

# FAQ

## Services Negotiations in WTO

Frequently  
Asked  
Questions



Centre for WTO Studies  
Indian Institute of Foreign Trade



## Foreword

In recent decades, global trade in services has experienced phenomenal increase, dwarfing the increase in goods trade by a good measure. Improvements in technology, in particular telecommunications, have opened up new vistas in the area of cross-border trade in services. India is among the major beneficiaries of this development. To provide greater certainty and transparency to trade in services, a framework of General Agreement on Trade in Services (GATS) was negotiated during the Uruguay Round of trade negotiations. Unlike goods, the supply of services across borders can be made in different ways and, therefore, negotiating binding multilateral commitments for services trade is more complex. The areas of rule making in services trade is also a challenge as it covers complex issues like domestic regulations, subsidies, emergency safeguards etc.

The Centre for WTO Studies in collaboration with the Department of Commerce has published a Frequently Asked Questions on services negotiations in WTO. It attempts to give a snapshot of the issues involved in the negotiations in services. I hope it will be a useful material to understand the basics of the intricacies of the services negotiations in WTO.

New Delhi  
9<sup>th</sup> April 2009

A handwritten signature in black ink, appearing to read 'K.T. Chacko'.

**K.T. Chacko**  
Director, IIFT

## **Acknowledgements**

**Dr. Krishna Gupta**, Counselor, Permanent Mission of India to WTO, Geneva, has prepared the FAQ

**Shri Shashank Priya**, Professor, Centre for WTO Studies, coordinated the preparation and publication of the FAQ

**Dr. Biswajit Dhar**, Professor & Head, Centre for WTO Studies, gave valuable suggestions to improve the contents and design of the FAQ

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# Questions about the Agreement

## **Q.1. When did the General Agreement on Trade in Services (GATS) come into existence?**

- A.1.** The General Agreement on Trade in Services (GATS) came into existence as a result of the Uruguay Round of negotiations and entered into force on 1 January 1995, with the establishment of the WTO.

The multilateral legal instruments resulting from the Uruguay Round were treated as a single undertaking. India also signed all the WTO agreements under the single undertaking rule and GATS is a part of this whole package.

## **Q.2. What is the main purpose of GATS?**

- A.2.** Prior to the Uruguay Round, services were considered to offer less potential for trade expansion than goods, thanks to existence of technical, institutional and regulatory barriers. However, the development of new transmission technologies facilitating the supply of services (e.g. satellite communication, electronic banking, tele-education), the opening of monopolies in many countries (e.g. voice telephony), and gradual liberalization of hitherto regulated sectors like transport, banking and insurance combined with changes in consumer preferences, enhanced the “tradeability” of services. These developments increased international services flows and created a similar need for multilateral disciplines – as in the area of goods. Thus, the main purpose for the creation of the General Agreement on Trade in Services

(GATS) was to create a credible and reliable system of international trade rules, which ensured fair and *equitable treatment of all countries on the principles of non-discrimination*. It aims at stimulating trade and development by seeking to create a predictable policy environment wherein *the member countries voluntarily undertake to bind their policy-regimes relating to trade in services*.

**Q.3. What is the importance of liberalization in the services sector to the economy?**

**A.3.** The importance of services sector can be judged from the fact that world trade in commercial services amounted to US\$ 3300 billion in the year 2007. In India, too, services accounted for about 55% of GDP in 2007-08.

Similarly, India's services exports more than doubled from US \$ 25 billion in 2003-04 to US \$ 60 billion in 2005-06 and now account for about 37% of total Indian exports of goods and services. In 2007-08, India's services exports stood at about US\$ 90 billion, accounting for 2.7% of world services exports.

The liberalization of trade in services is expected to lead to the following benefits:-

**Economic performance:** Presence of an efficient services infrastructure is a precondition for economic success. Services such as telecommunications, banking, insurance and transport supply strategically important inputs to all sectors, both in goods and services.

**Development:** Access to world-class services help exporters and producers in developing countries to capitalize on their competitive strength, whatever goods and services they are selling.

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**Consumer Choice:** There is strong evidence in many services, e.g. in telecommunications, that liberalization leads to lower prices, better quality and wider choice for consumers.

**Technology transfer:** Services liberalization encourages foreign direct investment (FDI). Such FDI generally brings with it new skills and technologies that spill-over into the wider economy in various ways.

**Q.4. What services are covered under GATS and what areas are excluded?**

**A.4.** The GATS covers all internationally traded services with two exceptions: *services provided to the public in the exercise of governmental authority, and, in the air transport sector, traffic rights and all services directly related to the exercise of traffic rights.*

The WTO Secretariat has divided all services into the following 12 sectors.

1. Business services (including professional and computer services)
2. Communication services
3. Construction and Engineering services
4. Distribution services (e.g. commission agents, wholesale & retail trade and franchising)
5. Education services
6. Environment services
7. Finance (including insurance and banking) services
8. Health services
9. Tourism and Travel services
10. Recreation, Cultural and Sporting Services
11. Transportation Services, and
12. Other services not elsewhere classified.

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These 12 areas are further divided into 161 sub-sectors. A full list of service sectors is at **Annexure-I** at pages 24 to 32 of this booklet.

**Q.5. How are the supply of services categorized under GATS?**

**A.5.** GATS provides for four modes of supply of services: cross-border supply, consumption abroad, commercial presence, and presence/movement of natural persons.

**Mode 1: Cross-border** supply refers to a situation where the service flows from the territory of one Member country into the territory of another Member country. For example, an architect can send his architectural plan through electronic means; a teacher can send teaching material to students in any other country; a doctor sitting in Germany can advise his patient in India through electronic means. In all these cases, trade in services takes place and this is equivalent to cross-border movement of goods.

**Mode 2: Consumption abroad** refers to a situation where consumer of a service moves into the territory of another Member country to obtain the service. For example, a tourist using hotel or restaurant services abroad; a ship or aircraft undergoing repair or maintenance services abroad.

**Mode 3: Commercial presence** implies that service suppliers of a Member country establish a territorial presence (a legal presence) in another Member country with a view to providing their services. In this case, the service supplier establishes a legal presence in the form of a joint venture/ subsidiary/representative/branch office in the host country and starts supplying services.

**Mode 4: Presence or movement of natural persons** (in simple language it is export of manpower) covers situations in which a service is delivered through persons

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of a Member country temporarily entering the territory of another Member country. Examples include independent service suppliers (e.g. doctors, engineers, individual consultants, accountants, etc.) However, *GATS covers only temporary movement and not citizenship, residence or employment on a permanent basis in the foreign country.*

Let us consider a specific example to distinguish between the four modes of supply. A particular firm in country 'X' establishes a subsidiary in country 'Y'. This is supply of services through Mode 3 i.e. **Commercial Presence**. An architect of the said firm sends blueprints over the Internet to another firm in country "Y" - this is Mode 1 i.e. **Cross Border Supply**. An Engineer from the said firm is deputed to work in the subsidiary firm established in country 'Y' for a limited period for managerial operations - this is Mode 4 i.e. **Movement of Natural Persons**. Certain trainees from the subsidiary in country 'Y' visit country 'X' and consume both education and tourism services in country 'X' - this is Mode 2 i.e. **Consumption Abroad** for country 'X'.

**Q.6 What are the general obligations under the GATS?**

**A.6** Obligations contained in the GATS may be categorized into two groups:

- (i) General obligations which apply directly and automatically to all Member countries of the WTO, regardless of the existence of sectoral commitments;
- (ii) Conditional obligations which apply to sectors where the Member country has assumed market access and national treatment obligations.

The general obligations include:

**(a) MFN Treatment:** Favour one, favour all. MFN means

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treating one's trading partners equally. Under GATS, if a country allows foreign competition in a sector, equal opportunities in that sector should be given to service providers from all other WTO members. (This applies even if the country has made no specific commitment to provide foreign companies access to its markets under the WTO).

MFN applies to all services, but some special **temporary exemptions** have been allowed.

The only possible derogation/exclusion from the MFN principle exists in the form of a so-called Article II-Exemption. At the time of entry into force of the WTO Agreements, the member countries were allowed to schedule exemptions to the MFN principle, i.e. they could indicate their measures which they did not intend to multilateralise on an MFN basis to the WTO member countries. These MFN exemptions are subject to review and should, in principle, not last longer than 10 years.

Since negotiations are still under way in maritime and air transport services, members have elected to maintain existing bilateral and plurilateral agreements by taking necessary exemptions. The only air transportation services covered at present under GATS are aircraft repair and maintenance, selling and marketing of air transport services and computer reservation systems. Not included in GATS are traffic rights and services directly related to exercise of those rights since these are all governed by existing rights and obligations such as the Chicago Convention.

(b) **Transparency:** Member countries are required, inter alia, to publish all measures of general application and

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establish national enquiry points to respond to other Member's information requests.

(c) **Other unconditional obligations:** include the establishment of administrative review and appeals, procedures and disciplines on the operation of monopolies and exclusive suppliers.

#### **Q.7 What are the conditional obligations under GATS?**

**A.7** GATS follows a positive list approach under which each member is expected to undertake specific liberalization commitments through a process called "scheduling". Each Member identifies the service sectors/ sub-sectors and modes of supply in which it is willing to make commitments. Then the member inscribes the conditions under which it will allow services and service suppliers access to its market. This is done by indicating limitations it wishes to place on market access and national treatment while granting access. Thus national treatment is not mandatory in GATS but is negotiated on a sector by sector basis.

This contrasts with the way the national treatment principle is applied to goods – in that case, once a product has crossed a border and been cleared by customs it has to be given national treatment even if the importing country has not made any commitment under the WTO to bind the tariff rate.

**a) Market Access:** The granting of market access is a commitment undertaken by individual Members in specified sectors after negotiations. It may be made subject to one or more limitations. For example, limitations may be imposed on the number of services suppliers, service operations or employees in a sector, the value of transactions, the legal form of the service supplier, or the extent of participation of foreign capital.

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**B) National Treatment:** National treatment means treating domestic and foreign service-providers equally. In other words, once a foreign company has been allowed to supply a service in one's country there should be no discrimination between the foreign and local companies.

Under GATS, a country only has to apply this principle when it has made a specific commitment to provide foreigners access to its services market. It does not have to apply national treatment in sectors where it has not made any commitment even though the service is permitted under liberalized regime. Even in the sectors where it has made commitment for market access, GATS does allow limitations on national treatment to be taken fully or partially.

**Q.8 What information is contained in services "schedules"?**

**A.8** Each WTO Member is required to have a schedule of specific commitments. It is a document which identifies the services sectors, sub-sectors or activities which are subject to Market Access and National Treatment obligations and any limitations attached to them. The necessary indications must be entered with respect to each of the four different modes of services supply.

Most schedules consist of a sectoral and a horizontal section. The limitation(s) indicated in the sectoral section apply only to the particular sector/sub-sector to which the section refers. For instance, in the sectoral commitments relating to banking services, India has indicated that only 12 foreign bank branches would be allowed to open in a year. This means that the commitment is limited only to the banking services. This commitment was made in 1997 but autonomously we are permitting more foreign bank branches in a year. (However, in India's Revised Offer

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made during the current Doha Round of negotiations, this number has been raised to 20). On the other hand, the limitation(s) contained in the horizontal section would apply to all sectors/sub-sectors committed in the schedule. For example, if a member country undertakes a commitment in horizontal section that it will allow entry to business visitor(s) under Mode 4 for 90 days only, this will mean that the business visitor belonging to any service sector which has been committed in the schedule will be allowed entry for 90 days.

The schedules of specific commitments of various countries can be accessed online at the WTO website (<http://www.wto.org>) [[http://tsdb.wto.org/wto/public\\_nsf/Fset\\_Predefined\\_Report?OpenFrameSet](http://tsdb.wto.org/wto/public_nsf/Fset_Predefined_Report?OpenFrameSet)]

**Q.9 Can specific commitments be withdrawn or modified at any time?**

**A.9** As per Article XXI of the GATS, specific commitments may be modified not earlier than three years after their entry into force. However, countries which may be affected by such modifications may request the modifying Member to negotiate compensatory adjustments. This does not mean monetary compensation but the replacement of the commitment withdrawn by another of an equivalent value. Any such adjustments made are to be granted on an MFN basis.

**Q.10. Can commitments be introduced or improved upon outside the context of multilateral negotiations?**

**A.10.** Yes, any commitment can be added or improved at any time autonomously by the member concerned but it becomes a binding commitment only if it is scheduled. It

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may be mentioned here that autonomous policy is decided irrespective of commitments taken / offered in GATS. Once a commitment is taken in GATS, it cannot be rolled back. For example, in Telecommunication Services, India has undertaken commitments to allow 25% Foreign Direct Investment. This commitment is binding on us and cannot be rolled back.

**Q.11. Are there any specific exemptions in the GATS to cater to important national policy interests?**

**A.11.** Governments are free to pursue any national policy objectives provided the relevant measures are compatible with the GATS. More specifically, the GATS allows Members in specified circumstances to take or maintain measures in contravention of their obligations. This applies in particular to:

- (i) Measures in reaction to serious balance of payments and external financial difficulties;
- (ii) Measures necessary to protect public morals or human, animal or plant life or health; and
- (iii) Measures necessary to secure compliance with laws or regulations not inconsistent with the Agreement including, among others, measures necessary to prevent deceptive or fraudulent practices.

Further, the Annex on Financial Services entitles Members, regardless of other provisions of the GATS, to take measures 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.

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GATS recognizes the right of members to regulate, and to introduce new regulations on the supply of services within their territories in order to meet national policy objectives. Such legitimate objectives could include quality of service, safety of consumers, code of conduct etc. In short, there has to be a balance between the right to regulate and ensuring that such regulation is administered in a reasonable, objective and impartial manner on a non-discriminatory basis.

Further, Article VI: 4 of GATS states: “with a view to ensuring that measures relating to qualification requirements and procedures, technical standards and licensing requirements do not constitute unnecessary barriers to trade in services, the Council for Trade in Services shall, through appropriate bodies it may establish, develop any necessary disciplines. Such disciplines shall aim to ensure that such requirements are, inter alia:

1. Based on objective and transparent criteria, such as competence and the ability to supply the service;
2. Not more burdensome than necessary to ensure the quality of the service;
3. In the case of licensing procedure, not in themselves a restriction on the supply of the services.”

As per the mandate of the Hong Kong Ministerial, efforts are under way to put in place disciplines in Domestic Regulation involving qualification requirement procedures, licensing requirement procedures and technical standards before the end of the current round. Developing countries, including India have argued to strike a balance between the right to regulate and regulations becoming unnecessary barriers to trade.

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**Q.12. Are there any provisions of interest to developing countries?**

**A.12.** Article IV of GATS specifically provides that increasing the participation of developing countries in world trade shall be facilitated by different members through strengthening of their domestic services capacity, improvement of their access to distribution channels and information networks, and liberalisation of market access in sectors and modes of export interest to developing countries. The agreement also recognizes that in the negotiations on liberalisation of trade in services, appropriate flexibility will be given to individual developing country members for opening fewer sectors, liberalizing fewer types of transactions and attaching such access conditions which aim at achieving the objectives of Article IV while allowing foreign service suppliers access to their markets.

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# Questions about the Ongoing Negotiations

**Q.13. What is the present status and calendar of the WTO negotiations on Services?**

**A.13.** The GATS came into existence at the end of the Uruguay Round establishing the WTO in 1995. Under Article XIX of GATS, further round of negotiations for progressive liberalisation had been mandated to begin not later than 5 years from the date of establishment of WTO. Accordingly, negotiations have commenced from 1/1/2000.

To take stock of the progress of the Doha Round of trade talks, a Ministerial meeting was held in Hong Kong from 13th-18th December, 2005, in which the timelines were further revised as follows:

- a) 28th February, 2006, for submitting plurilateral requests;
- b) 31st July, 2006, for submitting the second round of Revised Offers; and
- c) 31st October, 2006, for submitting the draft final schedule of commitments

The negotiations continued after the Hong Kong Ministerial, with a focus on market access and domestic regulation. Negotiations were suspended in July, 2007

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when the Potsdam talks broke down, but resumed at the end of 2007.

A mini-Ministerial was held in July, 2008 in Geneva, which included a signaling conference on services. In this conference, Members signaled improvements to their offers. India also signaled improvements, but added a caveat that these improvements were conditional. A services text was also negotiated in the run-up to the mini-Ministerial, which included areas of interest to India, namely Mode 1 and Mode 4. Unfortunately, the mini-Ministerial could not be concluded successfully because of differences between developed and developing countries in Agriculture and NAMA.

**Q.14. What principles underlie the Negotiations?**

**A.14.** The underlying principles of the services negotiations are contained in the Guidelines and Procedures for Negotiations on Trade in Services (NGP) which member countries were required to finalise.

India played an instrumental role in finalisation of the NGP. India along with 22 other developing countries prepared and submitted a draft proposal on NGP entitled “Elements of Negotiating Guidelines and Procedures” for consideration of the WTO membership. The adopted NGP is largely based on India's proposal. According to NGP, the negotiations will fully preserve the right to choose the sectors and modes of supply while undertaking commitments. The process of liberalisation shall take place with due respect to the national policy objectives and the level of development. Due considerations will be given to the needs of small and medium-sized service suppliers, particularly those of the developing countries.

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In so far as the developing countries are concerned, the negotiations shall aim to increase their participation in the Trade in Services. There shall be flexibility for developing country members in making commitments and special priority shall be given to the least developed countries in view of their special economic situation and their development, trade and financial needs. In the Hong Kong Ministerial, Members agreed to enter into plurilateral negotiations in line with paragraph 11 of the NGP. Four rounds of plurilateral negotiations have been held so far.

**Q.15. What Negotiating methods are to be adopted?**

**A.15.** The main method of negotiations shall be the request and offer approach. In a request-offer approach, at the initial stage, countries would lay on the table their requests on other trading partners (i.e. their list of demands, seeking greater market access for their exports from them) and in turn also place their offers to other trading partners (i.e. the concession that they are willing to offer giving greater market access to imports of services from its trading partners). Subsequently, it will be followed by negotiations between countries either bilaterally or between Groups of Countries or multilaterally. Any commitments agreed to during this process with a particular country or a Group of countries or multilaterally will be made applicable in respect of other countries at the end of negotiations. The starting point of negotiations will be the existing schedules of specific commitments of the member countries.

**Q.16. What are the sectors of interest to developed countries?**

**A.16.** The main sectors of interest to developed countries in the current negotiations are business services,

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telecommunication services, financial services, transport services, distribution services, energy services, environmental services and education services. The main mode of supply of particular interest to developed countries is Mode 3, i.e. commercial presence, because they have the financial capability required for establishment of legal presence in the territory of the trading partner.

**Q.17. What are the sectors and modes of supply of particular interest to India ?**

**A.17.** The modes of supply of interest to India are Mode 1 (Cross border supply) and Mode 4 (Movement of Natural Persons). Trade through Business Process Outsourcing (BPO) / Information Technology Enabled Services (ITES) is undertaken through electronic modes of delivery i.e., Mode 1. BPO/ITES and off-shoring are likely to continue as major thrust areas from India's point of view. In the present Round of Services negotiations, one of India's major objectives is to achieve better access for India's service suppliers under this mode. When it began, outsourcing had a limited objective to achieve cost savings in transaction-intensive, back-office business processes. However, it has now emerged as a flexible and powerful approach to address even tactical and strategic aims. There has been a movement up the value chain with India emerging as the new hub for Research & Development activities in Financial Services, Engineering related Services, Medical and related Services etc.

India has also a large pool of well-qualified professionals in the services sectors like computer and related services, education services, audiovisual services, accountancy services, architectural services, construction and

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engineering services, health services and consultancy services. India has a fairly large comparative advantage over other Member countries with regard to supply of professional services in these service sectors.

In the recent past, Mode 3 is also becoming important for India because of overseas expansion of a number of Indian companies, e.g. banking (ICICI, State Bank), pharmaceuticals (Dr Reddy's, Ranbaxy), non-conventional energy (Suzlon), telecommunications (VSNL, Reliance) and information technology (Infosys, WIPRO).

**Q.18. What is India's strategy for achieving its objectives in Mode 1?**

**A.18.** India has been seeking support for broad based commitments in Mode 1 from a critical mass of countries, at least in some of the key areas except in some sensitive sectors such as Financial, Telecommunications and Audio visual Services. The objective is to freeze the existing liberalisation in those countries, thus removing potential future hurdles in outsourcing of business to countries like India. In this regard, India, Chile and Mexico co-sponsored a joint statement (JOB(04)/87 dated 28 June 2004) on this issue. Recently, another Joint Statement on the Cross-Border supply (JOB(05)/90 dated 1 June 2005) was also tabled in the WTO.

**Q.19. What is India's strategy to achieve greater liberalisation in Movement of Natural Persons?**

**A.19.** India is a proponent of liberalisation of trade in services through Mode 4. In order to promote the liberalisation of mode 4, India has been submitting negotiating proposals at the WTO. In November, 2000 India submitted a

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proposal on “Liberalisation of Movement of Professionals” (S/CSS/W/12 dated 24<sup>th</sup> November, 2000). These proposals noted that the developed member countries have taken limited commitments in Mode 4, which is of significant interest to developing countries. These commitments are further reduced in scope on account of various measures taken by developed member countries, such as Economic Needs Test (ENT); restrictive visa regimes; Non-recognition of qualifications etc. The proposals suggested various strategies for improving access for Indian service providers such as transparency in the visa regimes, creation of a separate GATS visa different and less onerous from the normal immigration visa, facilitation of Mutual Recognition Agreements (MRAs) etc.

Subsequently India also tabled various proposals along with other like minded members, for liberalization of Movement of Natural Persons. The proposal contained in Paper No. TN/S/W/14 dated 3<sup>rd</sup> July 2003 addressed similar issues and suggested several remedial measures. The paper on Categories of Natural Persons for commitments under Mode 4 of GATS (TN/S/W/31 dated 18 February 2005) stressed on the need for arriving at a common understanding on a list of categories of natural persons for whom commitments are being sought, along with common parameters and market access conditions attached to them. The objective of the paper was to ensure greater uniformity and clarity in scheduling commitments and improving the level of commitments in Mode 4. In addition, India has also tabled along with other countries at the WTO a paper on the “Assessment of Mode 4 offers of members” (JOB(05)/131 dated 30.6.2005). In 2007, another proposal was submitted 'Liberalization of Mode 4: A win-win for

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all', in which India reiterated the importance of Mode 4 and why liberal Mode 4 commitments by developed countries was in everyone's interest.

In the area of disciplining of domestic regulations, which is important for gaining effective market access for India's service providers, India has been playing a proactive role at the WTO. In this regard, India has put in several proposals for discussions on this subject, including a paper on Development of Disciplines for Professional Services (JOB(03)/192 dated 30 September 2003). Recently, India along with some other developing countries such as Chile, Mexico, Pakistan and Thailand tabled a proposal (JOB(05)/50, dated 30 March 2005) suggesting some alternative approaches for addressing the issue of recognition such as development of disciplines for Professional Services; establishing guidelines for recognition of qualification; possibility of undertaking Additional Commitments for verifying a foreign service provider's competence to provide the service etc.

In pursuance of the Hong Kong Ministerial, disciplines in Domestic Regulations have to be concluded before the end of this Round. Discussions on this are under way in the Working Party on Domestic Regulation (WPDR). In this connection, India along with some other countries had submitted a Room Document on 1.5.2006 on Disciplines on Qualification Requirements and Procedures and Chairman of the WPDR has also circulated a consolidated working paper based on the proposals submitted by WTO members on 12.7.2006 on the matter.

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Based on these negotiations, the Chair has tabled two versions of his text: one in April, 2007 and again in January, 2008. India has asked for the next draft to be tabled as soon as possible and underlined the need to meet the mandate of having disciplines in domestic regulations before the end of the current Round.

**Q.20. Is it possible that there could be surge of imports in any service sectors? If yes, what could be done?**

**A.20.** The GATS architecture is based on a positive list approach where the member countries have a right to choose the sectors and the modes of supply in which they would undertake commitments. Normally, it is expected that the commitments made would be in accordance with the comfort level of the member countries. In most cases, autonomously similar liberalisation policies are in any case being followed. It is, therefore, unlikely that there would be a surge in imports on account of the commitments undertaken. However, in view of the possibility, the GATS provides for negotiations on emergency safeguard measures under Article X. The negotiations are now under progress on the question of Emergency Safeguard Measures whose purpose would be to provide for the suspension of a commitment in case of injury or the threat of injury to a domestic service sector on account of surge in imports.

**Q.21. Will the Services Negotiations force India to open all the service sectors to foreign competition?**

**A.21.** *There is no obligation on any WTO member to allow foreign service-providers in all services sectors. Governments are free to choose those services on which they will make*

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commitments guaranteeing access to foreign suppliers. Each member must have a national schedule of commitments but there is no rule as to how extensive it should be.

India had also undertaken commitments at the end of Uruguay Round (1994). In this Round, commitments were taken only in 33 sub-sectors and while taking commitments a number of limitations on market access and national treatment were made in the schedules consistent with India's national policy objectives. In most cases, these were no more than the autonomously liberalized policies already in force in India.

Under the Doha Round of services negotiations, India submitted its conditional Initial Offer at WTO in January 2004. In the Initial Offer, India substantially improved access in critical service sectors and offered commitments in 47 sub-sectors.

India also submitted its Revised Offer at WTO on 24<sup>th</sup> August 2005. Building further on the improvements in the initial offer, India has offered to undertake extensive commitments in a number of new sectors/sub-sectors and also improved its existing commitments in various service sectors and modes. Under Mode 4, India has already made improvements to its commitments by including Contractual Service suppliers and Independent professionals in the Initial Offer, the definitions and conditions for which have further been refined in the Revised Offer. India's Revised Offer to WTO can be accessed at <http://commerce.nic.in>.

It is expected that India will make further improvements in its next offer, as indicated in the signaling conference held in July 2008. However, these improvements will be converted into commitments only if there are

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satisfactory responses to India's requests in Mode 1 and Mode 4 as also the progress in the discussions on domestic regulations.

**Q.22. What is the plurilateral process in the WTO Services negotiations?**

**A.22.** The plurilateral process was mandated in the Hong Kong Ministerial Conference to provide greater momentum to the services negotiations and reduce the transaction cost of such negotiations. Plurilateral process has also been recognized in the Negotiating Guidelines and Procedures (NGP) of the WTO for the Services negotiations. It entails a group of members putting a single request in sectors / Modes of interest to them. It is intended to supplement the bilateral request offer process which would continue to be the primary method of negotiations. The participation is limited to the requesting and requested members and the outcome would only be reflected in the Revised Offers of each individual member as is the case with the bilateral requests.

As a part of the plurilateral process, 21 plurilateral groups have been formed at the WTO in service sectors/areas viz: 1) Air Transport Services, 2) Architecture, Engineering and Integrated Engineering Services; 3) Audio Visual Services; 4) Computer and Related Services (CRS); 5) Construction and Related Engineering Services; 6) Education Services; 7) Energy Services; 8) Environment Services; 9) Financial Services; 10) Legal Services; 11) Logistics; 12) Maritime Services; 13) Postal/Courier Services (including Express Delivery); 14) Telecom Services; 15) Distribution Services; 16) Cross Border Supply; 17) Mode-3 (Commerce presence); 18) Mode-4 (Presence of natural

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persons); 19) MFN Exemptions (General); 20) MFN Exemptions (Financial Services); and 21) MFN Exemptions (Audio-Visual Services).

**Q.23. What is the current status of plurilateral negotiations and what has been India's role in these negotiations?**

**A.23:** It has been agreed that all Members making requests will be considered to be deemed recipients of the request except in Mode 4. The first and second rounds of meetings of all plurilateral groups were held from 28th March to 6th April 2006 and 15th -24th May 2006 respectively. Two more Rounds of plurilateral meetings were held subsequently. India is the coordinator of plurilateral groups on Mode-1 (Cross Border Supply) and Mode-4 (Temporary Movement of Natural Persons). India has also participated as a requesting member in the Computer and Related Services (CRS) group and Architecture, Engineering and Integrated Engineering Services (AEI) group. As a part of the plurilateral process, India has also received a number of plurilateral requests in all the sectors/areas listed in paragraph 4.2 above except for the Horizontal Request in Mode 3 (Commercial presence), MFN Exemptions (General) and MFN Exemptions (Financial Services). India has therefore received requests in 14 sectors/areas, excluding those sectors/areas in which India is a requesting member and therefore a deemed recipient.

All Members, including India, are expected to respond to the plurilateral requests and bilateral requests placed on them by making improved Offers, as indicated in the signaling conference. The next Revised Offers by the Member countries will be submitted in due course.

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**Annexure - I**

**SERVICES SECTORAL CLASSIFICATION LIST**

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SECTORS AND SUB-SECTORS	CORRESPONDING CPC
1. BUSINESS SERVICES	Section B
<b>A. Professional Services</b>	
a. Legal Services	861
b. Accounting, auditing and bookkeeping services	862
c. Taxation Services	863
d. Architectural services	8671
e. Engineering services	8672
f. Integrated engineering services	8673
g. Urban planning and landscape architectural services	8674
h. Medical and dental services	9312
i. Veterinary services	932
j. Services provided by midwives, nurses, physiotherapists and para-medical personnel	93191
k. Other	
<b>B. Computer and Related Services</b>	
a. Consultancy services related to the installation of computer hardware	841
b. Software implementation services	842
c. Data processing services	843
d. Data base services	844
e. Other	845+849
<b>C. Research and Development Services</b>	
a. R&D services on natural sciences	851
b. R&D services on social sciences and humanities	852
c. Interdisciplinary R&D services	853

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**D. Real Estate Services**

- a. Involving own or leased property 821
- b. On a fee or contract basis 822

**E. Rental/Leasing Services without Operators**

- a. Relating to ships 83103
- b. Relating to aircraft 83104
- c. Relating to other transport equipment 83101+83102+  
83105
- d. Relating to other machinery and equipment 83106-83109
- e. Other 832

**F. Other Business Services**

- a. Advertising services 871
- b. Market research and public opinion  
polling services 864
- c. Management consulting service 865
- d. Services related to management consulting 866
- e. Technical testing and analysis service 8676
- f. Services incidental to agriculture, hunting  
and forestry 881
- g. Services incidental to fishing 882
- h. Services incidental to mining 883+5115
- i. Services incidental to manufacturing  
(Except for 88442) 884+885
- j. Services incidental to energy distribution 887
- k. Placement and supply services of Personnel 872
- l. Investigation and security 873
- m. Related scientific and technical consulting  
Services 8675
- n. Maintenance and repair of equipment  
(not including maritime vessels, aircraft  
or other transport equipment) 633+  
8861-8866
- o. Building-cleaning services 874
- p. Photographic services 875
- q. Packaging services 876
- r. Printing, publishing 88442
- s. Convention services 87909\*
- t. Other 8790

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## 2. COMMUNICATION SERVICES

A. Postal services	7511
B. Courier services	7512
C. Telecommunication services	
a. Voice telephone services	7521
b. Packet-switched data transmission services	7523**
c. Circuit-switched data transmission services	7523**
d. Telex services	7523**
e. Telegraph services	7522
f. Facsimile services	7521**+7529**
g. Private leased circuit services	7522**+7523**
h. Electronic mail	7523**
i. Voice mail	7523**
j. On-line information and data base retrieval	7523**
k. electronic data interchange (EDI)	7523**
l. Enhanced/value-added facsimile services, incl. store and forward, store and retrieve	7523**
m. code and protocol conversion	n.a.
n. on-line information and/or data processing (incl.transaction processing)	843**
o. other	
D. Audiovisual services	
a. Motion picture and video tape production and distribution services	9611
b. Motion picture projection service	9612
c. Radio and television services	9613
d. Radio and television transmission services	7524
e. Sound recording	n.a.
f. Other	
E. Other	

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\* The (\*) indicates that the service specified is a component of a more aggregated CPC item specified elsewhere in this classification list.

\*\* The (\*\*) indicates that the service specified constitutes only a part of the total range of activities covered by the CPC concordance (e.g. voice mail is only a component of CPC item 7523).

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**3. CONSTRUCTION AND RELATED ENGINEERING SERVICES**

- A. General construction work for buildings 512
- B. General construction work for civil engineering 513
- C. Installation and assembly work 514+516
- D. Building completion and finishing work 517
- E. Other 511+515+518

**4. DISTRIBUTION SERVICES**

- A. Commission agents' services 621
- B. Wholesale trade services 622
- C. Retailing services 631+632
- D. Franchising 8929
- E. Other

**5. EDUCATIONAL SERVICES**

- A. Primary education services 921
- B. Secondary education services 922
- C. Higher education services 923
- D. Adult education 924
- E. Other education services 929

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## 6. ENVIRONMENTAL SERVICES

- |                                    |      |
|------------------------------------|------|
| A. Sewage services                 | 9401 |
| B. Refuse disposal services        | 9402 |
| C. Sanitation and similar services | 9403 |
| D. Other                           |      |

## 7. FINANCIAL SERVICES

- |  |             |
|--|-------------|
| <b>A. All insurance and insurance-related services</b>   | 812**       |
| A. Life, accident and health insurance services  | 8121        |
| b. Non-life insurance services   | 8129        |
| c. Reinsurance and retrocession  | 81299*      |
| d. Services auxiliary to insurance (including broking and agency services)   | 8140        |
| <b>B. Banking and other financial services (excl. insurance)</b>   |             |
| a. Acceptance of deposits and other repayable funds from the public  | 81115-81119 |
| b. Lending of all types, incl., inter alia, consumer credit, mortgage credit, factoring and financing of commercial transaction            | 8113        |
| c. Financial leasing   | 8112        |
| d. All payment and money transmission services   | 81339**     |
| e. Guarantees and commitments  | 81199**     |
| f. Trading for own account or for account of customers, whether on an exchange, in an over-the-counter market or otherwise, the following: |             |
| - money market instruments (cheques, bills, certificate of deposits, etc.)   | 81339**     |
| - foreign exchange   | 81333       |

- 
- derivative products incl., but not limited to, futures and options 81339\*\*
  - exchange rate and interest rate instruments, inclu. products such as swaps, forward rate agreements, etc. 81339\*\*
  - transferable securities 81321\*
  - other negotiable instruments and financial assets, incl. bullion 81339\*\*
  - g. Participation in issues of all kinds of securities, incl. under-writing and placement as agent (whether publicly or privately) and provision of service related to such issues 8132
  - h. Money broking 81339\*\*
  - i. Asset management, such as cash or portfolio management, all forms of collective investment management, pension fund management, custodial depository and trust services 8119+\*\*  
81323\*
  - j. Settlement and clearing services for Financial assets, incl. Securities, derivative products, or and other negotiable instruments 81339\*\*  
81319\*\*
  - k. Advisory and other auxiliary financial services on all the activities listed in or Article 1B of MTN.TNC/W/50, incl. credit reference and analysis, investment and portfolio research and advice, advice on acquisitions and on corporate restructuring and strategy 8131  
8133
  - l. Provision and transfer of financial information, and financial data processing and related software by providers of other financial services 8131

### C. Other

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**8. HEALTH RELATED AND SOCIAL SERVICES**

(other than those listed under 1.A.h-j.)

- |  |      |
|--|------|
| A. Hospital services                                 | 9311 |
| B. Other Human Health Services<br>(other than 93191) | 9319 |
| C. Social Services                                   | 933  |
| D. Other   |      |

**9. TOURISM AND TRAVEL RELATED SERVICES**

- |   |         |
|---|---------|
| A. Hotels and restaurants (incl. catering)        | 641-643 |
| B. Travel agencies and tour operators<br>services | 7471    |
| C. Tourist guides services                        | 7472    |
| D. Other  |         |

**10. RECREATIONAL, CULTURAL AND SPORTING SERVICES**

(other than audiovisual services)

- |  |      |
|--|------|
| A. Entertainment services (including theatre,<br>live bands and circus services) | 9619 |
| B. News agency services  | 962  |
| C. Libraries, archives, museums and other<br>cultural services                   | 963  |
| D. Sporting and other recreational services                                      | 964  |
| E. Other   |      |

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## 11. TRANSPORT SERVICES

A. Maritime Transport Services	
a. Passenger transportation	7211
b. Freight transportation	7212
c. Rental of vessels with crew	7213
d. Maintenance and repair of vessels	8868**
e. Pushing and towing services	7214
f. Supporting services for maritime transport	745**
B. Internal Waterways Transport	
a. Passenger transportation	7221
b. Freight transportation	7222
c. Rental of vessels with crew	7223
d. Maintenance and repair of vessels	8868**
e. Pushing and towing services	7224
f. Supporting services for internal waterway transport	745**
C. Air Transport Services	
a. Passenger transportation	731
b. Freight transportation	732
c. Rental of aircraft with crew	734
d. Maintenance and repair of aircraft	8868**
e. Supporting services for air transport	746
D. Space Transport	733
E. Rail Transport Services	
a. Passenger transportation	7111
b. Freight transportation	7112
c. Pushing and towing services	7113
d. Maintenance and repair of rail transport equipment	8868**
e. Supporting services for rail transport services	743

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F. Road Transport Services	
a. Passenger transportation	7121+7122
b. Freight transportation	7123
c. Rental of commercial vehicles with operator	7124
d. Maintenance and repair of road transport equipment	6112+8867
e. Supporting services for road transport services	744
G. Pipeline Transport	
a. Transportation of fuels	7131
b. Transportation of other goods	7139
H. Services auxiliary to all modes of transport	
a. Cargo-handling services	741
b. Storage and warehouse services	742
c. Freight transport agency services	748
d. Other	749
I. Other Transport Services	
12. <b>OTHER SERVICES NOT INCLUDED ELSEWHERE</b>	95+97+98+99

### **Useful Web Links**

- [www.commerce.nic.in](http://www.commerce.nic.in)
- [www.wto.org](http://www.wto.org)
- [www.unctad.org](http://www.unctad.org)
- [www.worldbank.org](http://www.worldbank.org)
- [www.wipo.int](http://www.wipo.int)
- [www.fao.org](http://www.fao.org)
- [www.unescap.org](http://www.unescap.org)
- [www.artnetontrade.org](http://www.artnetontrade.org)

## About the WTO Centre

The Centre for WTO Studies has been functioning since November 2002 at the Indian Institute of Foreign Trade. The major objective of the Centre is to provide research and analytical support to the Department of Commerce on identified issues relating to the World Trade Organisation.

The Centre has recently undergone considerable strengthening. It has now a wider mandate and is tasked to carryout research activities, bring out newsletters on WTO related subjects, organise outreach and capacity building programmes through seminars, workshops, subject-specific meetings etc. and to be a repository of important WTO documents in its Trade Resource Centre. An Advisory Committee has been constituted to guide the work of the Centre.

The Centre is currently engaged in research activities on following WTO related subjects:

- **Agriculture**
- **Intellectual Property Rights**
- **Agreement on Sanitary and Phytosanitary Measures**
- **Agreement on Technical Barriers to Trade**
- **Trade Facilitation**
- **Technology Transfer**
- **Issues relating to Environment and Trade**
- **Labour Issues**

More information about the WTO Centre and its activities can be accessed on its website: <http://wtocentre.iift.ac.in>



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