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EXTERNAL ASPECTS OF TELECOMMUNICATIONS

((Communication from the Commission)

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TELECOMMUNICATIONS
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EXTERNAL ASPECTS OF TELECOMMUNICATIONS

1. INTRODUCTION

A wide range of multilateral and bilateral relationships are affected by the Community's telecommunications policy.

Community policies in the telecommunications sector are based on the competences (powers)and resources which are available to the Community, and to the Commission in particular; caution has to be exercised in deciding which areas to take action in. However, when clear powers have been vested in the Community, for example for international trade and for standardisation policy, then the Community must use these possibilities thoroughly and creatively, through the Commission's executive and negotiating responsibilities.

The GATT disciplines agreed in previous rounds of negotiations are already applicable to telecommunications: in the 1974-1979 Tokyo Round duty reductions on telecommunications were agreed; and the Code on Technical Barriers to Trade covered all sectors including telecommunications. Since that date, the Community has launched a far-reaching process of harmonisation and integration in the telecommunications industries and markets in Europe. This process, which includes standardisation, procurement, liberalisation of services and ONP, will increase international access to the internal market. It is consequently essential to ensure, in the context of the current multilateral negotiations that the Community obtains analogous advantages from our principal trading partners.

2. MULTILATERAL ASPECTS

2.1 GATT: Telecommunications equipment and services in the Uruguay Round

Virtually all aspects of the Internal Market for telecommunications are being discussed, directly or indirectly, in the context of the Uruguay Round, so that it will be increasingly important to discuss and coordinate the approach on a number of issues in order to adopt consistent positions . It is clear that the Community's negotiating position in the Uruguay Round on the following issues will remain closely linked to progress in the Community's internal regime.

Telecommunications are mainly covered by four areas of negotiation : services, procurement, technical barriers to trade (standards), and market access (tariff and non-tariff barriers).

(a) Trade in <u>services</u> is a new departure for the GATT, which has previously only dealt with trade in goods. The precedents for international agreements on services come from the OECD (the OECD Codes and the National Treatment Instrument), and certain Free Trade Agreements, such as that between the United States and Canada.

To date, the negotiations in Geneva have focused on the elaboration of a framework of principles, inspired by the General Agreement on Tariffs and Trade (GATT), which would be applicable to all trade in services. The testing of the applicability of these principles to specific sectors (telecommunications, construction, banking, transport, etc.) has just been completed.

The need for sectoral annotations, which would modify or complement the general framework in its application to the various sectors in order to take their specific aspects into account, is under discussion.

The applicability of trade liberalising principles to telecommunications services was discussed for the first time in Geneva at the beginning of June 1989. Given that this was a first discussion, progress was limited. Participants are still preoccupied about the nature of the services to be traded, and about the distinction between "basic" and "value-added" services.

It was however clear that multilateral liberalisation in the telecommunications area will be affected by differences in regulatory structures. This was seen as particularly relevant for "value-added" services requiring equitable access to the basic network, in particular through the implementation of international standards.

At the same time, developing countries are very concerned that they need time, and financial inputs, to develop their own domestic industry and markets before they would be willing to see foreign companies entering their markets without restriction. They are also concerned about the greater costs entailed in providing services on the basis of a poorly developed infrastructure.

(b) With regard to <u>equipment</u>, national Telecommunications Administrations (other than NTT) are not included in the "Public Procurement" Code in the GATT. Current negotiations are directed at the expansion of the coverage of the Code to include the sectors and entities which were set aside in the Tokyo Round. Telecommunications entities are likely candidates for inclusion, provided that such entities are not defined solely in terms of public ownership, and provided that the EC obtain sufficient overall "compensation" in relevant areas from other participants.

(c) With regard to technical barriers to trade, the Community is seeking to establish a better balance under the GATT agreement by extending its provisions, in particular to the adoption of international standards and transparency of specifications adopted by sub-national and private standardisation bodies.

(d) Concerning <u>tariffs</u>, negotiations began in July 1989 for the implementation of the Montreal principles and objectives.

2.2 International Telecommunications Union

Following Council agreement last year, the Community applied for, and was granted observer status at the ITU. The Commission has participated actively in the CCIR[1] HDTV[2] meetings as well as CCITT[3] meetings.

The Community consequently participated as an observer to the recent World Administrative Telegraph and Telephone Conference (WATTC) where a new set of International Telecommunications Regulations was negotiated. As a result of coordination between the Commission and the Member States, and in accordance with the Council Decision of 28.11.88, a joint Declaration to be annexed to the Regulations was submitted by the Member States to the effect that they would apply the Regulations in accordance with their obligations under the Treaty.

The major item on the ITU agenda recently has been the Plenipotentiary Conference of May-June 1989. The Conference resulted in the election of a new Secretary General; the separation between the Constitution and the Convention so that in future it will be easier to revise the Convention if necessary; and the creation of the Telecommunications Development Bureau.

2.3 Organisation for Economic Cooperation and Development

Telecommunications in the OECD are dealt with by the Committee on Information, Computers and Communications Policy (ICCP).

Within the ICCP and its working group on Telecommunications there is a strong focus at the moment on trade-related issues for telecommunications services. The focus is on the preparations for the Uruguay Round, and on possible sectoral considerations. Trade in telecommunications services is also being discussed, along with other sectors, in the working party of the Trade Committee, as well as in joint meetings between this Working Party and the ICCP. Effective EC coordination in these fora will become even more important as the Uruguay Round discussions pick up momentum.

3. BILATERAL RELATIONS

Clearly, bilateral relationships are affected by the Community's telecommunications policy. For example, Article 24 of the proposed Directive on the Procurement procedures of entities operating in the telecommunications sector, regarding Community preference and local content, is of particular significance for third countries.

3.1 Relations with the US

The main telecommunications issues that have been the subject of discussions between the US and the EC are all trade related, either directly or indirectly. They include the following:

- the telecommunications provisions in the Trade Act;

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[1] Comité Consultatif International des Radiocommunications

[2] High Definition Television

[3] Comité Consultatif International Télégraphique et Téléphonique

- access to the US and EC markets;

- respective approaches to standardisation, attachment, procurement and services issues.

Discussions with the US with the aim of exchanging information and clarifying positions have taken place over a period of nearly three years, beginning in 1986 when the first European Community mission to the US took place to investigate the development of the US telecommunications sector. The most recent Plenary meeting took place in March 1988 at Airlie House near Washington.

In the meantime, a number of working groups have met in Washington and Brussels to discuss particular issues - such as procurement, standards and trade statistics - in greater depth.

The US Omnibus Trade Act contains a telecommunications chapter which provides that the United States Trade Representative (USTR) shall draw up a list of priority foreign countries whose telecommunications equipment and services markets are perceived by the US to be restrictive. The Community has been named, along with South Korea. This is in spite of a substantial EC trade deficit with the US in this sector.

The Bill provides that the President shall enter into negotiations with the priority countries which will lead to an increase US exports of telecommunications products and services. If no agreement is obtained within a specific time period the President is authorised to take a large number of actions, including suspension or termination of trade.

Since the naming of the Community, two meetings have been held with USTR representatives to discuss procedure, and to provide an opportunity for both the US and the Commission to present more specifically the problems that they perceive to exist. A further meeting is likely to be held before the end of 1989.

Throughout these meetings the Commission has placed the emphasis on discussion and exchange of information, and has rejected the idea of bilateral negotiations. The Commission believes that telecommunications trade issues would be better negotiated on a multilateral basis in the Uruguay Round. In addition, the Commission will want to bring up European concerns with regard to access by EC companies to the US market.

3.2 Relations with Japan

The Commission has met with the Japanese authorities periodically since 1987, when High Level meetings resulted in an agreement to discuss telecommunications questions of mutual interest at plenary level on a more or less annual basis. The second plenary meeting was held in April 1989. The Commission also maintains regular contacts with manufacturers, and with NTT. The mandate of the meetings is to exchange information on recent events in regulation and technology; to encourage Japan to implement international standards; and to maintain discussions on the question of mutual market access.

A number of working groups meet once or twice a year to discuss specific issues. Currently there are groups dealing with network issues and HDTV, but Japan has requested that a third working group be set up for mobile communications. The Commission is concerned that EC interests, including ETSI and ECTEL, put sufficient input into these working groups; otherwise they risk becoming no more than an opportunity for Japan to observe EC developments.

With regard to market access, the Commission remains concerned about the large and growing trade deficit that the EC is running with Japan. It is not clear that this is really in keeping with EC success in telecommunications exports to other trading partners. The measured effects of the recent NTT efforts to improve access for EC industry have been marginal to date.

However, it is clear that some EC manufacturers are reluctant to make Japan a priority market. This poses a difficulty for the Commission in that although it is aware of the difficulties experienced by EC companies in the past, the question arises whether it will be possible to continue meaningful discussions with Japan with regard to market access if the Japanese believe that EC manufacturers are not keen to sell to Japan. In this respect, senior NTT representatives recently visiting the Commission stressed that a positive response from EC industry was now necessary if NTT was to reinforce its efforts to open its market.

3.3 Relations with EFTA countries

The Community maintains close links with the EFTA countries. Given that the EFTA countries are full members of ETSI and CEN-CENELEC, and are in the CEPT, EFTA countries are naturally closely associated with the Community's activities. EC-EFTA co-operation takes place actually within the framework of the Luxembourg Declaration, which aims at furthering collaboration.

For telecommunications, Senior Officials from the EFTA countries and the Commission have established guide-lines on EC-EFTA co-operation which are mainly focused on the exchange of information. EC-EFTA experts meetings are convened at intervals in order to discuss the implementation of the telecommunications policy of both parties. The main focus is for EFTA representatives to assess the impact of EC draft directives on their national environment. However, it is also useful for the Commission to have an overview of the regulatory environment in the EFTA countries.

3.4 Relations with other countries

The Commission has links or cooperative relations with a number of other countries with regard to telecommunications, usually within the framework of broad-based industrial cooperation, or as part of general cooperation on Information Technology (IT).

Australia and Canada are concerned that they need to link their own research and development in IT and telecommunications with Europe, to complement their links with the US and Japan. While direct participation in the ESPRIT and RACE programmes is evidently not possible, a basis for practical cooperation with companies involved in these programmes has been developed. Both Canada and Australia have expressed their interest in cooperating with the Community in the area of international telecommunications standardisation and the EC Conformance Testing Services in particular.

An exchange of views has also taken place over recent months with representatives of Korea, in the light of Korean concern as a result of its being named under the US Telecommunications Trade Act. While Korea is showing strong support for the European approach to regulation and standards, the Commission is nevertheless concerned to see that any bilateral concessions established between the US and Korea should be extended multilaterally.

Developing countries

The issue of telecommunications in developing countries has been raised increasingly at the multilateral level, and in particular in the context of the ITU. Following on from the development of the "Missing Link" report, the issue emerged in the World Administrative Telephone and Telegraph Conference in 1988, and a Telecommunications.Development Bureau was created at the recent Plenipotentiary Conference. EC relations with developing countries cover mainly ACP countries, Latin America, India, China and Mediterranean Countries.

Regarding the ACP countries, the Community has contributed, within the framework of the Lomé Convention, to the financing of studies with a view to installing a network of African telecommunications by satellite to serve rural areas, among others. The Commission has also helped to finance projects to develop and extend national or regional networks existing in Africa and the Pacific. However, in practice, telecommunications investment still has a lower priority for many countries than traditional areas of development such as agriculture or transport, water and energy infrastructure.

Concerning Latin America, contacts and exchange of information are taking place on Community policies and technologies: for example, a meeting was held in July 1989 on narrowband ISDN with experts from Brazil and Uruguay. With Mexico an "awareness programme" regarding Community 'state-of-the art' technology is currently under way and should later be transformed into a more concrete programme. A programme for the improvement of telecommunications training for engineers is being defined in cooperation with the Mexican Authorities.

Although cooperation with India centres more on IT, several training courses on telecommunications have already been organised, and there are some prospects for more possibilities of cooperation in the areas of standards, digital switching, rural telephony and electronic components for telecommunications equipment.

Several actions are at present under way with China's Ministry of Post and Telecommunications, Chinese universities and Chinese regional authorities regarding testing, training centres, and computer networks. However, new actions have been frozen for the time being, and current programmes are being reconsidered.

With regard to Mediterranean countries, contacts and exchanges of information on EC programmes and policies with Yugoslavia and Turkey have taken place. A meeting on Community telecommunications policy with Mediterranean and Gulf countries is envisaged for Spring 1990.

4. CONCLUSION

The international aspects of European telecommunications policy are becoming more diversified, involving aspects of Community legislation as well as international negotiations and discussions.

In its contributions to the process of the negotiations in the Uruguay Round, the Community should build on the experience gained to date internally. For example, the current discussion about the liberalisation of telecommunications services in Europe and the question of access to and use of the network through the concept of Open Network Provision should provide a useful input for the negotiations on trade in telecommunications services. Consequently there is a need to accelerate progress in our internal decision-making process in order to avoid the risk that it will be determined indirectly by the result

of international negotiations.

Although the Community has expressed its firm intention to give priority to the multilateral fora, especially GATT and the Uruguay Round, the bilateral aspects cannot be ignored. These include strengthening the Community's relations with EFTA in the telecommunications sector, and pursuing a constructive dialogue with the United States in this area.

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