

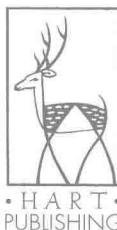
THE WTO, THE INTERNET  
AND TRADE IN DIGITAL  
PRODUCTS  
EC-US PERSPECTIVES

SACHA WUNSCH-VINCENT

STUDIES IN INTERNATIONAL TRADE LAW

The WTO, the Internet and  
Trade in Digital Products:  
*EC-US Perspectives*

Sacha Wunsch-Vincent



OXFORD AND PORTLAND, OREGON  
2006

Published in North America (US and Canada) by  
Hart Publishing  
c/o International Specialized Book Services  
920 NE 58th Avenue, Suite 300  
Portland, OR 97213-3786  
USA  
Tel: +1 503 287 3093 or toll-free: (1) 800 944 6190  
Fax: +1 503 280 8832  
E-mail: [orders@isbs.com](mailto:orders@isbs.com)  
Web Site: [www.isbs.com](http://www.isbs.com)

© Sacha Wunsch-Vincent 2006

Sacha Wunsch-Vincent has asserted his right under the Copyright, Designs and Patents Act 1988, to be identified as the author of this work.

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any mean, without the prior permission of Hart Publishing, or as expressly permitted by law or under the terms agreed with the appropriate reprographic rights organisation. Enquiries concerning reproduction which may not be covered by the above should be addressed to Hart Publishing at the address below.

Hart Publishing, Salter's Boatyard, Folly Bridge, Abingdon Rd, Oxford, OX1 4LB  
Telephone: +44 (0)1865 245533 Fax: +44 (0) 1865 794882  
email: [mail@hartpub.co.uk](mailto:mail@hartpub.co.uk)  
WEBSITE: <http://www.hartpub.co.uk>

*JEL Classification: F13, F14, K33, L82, L86*

*Keywords: WTO, GATS, international trade, audiovisual services, e-commerce, Internet, digital content, digital products, digitally-delivered content products*

British Library Cataloguing in Publication Data

Data Available

ISBN-13: 978-1-84113-573-1 (hardback)

ISBN-10: 1-84113-573-9 (hardback)

Typeset by Hope Services, Abingdon

Printed and bound in Great Britain by

TJ International, Padstow, Cornwall

# *Table Of Figures*

Table 1: Digitally-delivered content products defined	3
Table 1.1: Council responsibilities in the WTO Work Programme on E-Commerce	17
Table 1.2: Agreements found in the WTO Work Programme on E-Commerce	21
Table 1.3: The Doha Declaration and its relevance to digitally-delivered content products	25
Table 1.4: GATS Mode 1 vs. GATS Mode 2	28
Table 1.5: Services relevant to digitally-delivered content products	30
Table 2.1: US vs. EC views on WTO issues relevant to digitally-delivered content products	36
Table 2.2: The relevance of the WTO Duty-Free Moratorium and the Valuation Decision	47
Table 2.3: Comparison between GATT and GATS	53–4
Table 3.1: ITA participants	82
Table 3.2: GATS Mode 1 commitments of selected WTO Members, 2004	86
Table 3.3: Inventory of the GATS commitment levels under Mode 1 / 2 for 146 WTO Members and pertinent service sectors, 2003	88
Table 3.4: Summary of requirements for free trade in digitally-delivered content products	99–100
Table 4.1: Campaign donations of US content industries, 2002 midterm and 2004 election cycle	107
Table 4.2: US digital trade policy objectives anchored in the TPA	119
Table 4.3: Status of US preferential trade agreements	127
Table 5.1: Varying distribution of EC trade policy powers depending on product type, delivery mode, service sector and nature of targeted liberalisation	152–3
Table 7.1: Assessment of the US bilateral trade agreements with Chile, Singapore and Australia	205
Figure 2.1: Classification possibilities for digitally-delivered content products	71
Figure 5.1: The evolution of the EC's trade policy jurisdiction	148

## *Acknowledgements*

The author acknowledges the excellent guidance he has received from Prof Heinz Hauser. He has been instrumental in inspiring the research theme and provided all conceivable help in supporting related projects. Moreover, he encouraged the author to pursue relevant and interdisciplinary research questions; aiming at maximising the policy impact of economic and legal analysis. The author also recognises the help received from Prof Beat Schmid. The author expresses appreciation to the Swiss National Science Foundation which has—with a generous grant—supported essential fellowships in the United States.

The role of Catherine Mann (Institute for International Economics, IIE) in welcoming the author at this leading international economic think tank and providing motivation and advice has been fundamental to this work. Thanks for his willingness to host the author at IIE also go to Fred Bergsten. Recognition goes to Sascha for leading the author to St Gallen and beyond.

The author has—amongst others—benefited from the expertise of Aaditya Mattoo, Pierre Sauvé, I. Mac Destler, Claude Barfield, Bonnie Richardson, Gary Clyde Hufbauer, Lee Tuthill, Rudolf Adlung, Christian Tietje, Tobias Bender, Markus Krajewski, Christoph Beat Graber and Bill Drake. The author also gives credit to the Secretariat of the WTO, the European Commission, the EC Member States, the US administration and to industry sources. Pekka Lindroos, Graham Vickery and John Dryden deserve recognition for offering the author to work for the OECD.

Finally, the author expresses deep gratitude to his friends, notably Oliver, Karim, Matthias, Tobias, Jacob and his sisters, Melissa and Annabelle, who have been supportive all along the research process. The author owes it to Julia that writing this work was characterised by great moments. Most importantly, this work is dedicated to the author's parents who have offered never ending support.

## *Disclaimer*

The responsibility for any incorrect statements vis-à-vis the negotiation positions of WTO Members or their trade jurisdiction rests entirely with the author. Only the submissions and offers of Members to the World Trade Organisation have a legally binding status.

Moreover, the views expressed in this paper are those of the author, and shall not be attributed to the Organisation for Economic Co-Operation and Development (OECD). This research has been conducted under own responsibility and is not based on work at the OECD.

## *List of Acronyms*

ACTPN	Advisory Committee for Trade Policy and Negotiations (USTR)
AFJV	Agence Française pour le Jeu Vidéo
APEC	Asia-Pacific Economic Cooperation
BSA	Business Software Alliance
CPC	Central Product Classification of the United Nations (UN)
CAFTA	Central American Free Trade Area
COG	Congressional Oversight Group
COMTD	Committee for Trade and Development (WTO)
CRS	Congressional Research Service
CSI	Coalition of Service Industries (US)
CTG	Council for Trade in Goods (WTO)
CTFS	Committee on Trade in Financial Services (WTO)
CTS	Council for Trade in Services (WTO)
DDA	Doha Development Agenda (WTO)
DG	Directorate General of the European Commission (EC)
DG Trade	Trade Directorate General of the European Commission (EC)
EC	here: European Communities and their Member States
ECJ	European Court of Justice
E-Commerce	Electronic Commerce
ESF	European Services Forum
EIC	Entertainment Industry Coalition for Free Trade
EU	European Union
FAZ	Frankfurter Allgemeine Zeitung
FCC	Federal Communications Commission
FTA(s)	Free Trade Agreement(s)
FT	Financial Times
FTAA	Free Trade Area of the Americas
GATS	General Agreement on Trade in Services (WTO)
GATT	General Agreement on Tariffs and Trade (WTO)
GC	General Council (WTO)
GDP	Gross Domestic Product
GNS	Group of Negotiations on Services (Uruguay Round)
IBM	International Business Machine Corporation
ICRT	International Communications Round Table
IFAC	Industry Functional Advisory Committee (USTR)
IFPI	International Federation of The Phonographic Industry
IGPAC	Intergovernmental Policy Advisory Committee (USTR)
IHT	International Herald Tribune

IIE	Institute for International Economics
IMF	International Monetary Fund
IPR(s)	Intellectual Property Right(s)
IT	Information Technology
ITA	Information Technology Agreement (WTO)
ITAC	Industry Trade Advisory Committees (USTR)
ITC	International Trade Center (UNCTAD/WTO)
ITI	Information Technology Industry Council
MFN	Most-Favoured Nation
MIN	Ministerial Conference
MPAA	Motion Picture Association of America
MTN	Multilateral Trade Negotiations
NAFTA	North American Free Trade Agreement
NAMA	Non-agricultural Market Access Negotiations (WTO)
NGMA	Negotiating Group on Market Access (WTO)
NTB	Non-Tariff Barrier
NTM	Non-Tariff Measure
NZZ	Neue Zürcher Zeitung
OCTA	Omnibus Trade and Competitiveness Act of 1988
OECD	Organisation for Economic Co-operation and Development
OJ	Official Journal of the European Communities (EC)
RIAA	Recording Industry Association of America
SACU	Southern African Customs Union
SAFTA	Singapore-Australia Free Trade Agreement
TABD	Trans-Atlantic Business Dialogue
Telecom	Telecommunication
TNC	Trade Negotiations Committee (Uruguay and Doha Round)
TPA	Trade Promotion Authority
TPR	Trade Policy Review Body (WTO)
TRIPS	(Agreement on) Trade Related Aspects of Intellectual Property Rights, TRIPS Council refers to the Council for Trade in Intellectual Property Rights (WTO)
TVWF	Television Without Frontiers Directive
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNESCO	United Nations Educational, Scientific and Cultural Organisation
US/USA	United States of America
USTR	United States Trade Representative
WCO	World Customs Organisation
WIPO	World Intellectual Property Organisation
WITSA	World Information Technology and Services Alliance
WTO	World Trade Organisation

## TECHNICAL ACRONYMS

Art(s)	Article(s)
Bn	Billion
Cf	Compare to
Cl	Column
Eg	For example
F	Following
For ex	For example
N	Footnote
Ibid	Ibidem (same as above)
Ie	Id est (thus, for ex)
Incl	Including
Mn	Million
No	Number
P	Page (pp for pages)
Para(s)	Paragraph(s)
Sec(s)	Section(s)
Subpara(s)	Subparagraph(s)
Vol	Volume
Vs	Versus

## *Table of Cases*

### **WTO Decisions**

- US-Measures affecting the Cross-border Supply of Gambling and Betting Services, Report of Panel, WT/DS285/R (10 November 2004) .....12, 174, 175  
US-Measures affecting the Cross-border Supply of Gambling and Betting Services, Report of Appellate Body, AB-2005-1, WT/DS285/AB/R (7 April 2005) .....12, 174, 175, 184

### **European Court of Justice**

- Opinion 1/94 (Competence of the Community to Conclude International Agreements Concerning Services and the Protection of Intellectual Property, Re; sub nom Uruguay Round Treaties, Re; [1994] ECR I-5267; [1995] 1 CMLR 205 .....148, 150, 151, 152, 156, 157

# *Table of Legislation*

## International Treaties and Conventions

Amsterdam Treaty 1997 (Treaty amending the Treaty on the European Union) .....	147, 151
Antidumping Agreement (WTO) .....	17, 24
Association of South East Asian Nations and People's Republic of China Free Trade Agreement 2004 .....	225
Canada-Chile Free Trade Agreement .....	225
Canada-Israel Free Trade Agreement .....	225
Charter of Fundamental Rights of the European Union 2000	
Art 22.....	132
Constitution for Europe Treaty 2004 (CE) .....	130, 148, 151, 158, 159, 160, 161, 162
Art I-16 .....	161
Art III-56.....	161, 252
Art III-181 .....	161, 252
Art III-211.....	147, 148, 159, 160
Art III-211, para 1.....	161, 162
Art III-211, para 4.....	162
Art III-211, para 4, subpara 2 .....	160
Art III-211, para 5.....	160, 161
Art III-217 .....	251
Art III-227 .....	161, 163, 251
Art III-227, para 1.....	159, 160
Art III-227, para 7, subpara 2 .....	161
Art III-227, para 7, subpara 11 .....	161
EC Treaty, see Treaty of the Economic Community	
EC-Chile Association Agreement 2002 (Association Agreement between the European Community and its Member States and the Republic of Chile) .....	193, 211, 214, 215
Part IV, Title III.....	211
Art 95(2)(b) .....	215
Art 95(4) .....	214
Art 97 .....	213
Art 98.....	213
Art 99.....	213

Art 100 .....	214
Art 104 .....	211
European Economic Area Agreement 1992 .....	142
Financial Services Agreement 1997 (WTO) .....	66
General Agreement on Trade in Services 1995 (GATS)	
(WTO) .....	8, 9, 11, 17, 21, 25, 27, 28, 29, 32, 33, 35, 36, 37, 40, 43,
45, 46, 47, 48, 49, 50, 51, 52, 53-54, 55, 56, 57, 58, 59, 60, 61, 62,	
63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79,	
81, 84, 85, 86, 87, 88-89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100,	
108, 109, 118, 121, 122, 130, 132, 133, 136, 137, 140, 141, 143, 144,	
145, 146, 147, 151, 152, 154, 155, 156, 157, 163, 168, 171, 173,	
174, 175, 176, 177, 180, 181, 182, 183, 184, 185, 186, 187, 189,	
191, 192, 193, 194, 198, 199, 200, 213, 214, 215, 226, 227, 230, 231	
Art I .....	234
Art I, para 2 .....	28, 65
Art I, para 3(a) .....	95
Art II .....	96, 97
Art II, para 1 .....	64
Art II, para 2 .....	95
Arts II-XV .....	95
Art VI .....	53
Art VI, para 1 .....	85
Art VI, para 3 .....	85
Art VI, para 4 .....	28
Art VI, para 5 .....	85
Art VIII, para 2 .....	85
Art X, para 1 .....	28
Art XIII, para 2 .....	28
Art XIV .....	95
Art XV .....	214
Art XV, para 1 .....	28, 98, 155
Art XVI .....	90, 209, 234
Art XVII .....	90, 234
Art XVII, para 1 .....	64
Art XVII, paras 1-3 .....	84
Art XVIII .....	190
Art XIX .....	198
Art XIX, para 1 .....	28, 97
Arts XIX-XXI .....	95
Annex on Art II Exemptions .....	95
Annex on Art II Exemptions, para 3 .....	97
Annex on Art II Exemptions, para 6 .....	97
Annex for Telecommunications .....	90
Annex for Telecommunications, para 2(b) .....	72

General Agreement on Tariffs and Trade 1948, 1995 (GATT)	
(WTO) .....	17, 21, 25, 26, 27, 32, 33, 35, 36, 37, 42, 43, 44, 45, 47, 48, 49, 50, 51, 52, 53-54, 55, 56, 57, 58, 59, 60, 61, 62, 64, 74, 81, 83, 98, 99, 108, 115, 121, 150, 152, 173, 176, 179, 180, 198, 226, 231
Art IV .....	55, 58, 94
Art VII .....	240
Information Technology Agreement (ITA) (WTO).....	9, 21, 27, 32, 36, 44, 46, 47, 50, 52, 53, 54, 55, 57, 58, 81, 82, 83, 99, 100, 120, 177, 178, 179
para 2 .....	27
Annex, para 2 .....	27
Annex, para 3 .....	83
Maastricht Treaty 1992 (Treaty on the European Union, TEU).....	132
Art 92, para 3 .....	132
Nice Treaty 2001 (amending the Treaty on the European Union, Treaty establishing the European Communities) .....	130, 145, 147, 149, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 163, 250
North American Free Trade Agreement (NAFTA).....	115
Rome Treaty, see Treaty of the European Economic Community (TEEC)	
Rules of Origin Agreement (WTO) .....	17
Sanitary and Phytosanitary Measures Agreement (SPS) (WTO) .....	54
Singapore-Australia Free Trade Agreement 2004 .....	225
Subsidies and Countervailing Measures Agreement (SCM) (WTO) .....	55
Art 3, para 1(a).....	55
Technical Barriers to Trade Agreement (TBT) (WTO) .....	17, 53, 54
Art 2, paras 2-3 .....	54
Trade-Related Aspects of Intellectual Property Rights Agreement (TRIPS) (WTO).....	51, 61, 78, 118, 151, 231
Art 4 .....	260
Treaty of the Economic Community (TEC, version after Amsterdam Treaty).....	147
Art 133.....	147, 148, 249
Art 133, para 1 .....	153
Art 133, para 4 .....	154
Art 133, para 5 .....	151
Art 228.....	149
Treaty of the Economic Community (EC, version after Nice Treaty).....	130
Art 49.....	151
Art 87 .....	134, 161, 252
Art 87 para 3 .....	132, 155, 252
Art 133 .....	133, 147, 148, 149, 151, 153, 156, 157, 158, 159, 250
Art 133, para 1 .....	148, 154
Art 133, para 2 .....	149, 154
Art 133, para 3 .....	149, 154

Art 133, para 4 .....	154, 160
Art 133, para 5 .....	157
Art 133, para 5, subpara 1.....	154
Art 133, para 5, subpara 2.....	154, 155
Art 133, para 5, subparas 2-3 .....	155
Art 133, para 5, subpara 3.....	156, 157
Art 133, para 5, subpara 4.....	155
Art 133, para 6 .....	154
Art 133, para 6, subpara 1.....	154
Art 133, para 6, subpara 2 .....	154, 156, 160
Arts 149–152 .....	157
Art 151.....	132, 134, 153, 155, 156, 157, 161, 252
Art 151, para 1 .....	132
Art 151, para 2 .....	132
Art 151, para 3 .....	132
Art 151, para 4 .....	132, 155
Art 157 .....	131
Art 157, para 1 .....	131
Art 251.....	253
Art 300.....	249, 250, 251
Art 300, para 1 .....	149
Art 300, para 2 .....	149
Art 300, para 3 .....	149
Treaty of the European Economic Community (TEEC, Treaty of Rome).....	148
Art 113.....	147, 148, 249
Art 133, para 1 .....	148, 149, 150
Art 133, para 2 .....	149
Art 133, para 3, subpara 2.....	149
Art 133, para 4 .....	149
Art 228 .....	249
UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expression (Draft) .....	11, 133, 194, 195, 196, 197, 198, 199, 200, 227
Preamble.....	195
Art 1(e),(g),(h),(i).....	196
Art 4(2)–(6) .....	196
Art 5(1) .....	196
Art 6 .....	198
Art 6(1),(2) .....	196
Art 6(2)(c) .....	196
Art 6(2)(d) .....	196
Art 7 .....	196
Art 8 .....	196

Art 12.....	196
Art 13.....	199
Art 14.....	196
Art 16.....	196
Art 19.....	199
Art 20 .....	196, 199
Art 26.....	196
Art 26(1)(a)–(b) .....	196
Art 26(2) .....	196
Art 29.....	196
Annex on Conciliation Procedure .....	196
Annex I .....	197
Annex II .....	198
UNESCO Universal Declaration on Cultural Diversity 2001 .....	195
US-Australia Free Trade Agreement 2004 (FTA) .....	11, 126, 201, 204, 205, 206, 207, 212, 213, 214, 216, 217, 218, 219, 221, 224, 227, 257–263
Art 10.1(4) .....	217
Art 10.1(4)(d) .....	214
Art 10.2 .....	217
Art 10.4 .....	217
Art 10.6.....	217, 258, 261
Art 11.13 .....	258, 261
Art 13.9.....	258, 261
Art 14.12.....	57, 262
Art 14.1(3) .....	212
Art 16.5 .....	204
Art 16.1.....	207, 257
Art 16.2.....	207, 258
Art 16.3.....	208, 257
Art 16.4 .....	259
Art 16.4(1).....	209
Art 16.4(2).....	210
Art 16.4(3)(c) .....	212
Art 16.4(4) .....	212
Art 16.6 .....	204
Art 16.8 .....	262
Art 16.8(2) .....	206
Service Annex I .....	218
Service Annex II .....	218
US-Bahrain Free Trade Agreement 2004.....	126, 204, 207, 214, 219
US-Central American Free Trade Agreement 2004 (CAFTA) .....	126, 204, 207, 214, 219, 224, 225
Art 14.3 .....	207
Art 14.3(2) .....	208

US-Chile Free Trade Agreement 2003 (FTA).....	11, 63, 126, 201, 202, 203, 205, 206, 207, 210, 211, 212, 213, 214, 215, 216, 217, 218, 223, 227, 257–263
Art 3.5 .....	208, 258
Art 11.4 .....	209
Art 15.1 .....	257, 262
Art 15.1(1) .....	204
Art 15.1(2) .....	208
Art 15.1(3) .....	212
Art 15.2 .....	207, 258
Art 15.3 .....	207, 257
Art 15.4 .....	209, 259
Art 15.5 .....	204
Art 15.6 .....	206, 262
Service Annex I .....	216
Service Annex II .....	216
US-Costa Rica Free Trade Agreement 2004 .....	126, 219
US-Dominican Republic Free Trade Agreement 2004.....	126, 219
US-El Salvador Free Trade Agreement 2004.....	126
US-Guatemala Free Trade Agreement 2004.....	126
US-Honduras Free Trade Agreement 2004 .....	126
US-Jordan Free Trade Agreement 2001 (FTA)	
Art 7 .....	202
US-Morocco Free Trade Agreement 2004.....	126, 204, 207, 214, 219
US-Nicaragua Free Trade Agreement 2004 .....	126
US-Singapore Free Trade Agreement 2003 (FTA) .....	11, 63, 126, 201, 202, 203, 205, 206, 212, 214, 215, 216, 217, 218, 220, 227, 257–263
Art 8.2(3)(d) .....	214
Art 8.3 .....	213
Art 8.4 .....	213
Art 8.5 .....	213
Art 8.7 .....	213, 258, 261
Art 9.1(2) .....	216
Art 10.9 .....	258, 261
Art 14.1 .....	207, 257
Art 14.1(1) .....	204
Art 14.2 .....	207, 258
Art 14.3 .....	207, 257, 259
Art 14.3(1) .....	39
Art 14.3(2) .....	208
Art 14.3(3) .....	209
Art 14.3(4) .....	210
Art 14.3(5) .....	212
Art 14.3(6) .....	212

Art 14.4 .....	2, 262
Art 14.4(2) .....	206
Art 15.12 .....	258, 261
Annex Understanding on E-Commerce .....	204
Service Annex I .....	216

## National Legislation

### *United States*

#### Constitution 1776

Art I, s 8 .....	113
Art II, s 2, cl 1 .....	113
First Amendment .....	105
Children's On-line Privacy Protection Act 1998 .....	105
Digital Millennium Copyright Act 1998 (PL 105-304)	
s 102(a)(4) .....	109

#### Durbin Act 2002

s 2(b)(2) .....	122
Internet Tax Freedom Act 1998 (IFTA) (PL 105-277)	110, 111
s 1101(a) .....	110

#### Internet Tax Non-Discrimination Act 2004

111	
Omnibus Trade and Competitiveness Act 1988 (OTCA)	
(PL 100-418) .....	117, 243–248
s 1101(b)(15) .....	107
s 1102(d) .....	124
s 1103(c)(B)(I) .....	124

#### Tariff and Trade Act 1984

s 306(a)(5) .....	113
-------------------	-----

#### Telecommunications Trade Act 1988

.....	243
Trade Act 1974 (19 USC 2211; PL 93-618) .....	117, 243–248
s 102(c) .....	124
s 135(e) .....	125
s 161 .....	123

#### Trade Act 1988 .....

.....	124, 246, 247
Trade Act 2002 (TPA) (PL 107-210) .....	10, 83, 104, 112, 115, 117, 118, 119, 120, 123, 125, 127, 202, 203, 240, 242, 243–248
s 103(b) .....	241, 242
s 103(b)(3) .....	242
s 104 .....	242
s 107 .....	241
s 107(b) .....	242
s 107(c) .....	242