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Introduction

USTR annually reviews the operation and effectiveness of U.S. telecommunications trade agreements and the presence or absence of other mutually advantageous market opportunities, pursuant to Section 1377 of the *Omnibus Trade and Competitiveness Act of 1988*. The Section 1377 Review ("Review") is based on public comments filed by interested parties and information developed in ongoing contacts with industry, private sector, and foreign government representatives in various countries. This year USTR received comments from twelve companies and trade associations and reply comments from six companies, trade associations, and foreign governments. All public comments are posted on the USTR website at http://www.ustr.gov/Trade_Sectors/Telecom-E-commerce/Section_1377/Section_Index.html

Summary of Findings

The 2008 Section 1377 Review focuses on ***specific issues*** in Australia, China, El Salvador, Germany, Guatemala, Jamaica, Mexico, Oman and Singapore and on ***general issues*** of concern with respect to several countries, such as: concerns with regulatory independence and transparency; excessively high mobile termination rates; barriers to the use of Voice over Internet Protocol (VoIP) technology; and concerns with conformity assessment requirements that may create barriers to market entry. The 2008 Review also highlights ***progress*** on two issues cited in previous reviews.

Though several of the issues in the Review have been discussed in past reviews, we have found sufficient evidence to warrant highlighting them again. As some of these issues continue to raise general concerns regarding trading partners' compliance with their trade obligations, the 2008 Review helps to establish a set of issues that USTR will actively monitor throughout the year and on which, if warranted, USTR may take further action.

Discussion of Key Issues

1. Specific Country Issues

Australia – Competitive Access to Major Supplier's Network

For competitive suppliers that are dependent on the network of Telstra (Australia's major supplier) to serve their own customers, Telstra's longstanding efforts to resist network access obligations through legal challenges to the regulator and political pressure on the government continues to create an environment of legal and financial

uncertainty. One current problem is the competitors' inability to install (*i.e.*, "co-locate") their equipment in individual switching centers operated by Telstra exchanges. Other challenges include broader issues, such as the pricing of leased network elements (unbundled copper lines), and Telstra's broad-based constitutional challenge to the regulator's ability to impose almost any access obligation.

With respect to co-location, Australia's regulator, the Australian Competition and Consumer Commission (ACCC), has responded to competitors' complaints by recently initiating an investigation of Telstra's practices. Without access to certain strategically located exchanges, competitors' ability to expand their networks is constrained. Although incumbents throughout the world often assert (as does Telstra) that in many cases they simply do not have additional space for physical co-location, the ACCC should verify such claims and should consider whether Telstra has made a good-faith effort to create space for the co-location of competitors' equipment (*e.g.*, by removing obsolete equipment or restructuring space, etc.) to ensure that such access is not being unreasonably denied.

With respect to the pricing of unbundled copper lines, a key factor for competitive broadband offerings, the ACCC is expected to challenge the tariff Telstra proposed on March 3, 2008, since this tariff simply replicates rates Telstra proposed in 2005 which the ACCC subsequently rejected as too high (a rejection upheld on appeal by an Australian court). This type of lengthy ratemaking, involving submission, rejection, and appeal and possibly arbitration (which often takes years to complete) has come under criticism from competitors as preventing rational investment planning and supporting Telstra's interest in fomenting delay and uncertainty. USTR believes that, as an alternative, the ACCC should consider a price-regulation process that better balances the needs of consumers, incumbent and new providers, including a process advocated by competitors, under which the ACCC would initially impose indicative pricing, to be adjusted as appropriate once ACCC has completed a formal ratemaking.

Regarding Telstra's broad-based constitutional challenge to the regulator's powers to impose access obligations, the ACCC won a ruling before Australia's High Court in March 2007, affirming the ACCC's broad right to regulate. Since this challenge by Telstra threatened Australia's ability to fulfill its telecommunications obligations under the United States – Australia FTA (*e.g.*, it could have denied the regulator the authority to require unbundling of the network), USTR welcomes this decision.

Looking ahead, a critical determinant of competitive opportunities in Australia's telecommunications market will be transparency in Australia's selection of a winning bidder to operate a state-subsidized national broadband network. The access

obligations the government imposes with respect to this network, as well the extent to which the winning bidder can deploy technology of its choice will be important. These decisions are expected this year, and USTR will continue to closely monitor this and the other issues noted above.

China – Impediments to Market Access

High on the list of commenters' concerns in this year's Review are China's capitalization requirements which appear excessive by almost any measure. Though the Chinese government has given numerous assurances from April 2005 to December 2007 that it would significantly reduce these requirements, it has confirmed neither the level of proposed reductions, nor the date on which such reductions would become effective. USTR urges China to expeditiously resolve this issue.

Commenters assert that another barrier to entry is an apparent but unwritten policy that only existing telecommunications licensees in China are eligible to serve as joint venture partners for foreign companies. Given the *de facto* duopoly China currently maintains in each of the fixed, mobile and satellite services sectors (*i.e.*, six basic operators in total), and the reported restructuring of the industry that may further limit the number of facilities-based telecom companies, such a policy would seem to limit joint venture partners to a commercially untenable number. In accordance with China's commitments in its Protocol of Accession to the World Trade Organization, any legally established Chinese company should be eligible to be a joint venture partner with a foreign operator in the telecommunications sector.

Commenters continue to raise concerns about the rules governing the provision of satellite capacity in China. Foreign satellite operators are generally prohibited from signing contracts directly with Chinese telecommunications companies, based on regulations promulgated by the regulator, the Ministry of Information Industries (MII). Instead, foreign satellite operators must first sell the satellite capacity to a domestic satellite operator (SinoSat or ChinaSat, which have recently been merged), who then resells it to telecommunications or broadcast companies in China. In addition to raising costs to foreign operators, this policy relegates foreign operators to the status of backup or secondary source of supply, and prevents them from developing their own customer base. At the same time, it appears that China's State Council has granted at least two foreign satellite operators (in which Chinese operators have minority investments) a "special allowance", which permits the foreign satellite operators to directly offer satellite capacity for domestic services in China. China does not appear to have accorded similar treatment to other foreign satellite operators whose capacity coverage can include China. USTR will monitor this issue to ensure that China is meeting its

WTO obligations, in particular, its most-favored nation obligation under the General Agreement on Trade in Services.

Although entry into China's value-added services sector has been generally easier than in the basic telecommunications services sector (*e.g*, capitalization requirements are less burdensome, and there do not appear to be *de facto* limits on the number of operators), serious barriers remain. In particular, China appears to be taking a very restrictive approach to the scope of services foreigners can offer, suggesting that certain value-added services open to domestic operators (*e.g.*, international Virtual Private Network services) may not be permitted for foreign-affiliated companies. USTR will continue efforts to clarify this issue and ensure that China upholds its broad WTO commitments to permit foreign participation in the value-added sector.

The fact that the Chinese government owns and controls all major basic service operators in the telecommunications sector and plays an active role in managing the industry's structure continues to raise serious questions about the ability of the regulator to act impartially, as required under China's WTO Reference Paper commitments. The establishment of a regulator independent of any ministry with market-management functions would be a major step to ensuring greater regulatory transparency as well as fair and equal treatment of foreign-based telecommunications operators, by both the government and China's major suppliers. Press reports in March 2008 indicate that such a change is under consideration, a potential development that USTR will monitor closely.

El Salvador – Problems Interconnecting with Major Supplier

A U.S. company with a controlling interest in a Salvadoran telecommunications operator has informed USTR that Compañía de Teléfonos de El Salvador ("CTE"), the incumbent operator in El Salvador (owned by Mexico's América Móvil), has prevented this operator from expanding its service by restricting the number of circuits it can lease to terminate calls on CTE's network.

Although an international arbitration panel ruled last year that CTE must grant 21 additional circuits to the operator, CTE has refused to comply with the ruling. An injunction CTE filed has constrained the ability of El Salvador's regulator (the Superintendencía de Electricidad y Telecomunicaciones– SIGET) to take action. CTE – which sought the injunction on the basis that the issue was being addressed through arbitration – has now sought annulment of the arbitration decision through the Salvadoran Supreme Court. Although the U.S.-affiliated operator continues to seek

enforcement of the judgment through the U.S. court system, at present it remains unable to secure the additional circuits it needs to expand its business.

CTE's ability to block regulatory action raises questions about how El Salvador will be able to ensure that its major supplier provides interconnection to other telecommunications service suppliers in accordance with its obligations under the Telecommunications Chapter of the Dominican Republic – Central America Free Trade Agreement (CAFTA-DR) and the WTO Reference Paper. The USTR will continue to monitor the progress of this issue.

Germany –Competitive Access to Major Supplier's Network

Commenters continue to complain that delays in obtaining access to wholesale product offerings from Germany's major supplier Deutsche Telekom AG (DTAG) have adversely impacted their businesses, causing commenters to question whether competitive suppliers are being offered reasonable access to DTAG's network.

Specifically, the commenters make reference to the long delays in obtaining Internet Protocol (IP) Bitstream and Asyncronous Transfer Mode (ATM) Bitstream access to DTAG's network, two services that BNetzA has required DTAG make available at a wholesale level. The delays in making this access available appear to result from time consuming negotiations either between DTAG and the German regulator Bundesnetzagentur (BNetzA) (in the case of IP Bitstream access), or DTAG and the competitive carriers (in the case of ATM Bitstream access).

In August 2007, BNetzA issued its first decision regarding DTAG's IP Bitstream offer, and asked DTAG to make several improvements to the offer. Press reports indicate that DTAG recently (March 2008) submitted rates for IP Bitstream access to BNetzA for approval. BNetzA now has eight weeks to approve the rates.

With respect to ATM Bitstream access, DTAG published a standard offer in June 2007. At a public hearing held in August 2007, it was agreed by all market participants that they would conduct commercial negotiations to resolve the problems with the initial offer. DTAG submitted a revised offer at the end of January 2008, and BNetzA held a public hearing in late February to discuss the offer with market participants.

Given the long period of time that has already transpired since BNetzA determined that DTAG should make these wholesale products available, USTR urges BNetzA to complete its review of the IP and ATM Bitstream access offers as soon as possible, to ensure competitive access to DTAG's network through these product offerings.

Guatemala – Problems Interconnecting with Major Supplier

As highlighted in last year's Review, a U.S. company with a controlling interest in a Guatemalan telecommunications operator continues to experience problems interconnecting its network to Telecomunicaciones de Guatemala S.A. ("Telgua"), the major supplier in Guatemala (which, like CTE in El Salvador, is owned by Mexico's América Móvil). Telgua cut off 20 percent of the operator's interconnection capacity (Four E-1 circuits) in October 2006 due to a billing dispute between the two companies. Guatemala's Constitutional Court issued an injunction in favor of the U.S.-affiliated operator, instructing Guatemala's telecommunications regulator, the Superintendencia de Telecomunicaciones (SIT) to mandate reconnection of the circuits. Nonetheless, the SIT has failed to comply with the court order. The lack of action by the SIT raises serious concerns about Guatemala's commitment to ensure interconnection as required under the CAFTA-DR and Guatemala's WTO commitments.

USTR continues to encourage the Guatemalan authorities to address the issue of the circuit suspensions. In addition, in order to avoid billing disputes in the future, USTR also urges Guatemala to order Telgua to make publicly available a Reference Interconnection Offer (RIO) incorporating cost-based rates.

Jamaica - Application and Administration of Universal Service Surcharge

USTR continues to have concerns regarding Jamaica's 2005 decision to fund its universal service program through a per-minute surcharge (US$.02/minute and US$.03/minute for fixed and mobile termination, respectively) on incoming international calls. While USTR supports efforts to ensure universal telecommunications service, it believes that funds for these programs should be collected from domestic telecommunications operators and consumers. Levying a surcharge solely on international calls places an unfair burden on foreign operators and consumers, both of whom are unable to benefit from the program. U.S. operators and consumers bear the bulk of the expense, given that 80% of Jamaica's incoming calls originate in the United States.

In last year's 1377 Review, the USTR encouraged Jamaica to cease collection of the surcharge until its universal service program was more fully defined and that the money collected thus far had been utilized for the program. Jamaica says it has now begun to award contracts for the implementation of an e-learning network for the Jamaican school system. USTR encourages Jamaica to find a means to fund the program in a more equitable manner and eliminate the surcharge on incoming

international calls. USTR will continue to monitor the Jamaican surcharge and its implementation in this light.

Mexico - Telecom Equipment Testing Requirement

Mexico continues to defer the implementation of the CITEL (Inter-American Telecommunications Commission) Mutual Recognition Agreement (MRA) for conformity assessment of telecommunications equipment vis-à-vis the United States. This delay is of great concern to USTR as Mexico's independent regulator, the Comisión Federal de Telecomunicaciones (COFETEL), has stated publicly its interest in deferring implementation in order to protect its "nascent" testing industry and to allow for the development of laboratory infrastructure in Mexico.

Given Mexico's requirement (as of 2005) that all telecommunications equipment that connects to a public telecommunications network in Mexico be tested, the U.S. telecommunications equipment manufacturing industry is shouldering unnecessary cost and delay by having to send equipment to Mexico for testing before it can begin to export. The WTO Agreement on Technical Barriers to Trade encourages WTO Members to enter into negotiations for the conclusion of MRAs, and implementing an MRA that would avoid such burdens was also clearly contemplated in the North American Free Trade Agreement (NAFTA).

USTR will continue to press Mexico to implement the CITEL MRA vis-à-vis the United States.

Oman – Delay in Licensing Basic Telecommunications Services

Although Oman made commitments at the World Trade Organization (WTO) to liberalize its telecommunications market by January 2004, it has yet to license any operators to compete with its *de facto* monopoly fixed-line operator, Omantel. USTR is aware of one U.S. company that has been pursing a license in Oman for more than a year to provide services in competition with Omantel. To date, the company has been unable to obtain the license due in part to the lack of clear licensing procedures.

There have also been complaints by a U.S. trade association that Oman does not permit the utilization of VoIP technology, despite undertaking market access commitments at the WTO covering voice services on a technologically neutral basis.

The USTR urges Oman to expeditiously complete creation of a transparent regulatory framework, including provisions to license additional operators, and to clarify that it will permit operators to offer VoIP service.

Singapore – Access to Leased Lines

Last year USTR reported on problems competitive carriers face in Singapore given the government's decision to allow its major supplier – SingTel – to deny access to leased lines at aggregation points (called tandem exchanges), which competitors use to provide services to their customers. The government asserts the decision is intended to encourage competitors to invest in additional infrastructure and to maximize their build out to SingTel's local exchanges, thereby promoting more robust facilities-based competition.

At the same time the government was allowing SingTel to deny competitive carriers access to its tandem exchanges, and instead encouraging competitive carriers to build out to SingTel's local exchanges, SingTel announced vague plans to close many of its local exchanges. This announcement has placed competitors in the position of having to invest in facilities that would soon become unusable if SingTel closes the local exchange. To date, SingTel has still not provided a full list of exchanges it plans to close and, although the regulator increased the notice period SingTel is required to provide from 6 months to 18 months, the timeframe may be insufficient for competitive carriers to recoup their investment if a particular exchange is closed. As a result, the lack of clarity on the closures seriously hinders competitive carriers' ability to plan any network expansion or recover investment in facilities built out to exchanges subsequently closed.

USTR once again strongly urges Singapore to reconsider its decision to permit SingTel to deny competitors access to leased capacity at tandem exchanges, and to ensure that SingTel clarifies its local exchange closure plans.

2. General Issues

Concerns Regarding Regulatory Frameworks

Commenters continue to note issues resulting from problems in the regulatory frameworks of certain countries, such as a lack of transparency, the weakness of the telecommunications regulator, and potential conflicts of interest resulting from government ownership in incumbent operators.

Transparency

The widespread lack of transparency in the development, implementation, and dissemination of rules is a serious concern in China. Companies complain that the German regulator BNetzA often publishes orders that have been heavily redacted (purportedly to shield sensitive commercial data) and therefore hinder competitive carriers' understanding of the reasoning behind the regulator's decisions. There are also ongoing concerns about whether decisions issued by Singapore's telecommunications regulator IDA that are appealed through the Ministry of Information Communications and Arts (MICA) – one of the two available routes for reconsideration - are subject to further judicial review in the same way decisions directly reconsidered by IDA would be.

Telecommunications Regulatory Bodies

In Mexico, the fact that COFETEL has not been empowered to issue licenses under its own authority typically leads to long delays in obtaining licenses ("concessions" as they are referred to in Mexico). Although Mexican law establishes that concessions should be granted within 120 days, companies continue to complain of delays due to the overlapping roles of the communications ministry (the Secretaría de Comunicaciones y Transportes – SCT) and COFETEL. The delays have recently been compounded by the involvement of a third government entity - the Mexican Treasury Department (the Secretaría de Hacienda), which determines licensing fees to be charged by the SCT and/or COFETEL.

In recent months, concerns have surfaced regarding the effectiveness of the Peruvian telecommunications regulator, the Organismo de Supervisión de Inversión Privada en Telecomunicaciones (OSIPTEL), given that it has been operating without a complete Board of Directors since May 2007. This has prompted some companies to express concern that regulatory proceedings are not moving forward at a normal pace.

Potential Conflicts of Interest

Issues of preferential treatment of telecommunications operators have been raised with respect to the regulator in both Oman and India. In Oman, the chairman of the country's telecommunications regulator, the Telecommunications Regulatory Authority (TRA), is also the Deputy Minister for the Ministry of National Economy. The Minister of National Economy also serves as the Supervisor of the Ministry of Finance, which holds a 70 percent controlling stake in the country's incumbent (and to date, *de facto* fixed-line monopoly) operator Omantel. Concerns have been raised that the TRA may

be slow in implementing its market liberalization policies due to possible harm they will cause to Omantel's revenues. In India, although the Department of Telecommunications (DoT) and the Ministry of Information and Broadcast (MIB) act as licensing authorities for companies interested in utilizing foreign satellite capacity, the Indian Space Research Organization (ISRO) appears to exert enormous influence over the licensing process and prevents companies from contracting directly with foreign satellite operators. Thus, ISRO plays an unofficial policy role at the same time it acts as a competitor to the foreign satellite operators, since it owns and operates India's domestic satellite system INSAT. This presents a serious conflict of interest that is likely to put foreign satellite operators at a competitive disadvantage and also limit the number of choices available to Indian telecommunications and broadcast companies in need of satellite capacity.

USTR will continue to monitor all of these issues and encourage countries to address these concerns in ongoing engagement over the following year.

Excessively High Mobile Termination Rates

In the past, USTR cited concerns raised by U.S. operators about excessively high mobile termination rates in certain countries due to a lack of effective competitive pressures on these rates. In some instances there has been a lack of effective regulatory intervention even where the regulators concluded that the rates for such interconnection are unreasonably high. Although last year commenters cited only Mexico as a particularly serious problem, the issue of excessively high mobile termination rates returned again this year with respect to Mexico, Peru and New Zealand as an area of concern for numerous commenters. The comments focus on the amount of the current rate, and the lengthy glide path to lower rates that have been established by regulators.

Mexico

Last year's report cited potential problems in Mexico due to its shift in the system used to set the interconnection rate for international long distance calls in Mexico. The new "calling party pays" system shifts all variable costs for incoming calls to the consumer making a call to a mobile network. Commenters in this year's Review indicate that U.S. carriers are subject to a per-minute surcharge of approximately US$0.14 cents for international calls to wireless phones in Mexico. This has a major impact on U.S. operators and consumers given the enormous level of cross-border traffic from the United States to Mexico.

It has become difficult for the Mexican telecom regulator (COFETEL) to resolve disputes about specific termination rates pursuant to the new system because its decisions are typically subjected to numerous court challenges. USTR remains concerned that interconnection rates appear to be higher than what studies in other countries have found to be the actual costs of mobile termination. COFETEL took steps to implement a glide path that would have brought rates down to the level of US$.09/minute by 2010. The resolution establishing the glide path, however, was suspended by a court injunction. At a minimum, USTR will encourage Mexico to ensure that mobile termination surcharges are not higher than the rates the mobile operator charges its own retail customers for an equivalent termination service. USTR will continue to monitor progress that COFETEL is making towards enforcing measures to help bring these rates in line with the downward global trend.

Peru

Concerns have resurfaced with respect of both the long glide path over which mobile termination rates are scheduled to decline and the end rate envisaged. The glide path established by the Peruvian regulator OSIPTEL, ends in December 2009 with a rate between US$0.09 – US$0.10 cents per minute, depending on the network. These figures were based on 2004 costs that now appear significantly overstated, based on the rates mobile operators offer their own retail customers. Not only does it appear that an accelerated glide path may be warranted, but given the 2009 endpoint for current rates, USTR encourages OSIPTEL to promptly initiate a process to ensure a long-term structure for reasonable rates, particularly since past proceedings have been subject to major delays.

New Zealand

A similar concern has been raised with respect to New Zealand regarding a long transition period (5 years) to reduce rates to what commenters believe are relatively high levels to terminate calls with mobile phone operators Telecom NZ and Vodafone: $NZ 0.14 and $NZ 0.12 respectively (approximately US$0.12 and US$0.10 per minute at an exchange rate of NZ$1 = US$0.80). New Zealand's regulator - the Commerce Commission - had recommended adopting a regulation that would have established a methodology for determining cost-based rates. However, this recommendation was rejected by the Ministry of Economic Development, which instead accepted a proposal set forth by Vodafone and Telecom NZ to establish the aforementioned rates. Commenters pointed to studies conducted in the neighboring country of Australia and by independent consulting firms that assert that the cost-based rate for an efficient operator should be no more than US$.05 per minute. As with Peru, USTR encourages

New Zealand to follow through with its regulator's recommendations and proposed cost-based pricing mechanism to determine whether the operators have accurately portrayed their costs over the five-year period. USTR will monitor progress in this regard.

Barriers to the Use of Voice over Internet Protocol (VoIP) Technology

In last year's Review, USTR expressed concerns about policies that stifle technologies that help promote innovative services, such as voice services provided through VoIP technology. This year, a trade association representing leading VoIP providers submitted comments highlighting difficulties its members face in the provision of VoIP abroad, particularly in countries such as China, India, Oman, and the United Arab Emirates.

VoIP rides on a broadband infrastructure and is similar to other Internet applications like e-mail, streaming audio, and web browsing. VoIP providers allege that they encounter market barriers that have the potential to stifle full utilization of the broadband infrastructure being deployed around the world. These commenters highlighted market entry barriers such as restrictions on the type of VoIP permitted in a country. For example, some countries allow computer-to-computer VoIP, but do not permit computer-to-Public Switched Telephone Network (PSTN) VoIP. Additionally, in countries that have foreign investment limits on basic telecommunications licensees, such as China and India, the requirement to obtain a basic telecommunications license in order to employ VoIP technology is a serious impediment for some companies. Finally, there have also been cases in some countries, such as Oman and the United Arab Emirates, where incumbent telecommunications service providers appear to have blocked access to the websites that enable VoIP. The ability to employ VoIP technology in such countries often depends on the willingness of the regulator to address practices of their incumbent operators and prohibit such blocking.

USTR is aware of the public policy implications that technologies such as VoIP may raise with respect to telecommunications services. Nevertheless, government measures that are simply designed to act as a barrier to these innovative means of providing a service, or which only serve to protect an incumbent operator's desire to block competition, are a concern, and USTR will continue to advocate for liberalized treatment of such innovative services.

Concerns with Conformity Assessment Requirements

U.S. industry continues to identify conformity assessment procedures relating to telecommunications and information technology (IT) equipment as a significant barrier to trade, focusing in particular on electromagnetic compatibility (EMC) and electrical safety testing and certification. Particular mandatory certification requirements maintained by China, Mexico, and Brazil (especially for EMC), as well as requirements maintained by China, Thailand, and Malaysia that equipment be tested domestically, are areas of concern. Requirements that telecommunications and IT equipment be tested domestically can lead to redundant testing, particularly where a product is required to undergo testing to the same standard in both the exporting and importing country (*e.g.,* for EMC). In two countries, Thailand and China, there are proposals to develop mandatory requirements for cell phone batteries that raise concerns related to transparency and the appropriateness of the related technical requirements.

China and Brazil have indicated a willingness to implement mutual recognition agreements for IT and/or telecommunications equipment, which could help address restrictions on testing outside the country, and eventually permit certification by foreign bodies as well. USTR will continue to seek timely implementation of such agreements, which can also provide a forum for addressing related issues noted above. USTR is also looking at addressing such issues in the context of FTA negotiations with Malaysia, as was done with Korea (which committed to take steps to permit foreign bodies to certify telecommunications equipment).

3. Areas of Progress

Colombia – Reduction in Fee for Long Distance Service

For many years, Colombia imposed a one-time fee of US$150 million to obtain a license to provide international long distance services. In July 2007, Colombia took the positive step of reorganizing its regulatory framework and eliminating this extraordinarily high fee, which had long acted as a barrier to market entry. Companies are now able to obtain a convergent license, which allows them to provide a variety of services (*e.g.,* international and domestic long distance, value added, etc.) under one license. While some of this year's commenters believe the convergent license framework results in more burdensome regulatory requirements (such as performance bond requirements and accounting separation), USTR believes that – on balance – the removal of a significant barrier to market entrance and the ability to provide a full range of services

outweighs any specific requirements that may be imposed for the provision of certain services.

India – Elimination of Access Deficit Charge

Last year, the USTR commented favorably on the Telecommunications Regulatory Authority of India's (TRAI) efforts to reduce its access deficit charge (ADC), which cross-subsidizes local telecommunications service with revenue generated by long distance calls. At that time, the TRAI had also committed to phasing out the ADC completely by 2008. TRAI recently completed a public consultation process to obtain input on this plan and announced that the ADC will be reduced on April 1, 2008 and completely eliminated on September 1, 2008.

USTR applauds TRAI's decision to eliminate the ADC as promised.