participant in information technology agreement, feel many opportunities and chances by this initiative. But many of them, not agreed with product coverage, which had been discussed by QUAD. Indonesia as member of the agreement, principally approved with the agreement in ITA-I, i.e.:

- For several IT products, Indonesia will reduce its tariff in 2000.
- As developing country, Indonesia will get an extended staging for several IT products until 2005 (infant industry argument).
- We cannot applying tariff reduction, which base on the equal rate reduction.

In general, all Indonesian tariff in ITA-I, which impose on the product, had already reduce to the lowest level, especially if comparing with another developing countries. We submitted the ITA-I schedule with 216 line of tariffs with the proportion as follow i.e.:

1) Products with tariff 0% = 45%
2) Products with tariff 5% = 27%
3) Products with tariff 10--20% = 23%

Only one product (digital still image video cameras, HS ex 852540), which included in 216 products, has a tariff 25%. In term of investment policy, the information technology products exempt from tariff, if those products inquired as capital goods. Finally, we have no problem with schedule of tariff reduction for IT products, as long it still goes on the track that we approved in ITA-I.

Implementation and Effects of Information Technology Agreement in Chinese Taipei

By Yang, Hong-Chi
Director, 3rd Dept., Board of Foreign Trade,
Chinese Taipei

1. Background

The initiatives to establish the Information Technology Agreement was first introduced by the information industries in the United States, Japan, and European Union as a tariff-elimination program to G7 in 1995. With the support in the Quad meeting in1996, this program was discussed in APEC, OECD and WTO. During the first WTO Ministerial Meeting in late 1996, Chinese Taipei joined the "Ministerial Declaration on Trade in Information Technology Products" ("Declaration") recognizing the goals of raising standards of living and expanding the production of goods and trade in goods. Participants of the Declaration would implement the actions of tariff-elimination provided that participants representing approximately 90 per cent of world trade[1] in information technology products had notified their acceptance of the Declaration and the staging of tariff-elimination had been agreed to the participants' satisfaction no later than 1 April 1997. In the 1997 March WTO meeting, the above requirements were met and 25 participants signed the "Implementation of the Ministerial Declaration on Trade in Information Technology Products", which included the Declaration and the participants' approved schedules of tariff-elimination as its attachments, and was often referred to as the Information Technology Agreement (ITA).

Under ITA, participants agreed to remove all duties on more than 600 items, including semiconductors, computers, software, telecom equipment and

[1] According to the Declaration, this percentage was calculated by the WTO Secretariat on the basis of the most recent data available at the time of the meeting no later than 1 April 1997.

scientific instruments. The elimination of these customs duties to zero shall take place through rate reductions in equal stages from 1 July 1997 to no later than 1 January 2000, except otherwise agreed by the participants. Considering the development of its telecom industry, Chinese Taipei requested and was agreed by other participants to extend the end point of some telecom equipment to 1 January 2002.

2. Implementation of ITA in Chinese Taipei

After the conclusion of ITA negotiations, Chinese Taipei initiated its commitments of tariff-reduction. The average nominal tariff rate of its information technology products has been reduced from 4.69% to 3.52% in the first stage (on 1 July 1997), 2.34% in the second (on 1 January 1998), and 1.1% in the third (on 1 January 1999), and will be 0% in the final stage (on 1 January 2000).

According to ITA, the participants established a Committee of Participants on the Expansion of Trade in Information Technology Products ("ITA Committee") under the Council for Trade in Goods in the WTO. As a WTO observer, Chinese Taipei participates fully in the ITA Committee and the ITAII negotiation to expand the product coverage of tariff-elimination in the ITA.

3. Effects of Chinese Taipei's tariff-elimination and its implication

The conclusion of the ITA negotiations coincided with the beginning of the Asian financial crisis. As a result of the crisis, from 1997 to the first quarter of 1999, the growth rate of the overall trade between Chinese Taipei and APEC region[2] decreased. However, the growth rate of the trade in ITA products[3] still

---

[2] Statistics are based on the 18 member economies, i.e. before the 1998 Ministerial Meeting.

[3] Chinese Taipei changed the tariff code system from HS92 to HS96 on 1 June 1997. To derive comparable data, the statistics is based on 6-digit HS code.

showed satisfactory performance (see table 1&2). For instance, between 1997 and 1998, the export growth rate of ITA products from Chinese Taipei to APEC region was -4.87%, while that of overall products was -12.68%. For import growth rate, the ITA products still enjoyed a positive growth rate (4.35%) while overall products showed a negative growth rate(-8.07%). Looking at the export and import data for the first 4 months in 1998 and 1999, Chinese Taipei's ITA products enjoyed higher growth rates when compared with overall trade products.

The same situation also applies to bilateral trade between Chinese Taipei and European Union (see table 3&4). From 1997 to 1998, Chinese Taipei's exports of all products to European Union increased by 7.51%, while that of ITA products increased by 9.14%. As for imports, the overall products showed a negative growth rate of -1.51%, but for ITA products, the growth rate was 15.86%.

The above data illustrates the robust growth of IT industries in Chinese Taipei. It also demonstrates the positive role ITA plays in promoting the international trade in APEC region.

4. Conclusion

The conclusion of ITA is one of the cornerstones in world trade of the end of 20^{th} century. Through the collective action to reduce the tariff barrier in information technology products, Chinese Taipei developed closer trade relations with its ITA partners. Chinese Taipei would like to share its experience with other APEC economies and encourage those who are yet to be ITA participants to join this agreement.

Table 1

Exports to APEC region from Chinese Taipei (All products) (amount: thousand						
	1995	1996	1997	1998	1998(1-4)	1999(1-4)
Amount	86,648,881	#########	#########	#########	#########	27,431,742
Growth Rate	**19.55%**	**2.80%**	**3.80%**	**-12.68%**		**5.62%**
Exports to APEC region from Chinese Taipei (ITA products) (amount:						
	1995	1996	1997	1998	1998(1-4)	1999(1-4)
Amount	25,175,828	#########	#########	#########	9,608,185	11,088,205
Growth Rate	**40.29%**	**9.02%**	**18.25%**	**-4.87%**		**15.40%**
Trade Weights*	29.05%	30.81%	35.10%	38.24%	36.99%	40.42%

Note: trade weights*: the percentage of ITA products in all products
Source: Chinese Taipei's Customs Statistics

Table 2

Imports from APEC region to Chinese Taipei (All products) (amount: thousand						
	1995	1996	1997	1998	1998(1-4)	1999(1-4)
Amount	76,419,597	#########	#########	#########	#########	25,118,322
Growth Rate	**22.56%**	**-4.51%**	**13.22%**	**-8.07%**		**-4.62%**

Imports from APEC region to Chinese Taipei (ITA products) (amount:						
	1995	1996	1997	1998	1998(1-4)	1999(1-4)
Amount	19,845,236	#########	#########	#########	9,069,503	10103658
Growth Rate	**42.51%**	**7.45%**	**19.88%**	**4.35%**		**11.40%**
Trade	25.96%	29.22%	30.93%	35.11%	34.44%	40.42%

Table 3

Exports to European Union from Chinese Taipei (All products) (amount: thousand US$)						
	1995	1996	1997	1998	1998(1-4)	1999(1-4)
Amount	14,592,343	15,800,713	17,181,315	18,472,253	6,121,881	6,234,818
Growth Rate	**21.63%**	**8.28%**	**8.74%**	**7.51%**		**1.84%**
Exports to European Union from Chinese Taipei (ITA products) (amount: thousand US$)						
	1995	1996	1997	1998	1998(1-4)	1999(1-4)
Amount	6,582,439	7,870,426	8,853,426	9,632,850	3,028,349	3,483,593
Growth Rate	**30.37%**	**19.57%**	**12.49%**	**9.14%**		**15.03%**
Trade Weights	45.10%	49.81%	51.52%	52.14%	49.46%	55.87%

Table 4

Imports from European Union to Chinese Taipei (All products) (amount: thousand US$)						
	1995	1996	1997	1998	1998(1-4)	1999(1-4)
Amount	14,928,742	16,615,695	17,902,364	17,631,161	5,715,628	4,620,824
Growth Rate	**15.81%**	**11.30%**	**7.74%**	**-1.51%**		**-19.15%**
Imports from European Union to Chinese Taipei (ITA products) (amount: thousand US$)						
	1995	1996	1997	1998	1998(1-4)	1999(1-4)
Amount	2,478,215	2,563,498	3,113,733	3,607,703	1,204,044	1299748
Growth Rate	**44.10%**	**3.44%**	**21.46%**	**15.86%**		**7.95%**
Trade Weights	16.60%	15.42%	17.39%	20.46%	21.06%	28.12%

Telecom Liberalization and Policy Development

By Hsu, Kuo-Gen

Specialist, General Planning Department

Directorate General of Telecommunications

Chinese Taipei

INTRODUCTION

The telecommunications industry is in a process of rapid structural change and dramatic economic growth. The monopolies which have dominated the industry in numbers of economies until very recently are now facing competition and are being privatized. This process was reflected and stimulated by the commitments made in the GATS negotiations on basic telecommunications which came into force in February 1998.

During WTO accession negotiations, Chinese Taipei has reached an agreement on basic telecommunications with the US. We committed to complete full market liberalization in July 2001 and to raise the ceiling of foreign investment to 60? in which direct shareholding is limited to 20? . Moreover, we also committed to adopt the regulatory framework for basic telecommunications services set forth in the WTO Reference Paper.

REGULATORY AND STRUCTURAL REFORM

On January 16 1996, the legislative body passed the three telecommunications laws i.e., the amendment to the Telecommunications Act, the amendment to the organizational Statute of the Directorate General of Telecommunications ? DGT? and the Statute of the Chunghwa Telecom Co., Ltd. The enactment of the telecommunications laws means that Chinese Taipei has laid down the legal basis for acceleration of telecom market liberalization. Subsequent to the enactment of the organizational Statute of the DGT, the DGT became responsible for regulatory function from July 1, 1996 and the service-operating arm of DGT was transferred to the state-run company, Chunghwa Telecom Co., Ltd.

OPENING OF TELECOM MARKET

Opening of telecom market is our established policy. In order to maintain and enhance our competition edge, we have to keep pace with technology and open up telecommunication services which are as comprehensive, as efficient and as responsive to market needs. In the process of liberalization, Chinese Taipei

Deleted: *APEC UR Implementation Seminar* ¶ *on WTO New Agreements*

Inserted: *APEC UR Implementation Seminar* ¶ *on WTO New Agreements*

Deleted: l

Deleted: s

Deleted: p

Deleted: d

Deleted: HINESE TAIPEI

Deleted: e d

Deleted: national

Deleted: is

Deleted: some

Inserted: some

Deleted: almost all countries

Deleted: in many countries

Deleted: are being privated

Deleted: ¶

Deleted: our government

Deleted: with the US on our Commitment

Deleted: sector

Deleted: a

Deleted: for

Deleted: to be raised

Deleted:

Deleted: the principle in

Deleted: principles

Deleted: ¶

Deleted: ED

Deleted: L

Deleted: Yuan

Deleted: ,

Deleted: Selsent

Deleted: ¶

Deleted: government

Deleted: offer

Deleted: APEC? ? ? ? ? ? ? APEC ? ? ? ? ? R3

adopted a managed and phased approach.

The 1st phase? to liberalize value-added network services from 1989. Today, a total of 168 operators are registered by February 1999.

The 2nd phase? to liberalize mobile communication services. In Nov. 1994, CT-2 service was opened for competition by issuing 9 licenses and in early 1997, Ministry of Transportation and Communications? MOTC? issued 8 licenses for mobile phone, radio paging and mobile data, respectively and 20 licenses for trunked radio.

The 3rd phase? to liberalize satellite communication services. In December 1998, MOTC issued 15 licenses for the operation of fixed satellite services, 3 licenses for mobile satellite services.

The 4th phase? to liberalize fixed network services in July 2001. It is scheduled to issue full service licenses for the provision of local, domestic long distance and international communication services. At the same time, to effectively utilize the fiber optic transmission facilities of public utilities, we will also open up alternative telecommunication infrastructure to provide leased circuit services for licensed telecom operators.

ESTABLISHMENT OF THE TELECOM REGULATORY FRAMEWORK

We believe that telecom liberalization is not only dismantling a monopoly by licensing new operators but also setting the necessary framework to ensure long-term sustainable competition and healthy development of a competitive environment.

The basic principle on the regulatory framework for basic telecommunications services set-forth in the WTO Reference Paper is to establish an environment for fair competition. In order to fulfil the regulatory principles of the Reference Paper and to materialize the negotiation agreement for our accession to WTO, MOTC has been working on the establishment of the telecom regulatory framework, including the amendment to the Telecommunications Act of 1996, interconnection, accounting separation, telecom tariff control, universal service, and dispute settlement principles.

Some key points of the regulatory framework are as follow?

Deleted: *APEC UR Implementation Seminar ¶ on WTO New Agreements*

Inserted: *APEC UR Implementation Seminar ¶ on WTO New Agreements*

Deleted: competition

Deleted: ¶

Deleted: As for the value-added network service providers

Deleted: ¶

Deleted: ¶

Deleted: 3

Deleted: ¶

Deleted: ed

Deleted: ¶

Deleted: ¶

Deleted: include

Deleted: ¶

Deleted: APEC? ? ? ? ? ? ? APEC ? ? ? ? ? R3

1. Draft amendment to the Telecommunications Act of 1996? Although the Telecommunications Act has come into force since 1996, in order to fulfil the commitment for our accession to WTO and amend the articles which are inappropriate. MOTC has drafted and submitted to the legislative body the draft amendment to the Telecommunications Act of 1996 in February 1999. Some key point of the draft amendment are listed below?

   (1) The limitation on foreign investment will be relaxed. Except for Chunghwa Telecom Co., Ltd. (CHT), we will raise the ceiling of foreign investment to 60? in which direct shareholding is limited to 20? .

   (2) To facilitate the network interconnection for Type I telecom enterprises, the draft amendment sets out the principles of interconnection including transparency, reasonableness, non-discrimination, network unbundling and cost-based charging. Moreover, the draft amendment delegates the DGT to set supplementary regulations for implementation.

   (3) To effectively avoid any improper cross subsidy, the draft amendment authorizes MOTC to institute an accounting system and rules for accounting practices. Type I telecom enterprises should establish segregated accounts, in accordance with the items on their business licenses, to separately calculate profits and losses for each item.

   (4) The mechanism for administration of universal services is revised to specify the cost calculation principles for universal services.

   (5) To cope with telecom liberalization and technology advancement, the draft amendment stipulates that the regulation of telecom encryption aims at the manufacturers, providers, vendors and importers of encryptors, instead of individual users.

   (6) The mechanism for telecom tariff control will be revised. The draft amendment adopts the “price cap” method to replace the rate of return regulation.

   (7) The draft amendment specifies that, under special conditions and with the approval of MOTC, the dedicated telecommunication network may be allowed to connect with the public communication

Deleted: *APEC UR Implementation Seminar* ¶ *on WTO New Agreements*

Inserted: *APEC UR Implementation Seminar* ¶ *on WTO New Agreements*

Deleted: of 1996

Deleted: for only 3 years

Deleted: negotiation agreement

Deleted: infeasible

Deleted: Legislative

Deleted: Yuan

Deleted: ¶

Deleted: foreign ownership will be increased from 20% to no more than 60%, with direct ownership to be limited to 20%.

Deleted: empowers

Deleted: APEC? ? ? ? ? ? ? APEC ? ? ? ? ? R3

systems.

(8) The draft amendment identifies the special situations that auction or public tender process may not be used as a spectrum assignment mechanism.

2. In order to build up a level playing field for new entrant of fixed network services, MOTC set up some regulatory mechanisms in the past year, including the "Administrative Regulations on Fixed Network Services", the "Administrative Rules of Interconnection for Type I Telecom Enterprises", the "Regulations of National Numbering Plan", the "Regulations of Universal Service Obligation", the "Guidelines for Telecom Accounting Practices", and "the Rules of Implementation of Number Portability".

3. We also have set up the standards of network performance and quality of service. The purpose is to prohibit a trade-off between price and quality of service.

4. Moreover, DGT, as a regulator, will play a role of arbitrator. In the event of dispute, when the telecom enterprises can not conclude an agreement by themselves, DGT will provide timely and efficient dispute resolution and arbitrate the dispute in good faith.

CONCLUSIONS

The telecom liberalization objectives of Chinese Taipei are creating a competitive environment to enhance economic efficiency, bringing benefits to the society and consumers, promoting the industry development and introducing innovative services and technology. Finally, we hope to build up an information-rich society for the 21st century.

Since the new entrants of mobile service launched their businesses in early 1998, it has been contributing to the booming of the telecom market. By the end of 1998, the subscribers and penetration rate of the mobile phone service reached 4,720,000 and 21.56% respectively, compared to 1,490,000 and 6.88% in 1997. The growth rate of mobile phone subscribers hit an amazing 216%. All above encourage our government to accelerate liberalization process.

Though our aim at creating a fully open market, we believe that the long term benefit of telecom liberalization will not be fulfilled while competition among telecom operators is not well shaped. Therefore, telecom liberalization should be introduced with adequate regulatory regimes in place to foster effective competition, safeguard fair competition and boost the market power so as to create a fair, reasonable and healthy competitive environment. In the future, Chinese Taipei will continue to fine-tune our policies and regulatory framework

Deleted: *APEC UR Implementation Seminar ¶ on WTO New Agreements*

Inserted: *APEC UR Implementation Seminar ¶ on WTO New Agreements*

Deleted: <#>¶

Formatted: Bullets and Numbering

Deleted: has

Deleted: ¶

Formatted: Bullets and Numbering

Deleted: ¶

Deleted: es

Deleted: ¶
¶
The telecom Liberalization objectives of Chinese Taipei are creating a competitive environment to enhance economic efficiency, bringing benefits to the society and consumers, promoting the industry development and introducing innovative services and technology. Finally, we hope to build up an information-rich society for the 21st century. ? ? ? WTO
? ? ? ? ? ? ? ? ? ? ? ? ? ? ? ?
? ? ? ? ? ? Opening fixed network service will reduce the rate and improve the quality of telecom services, promote the development of telecom technology and establish an new broadband telecom environment to fulfil the need of the 21st century information society.
? ? ? ? ? ? ? ? ? ? ? ? ? ? ? ?
? ? ? ? ? ? ? ? ? ? ? ? ? ? ? ?
? ? ? ? ? ? ? ? ? ? ? ? ? ? ? ?
? ? ? ? ? ? ? ? ? ? ? ? ? ? ? ?
? ? ? ? ? ? ? ? ? ? ? ? ? ? ? ?
? ? ? ? ? ?

Deleted: proceed with

Deleted: APEC? ? ? ? ? ? ? APEC ? ? ? ? ? R3

to ensure the fair competition environment and protect consumers' interests as well.

Deleted: *APEC UR Implementation Seminar* ¶
on WTO New Agreements

Inserted: *APEC UR Implementation Seminar* ¶
on WTO New Agreements

Deleted: ? In the future, Chinese Taipei will continue to progressive deregulation and liberalization of the telecom market and fine-tune our policies and regulatory framework to ensure the fair competition environment and protect consumer interest.

Deleted: APEC? ? ? ? ? ? ? APEC ? ? ? ? ? R3

Telecom Liberalization and Policy Development

By Hsu, Kuo-Gen

Specialist, General Planning Department

Directorate General of Telecommunications

Chinese Taipei

INTRODUCTION

The telecommunications industry is in a process of rapid structural change and dramatic economic growth. The monopolies which have dominated the industry in numbers of economies until very recently are now facing competition and are being privatized. This process was reflected and stimulated by the commitments made in the GATS negotiations on basic telecommunications which came into force in February 1998.

During WTO accession negotiations, Chinese Taipei has reached an agreement on basic telecommunications with the US. We committed to complete full market liberalization in July 2001 and to raise the ceiling of foreign investment to 60? in which direct shareholding is limited to 20? . Moreover, we also committed to adopt the regulatory framework for basic telecommunications services set forth in the WTO Reference Paper.

REGULATORY AND STRUCTURAL REFORM

On January 16 1996, the legislative body passed the three telecommunications laws i.e., the amendment to the Telecommunications Act, the amendment to the organizational Statute of the Directorate General of Telecommunications ? DGT? and the Statute of the Chunghwa Telecom Co., Ltd. The enactment of the telecommunications laws means that Chinese Taipei has laid down the legal basis for acceleration of telecom market liberalization. Subsequent to the enactment of the organizational Statute of the DGT, the DGT became responsible for regulatory function from July 1, 1996 and the service-operating arm of DGT was transferred to the state-run company, Chunghwa Telecom Co., Ltd.

OPENING OF TELECOM MARKET

Opening of telecom market is our established policy. In order to maintain and enhance our competition edge, we have to keep pace with technology and open up telecommunication services which are as comprehensive, as efficient and as responsive to market needs. In the process of liberalization, Chinese Taipei

Deleted: *APEC UR Implementation Seminar* ¶ *on WTO New Agreements*
Inserted: *APEC UR Implementation Seminar* ¶ *on WTO New Agreements*
Deleted: l
Deleted: s
Deleted: p
Deleted: d
Deleted: HINESE TAIPEI
Deleted: e d
Deleted: national
Deleted: is
Deleted: some
Inserted: some
Deleted: almost all countries
Deleted: in many countries
Deleted: are being privated
Deleted: ¶
Deleted: our government
Deleted: with the US on our Commitment
Deleted: sector
Deleted: a
Deleted: for
Deleted: to be raised
Deleted:
Deleted: the principle in
Deleted: principles
Deleted: ¶
Deleted: ED
Deleted: L
Deleted: Yuan
Deleted: ,
Deleted: Selsent
Deleted: ¶
Deleted: government
Deleted: offer
Deleted: APEC? ? ? ? ? ? ? APEC ? ? ? ? ? R3

adopted a managed and phased approach.

The 1st phase? to liberalize value-added network services from 1989. Today, a total of 168 operators are registered by February 1999.

The 2nd phase? to liberalize mobile communication services. In Nov. 1994, CT-2 service was opened for competition by issuing 9 licenses and in early 1997, Ministry of Transportation and Communications? MOTC? issued 8 licenses for mobile phone, radio paging and mobile data, respectively and 20 licenses for trunked radio.

The 3rd phase? to liberalize satellite communication services. In December 1998, MOTC issued 15 licenses for the operation of fixed satellite services, 3 licenses for mobile satellite services.

The 4th phase? to liberalize fixed network services in July 2001. It is scheduled to issue full service licenses for the provision of local, domestic long distance and international communication services. At the same time, to effectively utilize the fiber optic transmission facilities of public utilities, we will also open up alternative telecommunication infrastructure to provide leased circuit services for licensed telecom operators.

ESTABLISHMENT OF THE TELECOM REGULATORY FRAMEWORK

We believe that telecom liberalization is not only dismantling a monopoly by licensing new operators but also setting the necessary framework to ensure long-term sustainable competition and healthy development of a competitive environment.

The basic principle on the regulatory framework for basic telecommunications services set-forth in the WTO Reference Paper is to establish an environment for fair competition. In order to fulfil the regulatory principles of the Reference Paper and to materialize the negotiation agreement for our accession to WTO, MOTC has been working on the establishment of the telecom regulatory framework, including the amendment to the Telecommunications Act of 1996, interconnection, accounting separation, telecom tariff control, universal service, and dispute settlement principles.

Some key points of the regulatory framework are as follow?

Deleted: *APEC UR Implementation Seminar* ¶
on WTO New Agreements

Inserted: *APEC UR Implementation Seminar* ¶
on WTO New Agreements

Deleted: competition

Deleted: ¶

Deleted: As for the value-added network service providers

Deleted: ¶

Deleted: ¶

Deleted: 3

Deleted: ¶

Deleted: ed

Deleted: ¶

Deleted: ¶

Deleted: include

Deleted: ¶

Deleted: APEC? ? ? ? ? ? ? APEC ? ? ? ? ? R3

1. Draft amendment to the Telecommunications Act of 1996? Although the Telecommunications Act has come into force since 1996, in order to fulfil the commitment for our accession to WTO and amend the articles which are inappropriate. MOTC has drafted and submitted to the legislative body the draft amendment to the Telecommunications Act of 1996 in February 1999. Some key point of the draft amendment are listed below?

(1) The limitation on foreign investment will be relaxed. Except for Chunghwa Telecom Co., Ltd. (CHT), we will raise the ceiling of foreign investment to 60? in which direct shareholding is limited to 20? .

(2) To facilitate the network interconnection for Type I telecom enterprises, the draft amendment sets out the principles of interconnection including transparency, reasonableness, non-discrimination, network unbundling and cost-based charging. Moreover, the draft amendment delegates the DGT to set supplementary regulations for implementation.

(3) To effectively avoid any improper cross subsidy, the draft amendment authorizes MOTC to institute an accounting system and rules for accounting practices. Type I telecom enterprises should establish segregated accounts, in accordance with the items on their business licenses, to separately calculate profits and losses for each item.

(4) The mechanism for administration of universal services is revised to specify the cost calculation principles for universal services.

(5) To cope with telecom liberalization and technology advancement, the draft amendment stipulates that the regulation of telecom encryption aims at the manufacturers, providers, vendors and importers of encryptors, instead of individual users.

(6) The mechanism for telecom tariff control will be revised. The draft amendment adopts the “price cap” method to replace the rate of return regulation.

(7) The draft amendment specifies that, under special conditions and with the approval of MOTC, the dedicated telecommunication network may be allowed to connect with the public communication

Deleted: *APEC UR Implementation Seminar* ¶ *on WTO New Agreements*

Inserted: ***APEC UR Implementation Seminar*** ¶ ***on WTO New Agreements***

Deleted: of 1996

Deleted: for only 3 years

Deleted: negotiation agreement

Deleted: infeasible

Deleted: Legislative

Deleted: Yuan

Deleted: ¶

Deleted: foreign ownership will be increased from 20% to no more than 60%, with direct ownership to be limited to 20%.

Deleted: empowers

Deleted: APEC? ? ? ? ? ? ? APEC ? ? ? ? ? R3

systems.

(8) The draft amendment identifies the special situations that auction or public tender process may not be used as a spectrum assignment mechanism.

2. In order to build up a level playing field for new entrant of fixed network services, MOTC set up some regulatory mechanisms in the past year, including the "Administrative Regulations on Fixed Network Services", the "Administrative Rules of Interconnection for Type I Telecom Enterprises", the "Regulations of National Numbering Plan", the "Regulations of Universal Service Obligation", the "Guidelines for Telecom Accounting Practices", and "the Rules of Implementation of Number Portability".

3. We also have set up the standards of network performance and quality of service. The purpose is to prohibit a trade-off between price and quality of service.

4. Moreover, DGT, as a regulator, will play a role of arbitrator. In the event of dispute, when the telecom enterprises can not conclude an agreement by themselves, DGT will provide timely and efficient dispute resolution and arbitrate the dispute in good faith.

CONCLUSIONS

The telecom liberalization objectives of Chinese Taipei are creating a competitive environment to enhance economic efficiency, bringing benefits to the society and consumers, promoting the industry development and introducing innovative services and technology. Finally, we hope to build up an information-rich society for the 21st century.

Since the new entrants of mobile service launched their businesses in early 1998, it has been contributing to the booming of the telecom market. By the end of 1998, the subscribers and penetration rate of the mobile phone service reached 4,720,000 and 21.56% respectively, compared to 1,490,000 and 6.88% in 1997. The growth rate of mobile phone subscribers hit an amazing 216%. All above encourage our government to accelerate liberalization process.

Though our aim at creating a fully open market, we believe that the long term benefit of telecom liberalization will not be fulfilled while competition among telecom operators is not well shaped. Therefore, telecom liberalization should be introduced with adequate regulatory regimes in place to foster effective competition, safeguard fair competition and boost the market power so as to create a fair, reasonable and healthy competitive environment. In the future, Chinese Taipei will continue to fine-tune our policies and regulatory framework

Deleted: *APEC UR Implementation Seminar* ¶ *on WTO New Agreements*

Inserted: *APEC UR Implementation Seminar* ¶ *on WTO New Agreements*

Deleted: <#>¶

Formatted: Bullets and Numbering

Deleted: has

Deleted: ¶

Formatted: Bullets and Numbering

Deleted: ¶

Deleted: es

Deleted: ¶
¶
The telecom Liberalization objectives of Chinese Taipei are creating a competitive environment to enhance economic efficiency, bringing benefits to the society and consumers, promoting the industry development and introducing innovative services and technology. Finally, we hope to build up an information-rich society for the 21st century. ? ? ? WTO
? ? ? ? ? ? ? ? ? ? ? ? ? ? ? ?
? ? ? ? ? ? Opening fixed network service will reduce the rate and improve the quality of telecom services, promote the development of telecom technology and establish an new broadband telecom environment to fulfil the need of the 21st century information society.
? ? ? ? ? ? ? ? ? ? ? ? ? ? ? ?
? ? ? ? ? ? ? ? ? ? ? ? ? ? ? ?
? ? ? ? ? ? ? ? ? ? ? ? ? ? ? ?
? ? ? ? ? ? ? ? ? ? ? ? ? ? ? ?
? ? ? ? ? ? ? ? ? ? ? ? ? ? ? ?
? ? ? ? ? ?

Deleted: proceed with

Deleted: APEC? ? ? ? ? ? ? APEC ? ? ? ? ? R3

to ensure the fair competition environment and protect consumers' interests as well.

Deleted: *APEC UR Implementation Seminar* ¶
on WTO New Agreements

Inserted: ***APEC UR Implementation Seminar*** ¶
on WTO New Agreements

Deleted: ? In the future, Chinese Taipei will continue to progressive deregulation and liberalization of the telecom market and fine-tune our policies and regulatory framework to ensure the fair competition environment and protect consumer interest.

Deleted: APEC? ? ? ? ? ? ? APEC ? ? ? ? ? R3

INFORMATION
TECHNOLOGY
AGREEMENT
----------- (ITA)

TRADE IN IT PRODUCTS

The value of world trade in information technology products is approximately $600 billion accounting for more than 10% of world trade in goods.

TARIFF LEVELS [redacted]
IT PRODUCTS

- Low tariff in Quads countries with limited exceptions
- High tariff in developing world except for some emerging industrialized countries and areas

LIBERALIZATION INITIATIVE

- Liberalization of trade in IT products by the end of this century
- Divergent responses from trading partners

APEC TRADE MINISTER MEETING -1996

APEC Trade Ministers met in Christchurch, New Zealand on July 15-16, 1996. They gave their fundamental supports to the idea of negotiating the ITA.

NEGOTIATION PROCESS

- October - December 1996 ---- Informal discussion on the scope of ITA in Geneva
- December 9-13, 1996 ---- Singapore Ministerial Declaration on Trade in IT Products
- January - March 1997 ---- Further negotiation and expansion of participation

WTO MINISTERIAL CONFERENCE IN SINGAPORE

The First WTO Ministerial Conference was held in Singapore on December 9-13, 1996. The Ministerial Declaration on Trade in Information Technology Products was reached.

PARTICIPATION IN THE MINISTERIAL DECLARATION

Australia, Canada, European Community (15 members), Hong Kong, China, Iceland, Indonesia, Japan, Korea, Norway, Chinese Taipei, Switzerland, Turkey and United States --- 29 countries and areas

ELEMENTS OF THE DECLARATION

- Elimination of customs duties and other charges on IT products through equal annual reductions beginning on 1 July 1997 and concluding on 1 January 2000
- Tariff cuts implemented on an MFN basis
- Implementation of the agreement contingent on the signing on of participants that would cover 90 per cent of world trade in IT products

ANNEX FOR PRODUCT COVE

- Attachment A --- products classified or classifiable with HS headings
- Attachment B --- specific products to be covered by an ITA wherever they are classified in the HS

FOLLOWUP NEGOTIATION

- January 31, 1997
- March 1, 1997
- April 1, 1997
- September 30, 1997

INFORMATION TEC[redacted]GY AGREEMENT

- Forty participants agreed, on March 26, 1997, to implement the WTO Ministerial Declaration on Trade in Information Technology Products (ITA) --covers 93% of world trade in IT products
- 11 more participants -- Costa Rica, the Czech Republic, Estonia, Israel, India, Macau, Malaysia, New Zealand, Romania, the Slovak Republic and Thailand

TARIFF REDUCTION TIMETABLE

- The ITA provides for the "staging" of tariff reductions in four equal rate reductions (25% each time):
- 1st 1 July 1997
- 2nd 1 January 1998
- 3rd 1 January 1999
- 4th Complete elimination of duties no later than 1 January 2000

EXTENDED STAGING FOR DEVELOPING PARTICIPANTS

Costa Rica, Indonesia, India, Korea, Malaysia, Chinese Taipei and Thailand have been granted flexibility in cutting their tariffs on a few products to zero after the year 2000 but not beyond 2005

PRODUCT COVERAGE

- Computers
- Telecom Equipment
- Semiconductors
- Semiconductor manufacturing equipment
- Software
- Scientific instruments

COMPUTERS

Complete computer systems and laptops as well as the components such as CPUs, keyboards, printers, display units (monitors), scanners, hard disk drives, power supplies, etc...

TELECOM EQUIP[redacted]

Telephone sets, vid[redacted], fax machines, switching apparatus, modems, and parts thereof, telephone handsets, answering machines, radio-broadcasting and television transmission and reception apparatus, and pagers

SEMICONDUCTO

Chips, wafers, etc... of various sizes and capacities

SEMICONDUCTOR MANUFACTURING [illegible]NT

A wide variety of equipment and testing apparatus used to produce semiconductors such as vapor deposition apparatus, spin dryers, etching and stripping apparatus, lasercutters, sawing and dicing machines, deposition machines, spinners, encapsulation machines, furnaces and heaters, ion implanters, microscopes, handling and transport apparatus, measuring and checking instruments, and parts and accessories

SOFTWARE

Software contained in diskettes, magnetic tapes, CD-ROMs, etc...

SCIENTIFIC INSTRUMEN

Measuring and checking devices, chromatographs, spectrometers, optical radiation devices, and electrophoresis equipment

OTHER PRODUCTS

Word processors, calculators, cash registers, ATM machines, certain static converters, indicator panels, capacitors, resistors, printed circuits, certain electronic switches, certain connection devices, certain electric conductors, optical fibre cables, certain photocopiers, computer network equipment (LAN & WAN equipment), flat panel displays, plotters, and multimedia upgrade kits

ITA COMMITTEE

The ITA participants established a Committee on the Expansion of Trade in Information Technology Products, which will monitor the implementation of the ITA, discuss and approve expansion of product coverage and deal with requests from other countries to join in.

SIGNIFICANCE O[redacted]

- lower prices for consumers and fewer barriers to the spread of technology critical to the development of all trading partners
- broad coverage guarantees worldwide benefits
- improved living standards for the world's citizens

IMPACT OF AGREEMENT ON BASIC TELECOMMUNICATION SERVICES ON TRADE:SINGAPORE’S PERSPECTIVE

25 May 99, Tianjin, China

15 February 1997

"Today's Agreement will bring significant benefits to workers, businessmen and consumers alike -- in terms of, respectively, new jobs, new markets and lower prices -- and will spread the benefits of this technological revolution to the citizens of the world."

Bill Clinton, President, USA

Overview of Services Negotiations

- ***General Agreement on Trade in Services (GATS)***
  - Articles -- Definitions, obligations, disciplines and exceptions
  - Telecom Annex
  - Schedules -- Commitments on specified services

Singapore’s Participation

- ***Supporter of multilateralism -- Agreement facilitate progressive liberalisation of telecom industry in manner that respects rules of access to markets and competition***

Environment

- ***Telecommunication Industry -- structural change and dramatic economic growth***
- ***Convergence, globalisation, decrease in costs, global telecom companies, National Information Infrastructure >> Asia-Pacific Information Infrastructure >> Global Information Infrastructure***

Global Telecom Trade

- ***Nearly US$900 billion in total***
  - **US$644 billion in revenues and US$170 billion in investments (1997)**
  - **In year 2000, US$1 trillion for services and US$300 billion for equipment**
  - **Governments representing 82% of global telecom revenue subject to open markets from Feb 98 and 6% to open up before or on 2005**
  - **1,000 facilities-based international carriers operational world-wide by May 98 compared with less than 500 two years before**

Telecom Trade

- ***Primary level: telecom is traded service on its own right:***
  - ***Transactions of telecom services that crosses a national border***
    - Telephone calls, electronic mail
  - ***Foreign investment***
    - Purchase of telecom companies by foreign investors
    - Joint ventures between local and foreign partners to establish new telecom service company
    - Licences, Build-Operate-Build schemes

Telecom Trade

- ***Secondary level: telecom infrastructure is facilitator of trade in other goods and services: health, tourism, financial***
- ***Transactions over SWIFT telecom network -- exceed US$1 trillion daily***

Singapore's Participation

- ***Participation aimed at shaping fair and balanced framework***
- ***Need for varied number of perspectives and views at negotiations***
- ***View of big and small economies need to be incorporated***
- ***Need for Asia-Pacific voice and concerns***

Singapore’s Participation

- ***Economies should be given latitude to liberalise in ways that suit their levels of development and market conditions***
- ***Sufficient to have clear intentions and concrete milestones to liberalise***
- ***While quality important, more significant to have as many on board***
- ***Encouraged ASEAN and Asia-Pacific partners***

Singapore's Participation

- ***Improved offer at Singapore WTO Ministerial, Dec 96***
- ***Basic services to liberalise in 2000, instead of 2007***
- ***Demonstrated Singapore's support for multilateral trading system and move negotiations forward***

APEC Economies WTO Participation

- ***APEC participated actively contributing to critical mass***
- ***Active contribution due to positive experiences on liberalisation***
- ***ITU reports showed that countries which have introduced competition (Malaysia, Chile, Philippines) are reaping benefits in terms of growth in international traffic, higher network roll-out and higher consumer satisfaction.***

Benefits of Liberalisation

- ***Singapore's experience is positive***
- ***Mobile phone subscribers more than doubled since April 97 -- 34.6% penetration rate***
- ***Paging subscription tariffs have more than halved -- 41% penetration rate***
- ***Basic fixed-line competition to begin in Apr 2000***
- ***Open market access in Internet access service***

APEC Economies WTO Participation

- ***17 APEC Economies tabled commitments at the GBT: Australia, Brunei Darussalam, Canada, Chile, Hong Kong China, Indonesia, Japan, Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, Philippines, Singapore, Thailand and USA***
- ***All tabled basic telecom services and made additional commitments on Reference Paper***

APEC Economies WTO Participation

- ***8 tabled full suite, 3 tabled all but 1 sub-sector and other 6 committed 3 or more sub-sectors***
- ***Difference in industrialised and developing economies' commitments***
- ***Industrialised economies: unlimited market access whilst developing economies more guarded with greater range of restrictions***
- ***Industrialised economies' commitments entered into force on 5 Feb 98 whilst most developing have phased-in commitments***

APEC Economies WTO Participation

- ***Both developed and developing economies share same common goal: liberalisation***
- ***They differ in the approaches towards that goal***
- ***Developing economies need time to put in necessary structures, legal and regulatory***
- ***Responsibilities to nurture local industry and help them compete in new environment***

Issues of Concern

- ***Implementation of Commitments***
  - Putting in place the regulatory structures and procedures
  - Drafting or Modification of telecom legislation
  - Key concerns: transparency and national treatment
  - Reference Paper on regulatory principles

Reference Paper

- ***Regulatory Principles set out code of fair regulatory behaviour to give certainty and confidence to new service providers and investors:***
  - Competition Safeguards
  - Interconnection Guarantees
  - Transparent Licensing
  - Independent Regulators
  - Fairly allocated resources -- e.g., frequencies, numbers and rights of way

Reference Paper

- ***Singapore: transition from monopoly to multi-operator environment***
- ***TAS' role evolving from proxy competitor to mediator of disputes, facilitator of competition and promoter of industry***
- ***Strengthening competitive framework to ensure level playing field to facilitate fair and sustainable competition***

Issues of Concern

- ***Assistance to developing economies -- sharing of information within ITU, APT, APEC, World Bank***
  - **APEC TEL -- Task Force on Implementing WTO Commitments**
  - **World Bank InfoDev Programme -- loans and technical assistance for developing economies**

Issues of Concern

- ***Beefing Up Reference Paper***
  - **Reference Paper may be subject to various interpretations**
  - **Only boundary placed on Paper is valid economic principles and commitment to fair competition**
  - **APEC Tel's work on Interconnection: promotion of interconnection regimes that promote competition in telecom market**

Issues of Concern

- ***New Generation Services***
  - **Distinctions between telecom sub-sectors blurring because of converging technologies and services**
  - **Internet: traditional telecom service? Voice or data?**
  - **Difficulty of fitting new services under present GATS classification**

Issues of Concern

- 3G cellular mobile systems: applications that incorporate voice, data, video -- where to place such services?
- Global Mergers, Alliances -- telecom services no longer provided by national operators but global entities
- Competition Concerns: concentration of market share limited to few dominant global entities?

Conclusion

- ***Paradigm shift in telecoms -- no more old boys' club -- ruled by multilateral trade principles***
- ***Agreement the beginning point of liberalisation of global markets***
- ***Singapore's view: liberalisation policies within multilateral trade framework allow for stability and certainty***
- ***Liberalisation is undertaken depending on each economy's market situation and levels of development -- goal is to build the APIS***

THANK YOU

Annex 1

Table: Summary of Specific Commitments by APEC Economies on Basic Telecommunication Services

	a.	b.	c.	d.	e.	f.	g.	h.
Australia	X	X	X	X		X	X	
Brunei Darussalam	X		X			X		
Canada	X	X	X	X	X	X	X	
Chile	X	X	X	X	X	X	X	
Hong Kong	X	X	X			X	X	X
Indonesia	X	X	X	X	X			X
Japan	X	X	X	X		X	X	X
Korea	X	X	X	X	X	X	X	
Malaysia	X	X	X	X	X	X	X	X
Mexico	X	X	X			X		X
New Zealand	X	X	X	X	X	X	X	
Papua New Guinea	X	X	X	X	X	X	X	
Peru	X	X	X	X	X	X	X	X
Philippines	X	X	X	X	X	X		X
Singapore	X	X	X			X	X	
Thailand	X			X	X	X	X	X
USA	X	X	X	X	X	X	X	X

Key

a. Voice Telephone Services
b. Packet-Switched Data Transmission Services
c. Circuit-Switched Data Transmission Services
e. Telex Services
c. Telegraph Services
f. Facsimile Services
g. Private Leased Circuit Services
h. Others

Annex 2

HIGHLIGHTS OF WTO COMMITMENTS ON BASIC TELECOMMUNICATIONS BY APEC ECONOMIES

AUSTRALIA

Offered unrestricted competition in virtually all basic telecom services as of Jul 97. Committed on existing free markets for voice telephone on a resale basis and many other basic services. Offered to end limits on the number of satellite service providers (currently set at 2) and on primary suppliers of public mobile cellular telephony and facilities-based carriers (both currently set at 3) as of Jul 97. Offered no limits on foreign equity for new carriers. Permitted foreign equity up to 11.7% of the government-controlled carrier, TELSTRA, and required majority Australian ownership of the mobile carrier, Vodaphone. Improved offer removed foreign equity limitation of Optus. Committed to the Reference Paper on regulatory principles as additional commitments.

BRUNEI DARUSSALAM

Committed to undertake a policy review in 2010 on whether to allow additional suppliers in local public voice telephone services (currently monopoly), international public voice telephone services (currently duopoly) and in cellular telephone services (currently monopoly). Committed on Reference Paper.

CANADA

Committed to phasing out certain routing restrictions and foreign equity limitations on many services by the year 2000 and advanced the date for the elimination of Telesat's exclusive rights on satellite facilities and earth stations serving the US/Canada market to Mar 2000. Committed to remove a requirement that Canadian equity holding in mobile satellite systems must equal Canadian usage levels. Also agreed to remove, as of Oct 98, restrictions on obtaining licenses to land submarine cables. Offered a liberalised regime for resale-based competition in local telephone services and in most other basic telecom services. Limited foreign equity in all facilities-based suppliers to 20% direct and 46.7% combined direct and indirect foreign ownership. Teleglobe's monopoly on overseas (non-US) facilities-based service would be eliminated and its foreign equity limits would be raised to 46.7% in Oct 98. Telesat Canada's exclusive rights on satellite facilities and earth stations serving US/Canada market would be eliminated as of Mar 2000. Maintained a few limitations on market access for telephone service in certain cities or Provinces. Committed to the Reference Paper.

CHILE

Offered full competition in the national long distance and international markets for all basic telecom services, including mobile and satellite services. No commitment taken on the provision of basic telecom services in local markets. Committed on the Reference Paper.

HONG KONG

Committed on international simple resale for facsimile and data transmission services. Also committed to provide access to the local market for many basic telecommunications services including voice and data transmission as well as mobile radio telephone and mobile data services. For local fixed-network services, four licences already issued and issuance of further licences would be given consideration in Jun 98. Committed to permit call back and other alternative international calling services, certain satellite services, virtual private networks, and mobile satellite services. Committed to the Reference Paper.

INDONESIA

In the final days of the talks, improved the offer by deleting an economic needs test for new entrants in domestic mobile cellular telephone services, personal mobile cellular communication services, and regional and national paging services. Public voice telephony, circuit switched public data network and teleconferencing services currently supplied by a number of suppliers with exclusive rights. Committed to a policy review to determine whether to admit additional suppliers upon the expiry of the exclusive rights; exclusivity expires in 2011 for local service; in 2006 for long distance service, and in 2005 for international service. Offered competition for packed-switched public data network services, telex, telegraph and Internet access services, subject to use of networks of PT Indosat and PT Satelindo for international traffic. Offered competition in domestic mobile cellular telephone services, paging, public payphone services. Foreign equity limited to 35% for all services except personal communication services which require joint venture with state-owned company. Committed to the Reference Paper.

JAPAN

Commitments included the deletion of the reservation concerning international simple resale of voice services. Committed to remove long-standing foreign equity limits on Type I carriers and radio-based services, leaving only two companies, KDD and NTT, with foreign equity limits (at 20%). Aside from these company-specific restrictions, open market access is committed in all market segments for basic telecommunications services (facilities-based and resale). Committed to the Reference Paper.

KOREA

Committed to increase foreign equity participation limit on facilities based suppliers to 49% from 2001. Also increased foreign equity limit in the national supplier (KT) from 20% to 33% from 2001. Permitted competition in wire-based telephone services never before opened to full competition. Full competition permitted in supply by resale of all telecom services except voice without phase in. Permitted market access for domestic voice resale as of 1999 when it would allow foreign equity participation up to 49%; rises raised to 100% as of 2001. Also committed to phase-in international simple voice resale by 2001. Committed to the Reference Paper.

MALAYSIA
Offered the opportunity to acquire foreign equity in existing facilities-based public telecommunications operators. Services supplied by the existing operators include voice telephony (wire or wireless), data transmission, private leased circuit services, domestic and international satellite services and satellite links/capacity, satellite earth stations, terrestrial- and satellite-based mobile services and video transport services. Foreign shareholding of up to 30% is permitted in these operators. Listed some regulatory principles as additional commitments.

MEXICO
Committed to foreign equity limitation to 49% for all telecommunications service suppliers and ended the exclusivity of regional duopolies in cellular telephony. Committed to competition in all market segments of public telecommunications services on a facilities and a resale basis: voice telephone service, data transmission, private leased circuit services, paging and certain cellular telephone services. For cellular telephony, allowed more than 49% foreign investment subject to prior authorisation. Committed to the Reference Paper.

NEW ZEALAND
Committed to open markets for all basic telecommunication services for all market segments (local, long-distance and international). A national treatment limitation indicates that no single foreign entity is permitted to hold more than 49.9% of Telecom New Zealand; this does not limit the overall foreign shareholding in that operator. Committed to the Reference Paper.

PAPUA NEW GUINEA
Under its commitments, PNG would open its market in 2002. Offered to review and announce the issuance of additional operating licenses by the year 2000. Committed on the Reference Paper.

PERU
Committed to liberalise voice telephone services (domestic, long distance & international) in 1999. Other basic services would be liberalised in 1999 for long-distance and international market segments and were liberalised without phase-in for supply in the local market. Where scarce resources such as frequency availability are involved, licenses will be issued through public tender. Committed on the Reference Paper.

PHILIPPINES

Committed to opening up cellular mobile telephone services. Offered competition through commercial presence in the following services on a facilities basis for public use by means of all types of technologies except cable television and satellite: voice telephone, data transmission services, and cellular mobile telephone services in all market segments (local, long distance and international). Market access for the new entrants to be determined by meeting the criteria of a public convenience and necessity test. Foreign equity limited to 40%. Included some regulatory principles.

SINGAPORE

Committed to phase-in of competition in facilities-based telecommunication services in April 2000 when up to two additional operators would be licensed and additional licenses would be granted thereafter. Offered open markets for mobile data, cellular telephony and trunked radio services and for paging services as of April 2000. Committed to the provision of domestic and international resale of public-switched capacity (not including the connection of leased lines to public network) for most basic services, including voice, data and ISDN. Foreign equity limited to 49% for facilities based supply. Committed to the Reference Paper.

THAILAND

Committed to introduce revised commitments in public local, long distance and international voice telecommunications services in 2006, conditional upon the passage of and consistent with the provisions in proposed new communications acts. Also committed on some regulatory principles conditional upon the passage and entry into force of new telecommunications acts. Committed to introduce regulatory principles in the future.

UNITED STATES

Committed to open markets for essentially all basic telecom services (facilities-based and resale) for all market segments (local, long distance and international), including unrestricted access to a common carrier radio licenses for operators that are indirectly foreign owned. Offer also covers, for example, satellite-based services, cellular telephony and other mobile services. Limitations on market access include no issuance of radio licenses to operators with more than 20% direct foreign ownership and Comsat retains exclusive rights to links with Intelsat and Inmarsat satellite capacity. Committed to the Reference Paper. Submitted MFN Exemption List on telecommunications services involving the one-way satellite transmission of DTH and DBS television services and digital audio services.

China Securities Regulatory Commission

Table of Contents

I. China Securities Regulatory Commission

The China Securities Regulatory Commission (the CSRC) was formally established in October 1992. Directly responsible to the State Council, the CSRC is an agency supervising the nationwide securities and futures markets. Its key functions are as follows:

1. Studying and formulating policies and development plans regarding securities and futures markets; drafting relevant laws and regulations on securities and futures markets; and working out relevant rules on securities and futures markets;

2. Supervising securities and futures markets and exercising vertical power of authority over regional and provincial supervisory institutions of the markets;

3. Overseeing the issuance, trading, custody and settlement of equity shares, convertible bonds, and securities investment funds; approving the listing of corporate bonds; and supervising the trading activities of listed government and corporate bonds;

4. Supervising the listing, trading and settlement of domestic futures contracts; and monitoring domestic institutions engaged in overseas futures businesses in accordance with relevant regulations;

5. Supervising the behavior of listed companies and their shareholders who are liable for relevant information disclosure in securities markets;

6. Supervising securities and futures exchanges and their senior management in accordance with relevant regulations, and securities associations in the capacity as the competent authority;

7. Supervising securities and futures companies, securities investment fund managers, securities registration and settlement companies, futures settlement institutions, and securities and futures investment consulting institutions; approving in conjunction with the People's Bank of China, the qualification of fund custody institutions and supervising their fund custody business; formulating and implementing rules on the qualification of senior management for the above-mentioned institutions; and granting qualification of the people engaged in securities and futures-related business;

8. Supervising direct or indirect issuance and listing of shares overseas by domestic enterprises; supervising the establishment of securities institutions overseas by domestic institutions; and supervising the establishment and operation of domestic securities institutions by overseas organizations;

9. Supervising information disclosure and proliferation related to securities and futures and being responsible for the statistics and information resources management for securities and futures markets;

10. Granting, in conjunction with relevant authorities, the qualification of law firms, accounting firms, asset appraisal firms, and professionals in these firms, for engagement in securities and futures intermediary businesses, and supervising their relevant business activities;

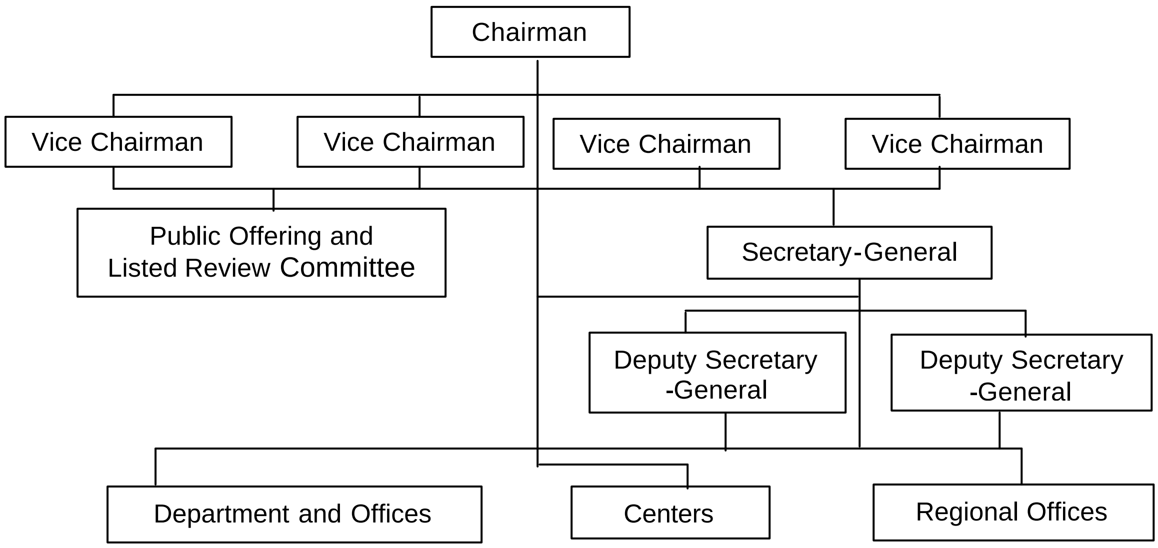
11. Investigating and penalizing activities violating securities and futures laws and regulations;

12. Managing the foreign relationships and international cooperation affairs in the capacity as the competent authority; and

13. Any other duties as commissioned by the State Council.

The CSRC has one Chairman, four Vice-Chairmen, one Secretary-General, and two Deputy Secretary-Generals. It has 13 functional departments or offices, 3 subordinate centers, and one special committee. It also has 10 regional offices set up in key cities around the country and a missionary office in every province, autonomous region, municipality, and city enjoying the provincial-level status in the state economic plan.

Figure 1-1: Organizational Structure of the CSRC



General Office (Office of Advisors)
Public Offering Supervision
Market Supervision
Intermediary Supervision
Listed Company Supervision
Investment Funds Supervision
Futures Supervision
Enforcement Bureau (Office of Chief Enforcement Officer)
Legal Affairs (Office of General Counsel)
Accounting (Office of Chief Accountant)
Policy & Research Office
International Cooperation
Personnel & Education

Information
Service
Training

Tianjin
Shenyang
Shanghai
Jinan
Wuhan
Guangzhou
Shenzhen
Chengdu
Xian
Beijing
Chongqing

II. Stock Issuance

Stock Issuance System

Currently, stock issuance is subject to approval by the CSRC. Based on Article 11 of the Securities Law, approved by the Standing Committee of the National People's Congress on Dec. 29, 1998, and effective on July 1, 1999, "a public stock issuance shall follow the conditions as stipulated in the Company Law and be submitted to the securities regulatory agency under the State Council for verification."

Public Offering and Listing Review Committee

To ensure the fairness and quality of stock issuance examination and verification, a Public Offering and Listing Review Committee was set up by the CSRC in 1993.

Based on Article 14 of the newly promulgated Securities Law, "the securities supervisory agency under the State Council shall set up a Public Offering and Listing Review Committee, examining and verifying issuance applications in accordance with law. Comprising professionals in the agency and relevant experts specially engaged from outside, the Committee shall cast votes over a stock issuance application and reach a resolution on it."

Mode of Stock Issuance

Under the primary method of stock issuance, a stock's issuing price is fixed after registration with the stock trading system, that is, the lead underwriter issues the stock at pre-fixed issuing price, by using the trading system of stock exchanges.

Based on Article 28 of the Securities Law, "In case premium issuance is adopted for a stock issuance, the issuing price shall be negotiated and determined between the issuer and the underwriter, subject to the verification of the securities regulatory agency under the State Council."

Size of Stock Issuance

By the end of 1998,China's listed companies had issued a total 74.61 billion shares in the markets and had raised a total of RMB 355.31 billion. The total can be broken down as follows: (1) A-share market: 34.302 billion shares and RMB 168.709 billion; (2) B-share market: 9.598 billion and US$ 4.745 billion; and (3) H-share markets: 30.719 billion shares and US$ 10.02 billion (Chart 2-1, Figure 2-1, Figure 2-2).

Chart 2-1: Shares Offering from 1987 to 1998

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	Total
Shares Issued (100 MM)	10	25	7	4	5	21	96	91	32	86	268	102	746
A Share	10	25	7	4	5	10	43	11	5	38	106	79	343
H Share							40	70	15	32	137	13	307
B Share						11	13	10	11	16	25	10	96
Capital Raised (RMB 100 MM)	10	25	7	4		94	375	327	150	425	1,294	837	3,553
A Share	10	25	7	4		50	195	50	23	224	655	440	1,687
H Share							61	189	31	84	360	38	763
B Share						44	38	38	33	47	81	26	307
Rights Offering of A and B Share							82	50	63	70	198	335	797

Figure 2-1: Capital Raised from A-Share Market from 1987 to 1998

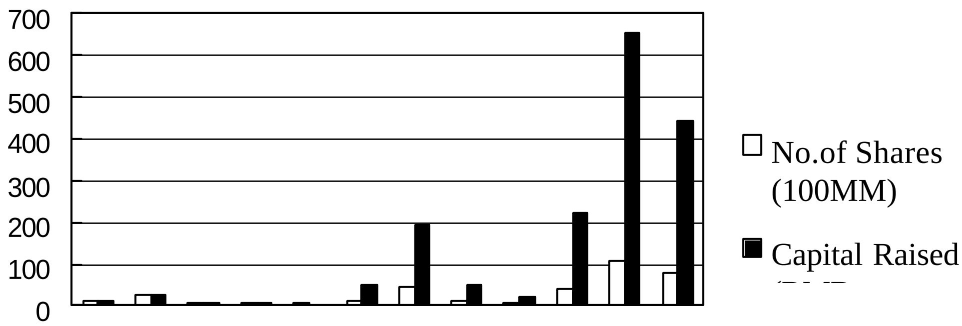
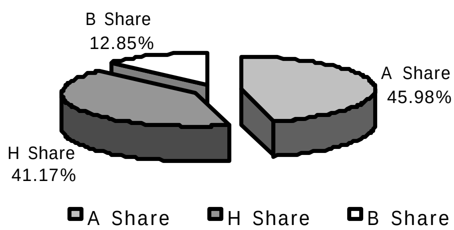


Figure 2-2: Structure of Shares Issued



III. Stock Trading

China has developed a nationwide equity market with two stock exchanges located in Shanghai and Shenzhen. The stock exchanges have been continuously updating their technology, improving services, and consistently developing conditions that provide a foundation to expand the market. They have also been improving trading, settlement, and registration and custody practices as well as upgrading the information transmission system.

Originally, China's securities market was made up of a group of independent local exchanges. With the improvement of the securities market's regulatory system and operational mechanisms, China's stock exchanges have developed into an integrated marketplace with nationwide coverage.

At present, China's stock exchange trading system reaches all large and medium-sized cities with 2,412 retail branches all over the nation. More and more products are being provided to the investors and the scale of securities trading is rising. By the end of 1998, the total market capitalization was RMB 1,950.5 billion, equivalent to 24.46% of GDP; the outstanding capitalization amounted to RMB 574.5 billion, 7.2% of GDP; and the annual turnover was RMB 2,354.4 billion (Chart 3-1, Chart 3-2, Figure 3-1):

Chart 3-1: Stock Market and National Economics

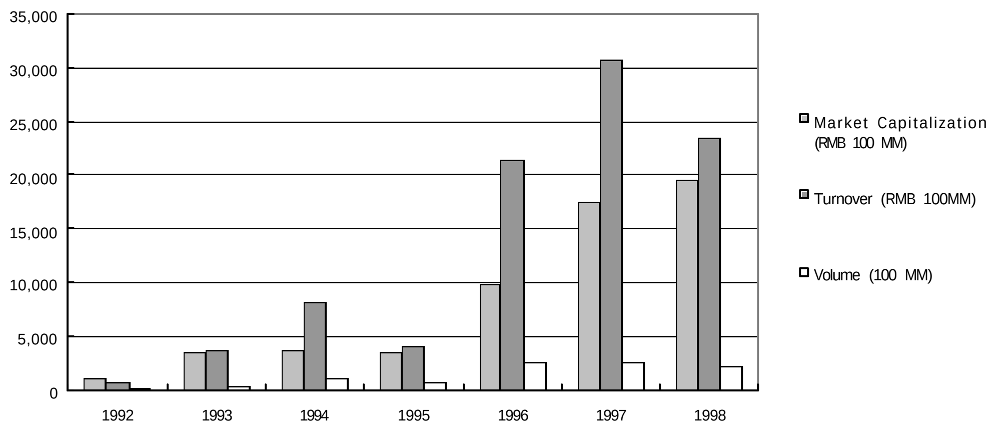
(RMB 100MM)

	GDP	Market Capitalization		Market Capitalization of Tradable Shares	
		Amount	over GDP	Amount	over GDP
1992	26,638	1,048	3.93	NA	NA
1993	34,634	3,531	10.20	NA	NA
1994	46,759	3,691	7.89	965	2.06
1995	58,478	3,474	5.94	938	1.60
1996	67,885	9,842	14.50	2,867	4.22
1997	74,772	17,529	23.44	5,204	6.96
1998	79,748	19,506	24.46	5,745	7.20

Chart 3-2: Annual Trading of Shares all over China

	1992	1993	1994	1995	1996	1997	1998
Market Capt. (RMB 100MM)	1,048	3,531	3,691	3,474	9,842	17,529	19,505
Turnover (RMB 100MM)	681	3,667	8,127	4,036	21,332	30,722	23,544
Volume (100 MM)	38	234	1,013	705	2,533	2,561	2,154

Figure 3-1: Annual Trading and Market Capitalization of Shares



IV. Listed Companies

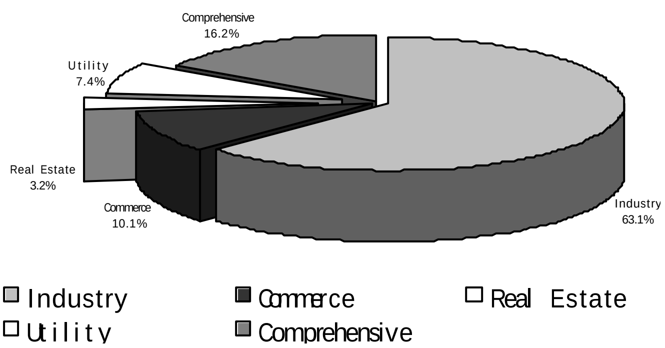
No. of Listed Companies

By the end of 1998, 851 companies listed in Shanghai and Shenzhen stock exchanges with 252.677 billion shares. This total can be broken down as follows: (1) A-share Companies: 825; (2) B-share Companies: 106; (3) Companies issuing both A shares and B shares: 80; and (4) Companies issuing both A shares and H shares: 18 (Chart 4-1, Figure 4-1).

Chart 4-1: Number of Listed Companies

Companies	1990	1991	1992	1993	1994	1995	1996	1997	1998
Issuing A Share	10	14	35	140	227	242	431	627	727
Issuing B Share	0	0	0	6	4	12	16	25	26
Issuing A and B Share	0	0	18	34	54	58	69	76	80
Issuing A and H Share	0	0	0	3	6	11	14	17	18
Total	10	14	53	183	291	323	530	745	851

Figure 4-1: Industrial Sectors



Equity Structure of the Listed Companies

Shares in China are divided in to two broad categories: untradable and tradable. By the end of 1998, the total untradable equity of the listed companies was 166.484 billion shares, 65.89% of the total equity of the listed companies, allocated as follows: (1) shares owned by government: 86.551 billion; (2) shares owned by legal persons: 71.617 billion; (3) shares owned by employees and others: 8.317 billion.

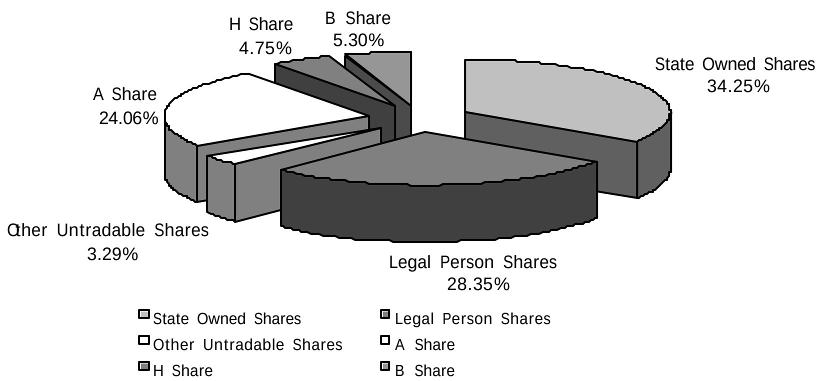
Outstanding tradable shares totaled 86.193 billion shares, 34.11% of the total equity of the listed companies, allocated as follows: (1) A shares: 60.803 billion; (2) B shares: 13.395 billion; and (3) H shares: 11.995 billion (Chart 4-2, Figure 4-2).

Chart 4-2: Share Structure of Listed Companies

As of 12/31/98

	No. Of Shares (100MM)
Untradable Shares	
Sponsor Shares	1,429.33
Owned by Government	865.51
Owned by Domestic Legal Persons	528.06
Owned by Foreign Legal Persons	35.77
Owned by Others	0.00
Shares Placed to Legal Persons	152.34
Shares Owned by Employees	51.70
Others	31.47
Sub Total	**1,664.84**
Tradable Shares	
A Shares	608.03
B Shares	133.95
H Shares	119.95
Others	0.00
Sub Total	**861.93**
Total	**2,526.77**

Figure 4-2: Capital Structure



V. Intermediaries

Securities intermediaries include securities houses, law firms, accounting firms, asset appraisal firms, investment advisory firms and other entities that are engaged in securities businesses. At present, there are 90 securities houses; 299 law firms, 103 accounting firms, and 116 asset appraisal firms engaged in securities and futures businesses; and 100 securities and futures investment consulting institutions (97 for securities and 3 for futures).

The CSRC, jointly with relevant authorities, has the right to grant the qualifications of all intermediaries engaged in or related to securities activities.

VI. Investors

By the end of 1998, investors had opened 39.107 million investment accounts, of which 155,800 were in the name of institutional investors and 38,951,200 in the name of individual investors (Chart 6-1, Chart 6-2).

Chart 6-1: Expansion of Investors

(10,000)

	1992	1993	1994	1995	1996	1997	1998
Shanghai	111.23	423.51	574.89	685.20	1,207.87	1,713.31	1,998.97
Shenzhen	105.41	354.15	484.09	557.27	1,099.36	1,620,02	1,911,73
Total	216.65	777.66	1,058.98	1,242.47	2,307.23	3,333.33	3,910.70

Chart 6-2: Structure of Investors (1998)

(10,000)

	Shanghai	Shenzhen	Total
Institution	6.26	9.32	15.58
Individual	1,992.71	1,902.41	3,895.12
Total	1,998.97	1,911.73	3,910.70

Six closed-end securities investment funds were created and began operations in 1998. Each fund is capitalized with RMB 2 billion and with an investment life of 15 years.

Chart 6-3: Stocks Investment Fund (1998)

Name	Size (RMB MM)	No. Of Investors	Turnover (RMB 10,000)	NAV Per Fund Unit
Kaiyuan	2,000	279,803	1,768,400	1.0027
Jintai	2,000	291,881	1,832,968	1.0144
Xinghua	2,000	467,069	873,184	1.0598
Anxin	2,000	569,842	557,390	1.0670
Yuyang	2,000	497,037	696,869	1.0378
Puhui	2,000	1,019,000	/	/

VII. The B-Share Market and Overseas Listing

B-Share Market

In 1991, the Shanghai Stock Exchange (SHSE) and Shenzhen Stock Exchange (SZSE) began to offer B shares, providing foreign investors with a legal channel to invest in China's equity markets.

B shares are offered and traded on these Exchanges, which designate domestic or overseas securities dealers as specially licensed brokers to accept foreign investors' consignment for trading. These Exchanges began to offer special seats for B-share trading in 1994 and overseas securities dealers were allowed to engage in floor trading via the seats.

By the end of 1998, 106 companies had issued B shares with a total of 9.589 billion shares issued and a total of US$ 4.745 billion capital raised.

Overseas Markets

In 1993, Chinese companies began to list shares abroad. Entering the global capital markets has been an instructive and beneficial experiment for these companies. By the end of 1998, 43 Chinese companies had listed shares overseas, of which 31 were in Hong Kong, 8 dually listed in Hong Kong and New York, 1 in New York, 2 dually listed in Hong Kong and London, and 1 in Singapore. The total capital raised is US$ 10.02 billion.

VIII. International Cooperation

To learn from the experience of securities markets in other countries and to promote the standardization of China's securities markets, the CSRC has paid close attention to developing relationship with foreign securities exchanges and tried to strengthen cooperation with securities regulators of other jurisdictions.

In 1993, the CSRC, SHSE, SZSE, the Securities and Futures Commission of Hong Kong, and Stock Exchange of Hong Kong executed a cooperative memorandum regarding regulatory affairs. The CSRC signed a cooperative memorandum with the US Securities and Exchange Commission in April 1994; entered into a memorandum for regulatory cooperation with the Monetary Authority of Singapore in November 1995;and signed an agreement with HM Treasury and Securities and Investment Board of the UK in October 1996. The CSRC has established agreements for regulatory cooperation with 12 different countries and regions.

The 20th Annual Conference of the International Organization of Securities Commissions accepted the CSRC as a regular member of the organization on July 11, 1995. The Organization selected the CSRC as a member of its Executive Committee in September 1998.

IX. Shanghai Stock Exchange

Open for business on December 19, 1990, SHSE is one of the two mainland securities exchanges, and a non-profit membership institution and legal person. It has been working to supply a fair, transparent and highly efficient trading environment for market participants and ensure normal operation of the securities market under the supervision of the CSRC.

Over the past eight years, SHSE has developed into a safe, efficient and sizable securities market with a rich variety of choice and wide coverage. By the end of 1998, SHSE's trading floor was handling:

- 438 listed companies with market capitalization of RMB 1,062.6 billion, equivalent to 13.3% of GDP;
- 528 listed securities with various types of securities including: equity shares (A and B shares), securities investment funds, government bonds (for both spot and repo trading), corporate bonds, and corporate convertible bonds;
- 333 members;
- 19.99 million investors accounts.

For over eight years, SHSE has raised a total of RMB 140.814 billion for listed companies, of which US$ 2.477 billion has been from foreign investors.

To minimize paper-based operations, SHSE uses a computerized trading system that is based on the principle of price priority and time priority. The system automatically matches the closest offer and bid and has a capacity of 5,000 deals per second. Supplied with the largest satellite-based telecommunications network for securities trading in China, SHSE utilizes trading technology that combines both tangible and intangible methods, and trading information can be instantly delivered to all parties across the country.

Shanghai Securities Central Registration & Settlement Co., a wholly owned subsidiary of SHSE, is responsible for central registration, custody, management, and settlement. They are capable of simultaneously completing stock transfers for A shares and stock pre-transfer for B shares upon a deal instructed within the computerized system. Currently, the A share market adopts T+1 settlement and the B share market uses T+3.

SHSE has paid attention to create international exchanges and cooperation. During its early days of operation, it established relationship with exchanges and cooperation with European counterparts. SHSE signed a Memorandum of Understanding with the London Stock Exchange in March 1995.

Many European securities dealers, including SBC Warburg and Barclays, are engaged in B share transactions on SHSE. Southeast Electric Power has listed both B shares in Shanghai and GDRs on the London Stock Exchange. In October 1998, the Memorandum of Understanding with the London Stock Exchange was renewed in the presence of Mr. Tony Blair, UK's Prime Minister. Mr. Blair even wrote an inscription for the SHSE during the event.

X. Shenzhen Stock Exchange

Set up on December 1, 1990 as a non-profit, self-disciplined membership institution and legal person, SZSE has been providing a market operation environment with appropriate facilities for concentrated and organized securities trading and fulfill responsibilities as stipulated in relevant state laws, regulations rules and policies under the supervision of the CSRC.

SZSE, guided by the principle of standardized, fair, efficient, and safe operations and with its rapidly expanding scale, increasingly multiplying products and wider coverage, has positively sought for growth opportunities, successfully developed into the stage characterized by automated trading from manual matching of offers and bids, and upgraded from a local market to a nationwide one over the past eight years. By the end of 1998, the SZSE's trading floor was handling:

- 413 listed companies with market capitalization of RMB 888 billion, equivalent to 11.13% of GDP;
- 483 listed securities, of which were 454 equity shares, 10 funds and 19 bonds;
- 19,117,300 investors accounts;
- 329 members; and
- over 2,400 interconnected retail branches.

SZSE has raised a total RMB 128 billion capital for listed companies over the past eight years and played an important role in promoting the restructuring of state-owned enterprises and bringing forth a socialist market economic system.

SZSE has adopted a market trading system based on modern computerized and telecommunications technology, and fully practiced electronically automated trading. Based on the principle of price priority and time priority, the system offers concentrated bidding and matches offer and bid deal by deal, with a daily capacity of 10 million commissions.

SZSE has exercised a 10% price cap for both rise and fall margins within the day for shares and funds trading to maintain stability and stay out of daunting fluctuations in share prices. To strengthen the front-line monitoring functions, SZSE has developed and gradually improved an automatic real time market monitoring system. SZSE's information system delivers market updates in a timely manner to all domestic business points as well as over 150 countries and regions in the world via its trading network, Internet, and Reuters terminals.

Shenzhen Securities Settlement Company, SZSE's wholly owned subsidiary, is responsible for the registration, custody and settlement of shares listed on SZSE. An omni-directional, tri-dimensional operation system has been set up comprised of: a trading system, settlement system, information management system and market monitoring system. Currently, the A-share market adopts T+1 settlement and the B-share market uses T+3.

For years, SZSE, having been taking an open stance, has been working to tighten the link of

Exchanges and cooperation with the global securities industry and actively tap the B-share market, contributing to the steady opening progress of China's securities markets. By the end of 1998, SZSE had 54 listed B shares with market capitalization of RMB 10.6 billion, with over 100,000 B-share investors from 108 countries and regions.

Shenzhen Special Economic Zone Real Estate and Properties (Group) Co. issuing ADRs in US in 1994 and Shenzhen Merchants Shekou Port Service Co. Ltd.'s secondary listing in Singapore in 1995 symbolize SZSE's growing openness.

With China's rapid economic growth, the development of the SZSE overseas investment market has won worldwide attention. Mr. Heath, former British Prime Minister, visited SZSE and let impressed.

A Brief Introduction of China Telecommunication

1.Telecommunication Reform of China

We have 3 phrases: The first phase involved the merger of the Ministry of posts and Telecommunications and the Ministry of Electronic Industry to form the Ministry of Information Industry (MII). The second phase involved the de-merger of postal and telecommunication services into separate operations. The third phase involves the reform and restructuring of China Telecom.

The principal objectives for the restructuring of China Telecom:

1. Separating the roles of government and enterprise.
2. Ending the monopolized operation, introducing competition in the telecom sector.
3. Improving service quality and operating efficiency.
4. Strengthening the telecommunications industry in China to support further growth and preparing the business for domestic & international competition.

With the objectives mentioned above, the government decided to reorganize China Telecom into four independent enterprise groups:

1. China Telecom Group Company (fixed line and data services);
2. China Mobile Communication Group Company;
3. China Satellite Communications Group Company;
4. China Paging Communications Group Company which has been merged into China Unicom;

2. The Telecommunication Regulatory Work

As you know, we can imagine what will happen if a football match have no regulations. Until now we have no Telecommunication Law. But our state legislative body has put the Telecommunication Law as one of the most urgent laws to enact. Just before promulgation of the law, we are now drafting Telecommunication Management Regulation, which will be promulgated in this year. We are now also drafting the Rule for Telecommunication Interconnection Management and the Working Procedure of Telecommunication Interconnection.

3.Foreign Capital in Chinese Telecommunication Market

Chinese Government is considering to promote international investment on Chinese market.

China Telecom (HK) restructured mobile communication assets of Guangdong, Zhejiang and Jiangsu, and sold its stock on New York and HK stock market. This year, Shanghai Telecommunication Administration, Shanghai Information Investment Co. Lt., and AT&T signed an agreement on joint venture of Pudong telecom value added services. It will become effective after approval of both sides' government.