

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED
MTN.GNS/W/145
20 December 1991
Special Distribution

Group of Negotiations on Services

Original: English

COMMUNICATION FROM THE UNITED STATES

United States Proposal on Telecommunications Services
Liberalization and Most-Favoured-Nation (MFN)

The following communication is circulated at the request of the permanent delegation of the United States to the members of the Group of Negotiations on Services.

I. Introduction

The United States is prepared to grant full m.f.n. treatment to basic long-distance telecommunications in the context of an agreement by parties having "major telecommunications markets" to bind themselves to full market access and national treatment in basic long-distance services (both domestic and international). Under this arrangement, all GATS signatories who have a "major telecommunications market" would, within three years after entry into force of the GATS, or 1 January 1996, whichever comes first, meet the conditions set forth in the second part below. The United States would, of course, be among those countries required to enter such commitments.

Once these conditions are met, the full basic long-distance telecommunications sub-sector would be subject to m.f.n. by all parties. No derogations would be permitted. This means that the m.f.n. derogation taken by the United States at the outset would terminate, on the grounds that other major telecommunications markets were equally as competitive as the United States.

Below are the major points of the United States proposal:

II. Liberalization Commitments

Within the times specified above, all GATS signatories having "major telecommunications markets" would undertake the following commitments:

1. There would be no limitations on the number of competitors permitted to participate in the basic long-distance services market.

2. Foreign entities would be permitted to provide basic long-distance services both through facilities-based competition, including the right to build, own and/or operate domestic and international network facilities, and through the resale of services of existing services networks.
3. Foreign investment would be permitted in basic long-distance services.
4. In order to ensure that new providers can operate economically, they would be afforded transparent, non-discriminatory and cost-based access to services of basic telecommunications.
5. Parties would establish a system of fair and transparent regulatory procedures administered by an institution with independent regulatory oversight.

III. M.f.n. Derogation

1. The United States would take a derogation only for basic long-distance domestic and international telecommunication services and only pending the completion of liberalization by major markets.
2. This derogation would cover the entire long-distance sub-sector, and would relate to both bilateral agreements and granting of access to the domestic market.
3. Other countries would, of course, be entitled to schedule m.f.n. derogations in basic long-distance domestic and international telecommunication services pending the phase-in of liberalization.
4. All derogations would terminate once all parties who have major telecommunication markets meet the conditions set forth in this proposal. If these conditions have not been met by all major telecommunications markets, the United States' derogation remains in effect.

N.B. "Major telecommunications markets" will be determined by market size and other statistical data, based on information from the ITU and other relevant sources.