COMPETITIVE TELECOMMUNICATIONS ASSOCIATION

ADVANCING GLOBAL COMMUNICATIONS THROUGH COMPETITION

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January 24, 2003

Gloria Blue
Executive Secretary
Trade Policy Staff Committee
ATTN: Section 1377 Reply Comments
Office of the United States Trade Representative
600 17th Street, N.W.
Washington, D.C. 20508

Re: **CompTel Section 1377 Reply Comments: Dominican Republic, WTO General Agreement on Trade in Services**

Dear Ms. Blue:

Pursuant to Section 1377 of the Omnibus Trade and Competitiveness Act of 1988, 19 U.S.C. § 3106 ("Section 1377"), the Competitive Telecommunications Association ("CompTel") hereby responds to the request of the Office of the United States Trade Representative ("USTR") for reply comments regarding compliance with certain telecommunications trade agreements.

On January 9, CompTel submitted comments to the USTR warning that 14 key trading partners – Australia, Brazil, China, France, Germany, India, Italy, Japan, Mexico, the Netherlands, Singapore, South Africa, Switzerland and Taiwan – are not honoring their market-opening obligations under the *World Trade Organization* (WTO) *General Agreement on Trade in Services* (GATS), *Basic Telecommunications Agreement* and *Reference Paper*, and related agreements. In these reply comments, CompTel additionally identifies the Dominican Republic as a vital trading partner that is not honoring its obligations under the above-mentioned WTO agreements.

DOMINICAN REPUBLIC

WTO VIOLATIONS – *REFERENCE PAPER AND GATS TELECOMMUNICATIONS ANNEX*

The Dominican Republic regulator, Indotel, has issued Resolution No. 043-02, which mandates a 50 percent increase in fixed rates for all inbound international traffic terminating with all carriers in the Dominican Republic, up to a minimum rate of US$0.08 per minute.[1] The Indotel Resolution does not demonstrate that this increased charge is justified by any increased costs for terminating inbound international calls, or by any greater costs that exist for terminating inbound international calls, than are incurred for outbound international traffic or for terminating domestic long distance traffic.

The Resolution states that the increase in international inbound termination rates is essential to address the Dominican Republic's concern with a purported reduction in foreign currency, which is affecting the national balance of payments. *Id.* at 5. Although the GATS permits WTO members to take steps to restrict trade on balance of payments grounds, Article XII specifically states that "such restrictions shall not be adopted or maintained for the purpose of protecting a particular service sector." (GATS Article XII, 3). Because the Resolution specifically targets inbound international telecom services, without imposing the same surcharges on all other services, GATS Article XII prohibits this targeted rate increase.

For the reasons described above, CompTel urges the U.S. Government to work aggressively with the Dominican Republic Government to open its market to competition and to ensure fair and non-discriminatory market conditions in accordance with its international trade commitments. Should you have any questions concerning these reply comments please do not hesitate to contact me.

Respectfully submitted,

By:

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General Counsel
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[1] Instituto Dominicano de Telecomunicaciones (INDOTEL), *Termination Rates for International Service*, Resolution No. 043-02 (June 20, 2002).