China International Satellite Services: a New Space-based Silk Road

HOST: China Aerospace Science & Technology Corporation (CASC)

29th May 2014

“Satellite Services are negotiated in Trade Agreements”

Pascal Kerneis – Managing Director
European Services Forum

An Event organised in the Framework of:

CIFTIS
CHINA BEIJING INTERNATIONAL FAIR FOR TRADE IN SERVICES
ESF Membership covers a large range of services sectors and Horizontal federations:

- Insurance
- Banking
- Business services: IT & Computer; consulting, advertising, after-sales services, News Agencies
- Professional services:
  - Legal services,
  - Accountants,
  - Architects,
  - Engineers, etc.
- Construction services
- Distribution services
- Postal & Express Delivery
- Audio-visual services
- Energy related services
- Environmental services
- Telecommunication services (incl. Satellite Services)
- Tourism
- Air Transport
- Maritime Transport
- BUSINESSEUROPE
- Confederation of Danish Industries (DI)
- Confederation of Finnish Industries (EK)
- Confederation of Swedish Enterprises (SN)
- Irish Business and Employers Confederation (IBEC)
- Confederation of French Enterprises (MEDEF)

For more information, see [www.esf.be](http://www.esf.be)
ESF MEMBERS in Satellite Sector

For more information, see www.esf.be
Satellite Services: What do we mean?

- TV Broadcasting
- Broadband Internet
- Emergency Communications
- Maritime Communications
- Environment
- Security and Defence
- Aid and Development
- Transport Management
- Energy - Oil & Gas & Mining
Barriers for Foreign Satellite Operators to do business in China
Market access is closed for foreigners!

- China is a restricted satellite market.
- Foreign satellite operators are required to obtain government approval or enter into a contract with a “qualified domestic entity” in order to provide services in China.
- Foreign operators are prohibited from leasing transponder capacity directly to end-users without prior approval of the Ministry of Information and Industry (“MII”).

⇒ The Problem is: All previously authorized satellite service providers in China were domestic companies (China Orient and Sinosat).
• In December 2007, these two entities were consolidated into a new entity to be named China Direct Broadcast Satellite Co., Ltd. (China DBSAT). In addition to China DBSAT, only AsiaSat and APT were allowed to provide satellite services in China through a grandfathered arrangement.

• **Monopoly:** China DBSAT is expected to continue to have a monopoly for the provision of satellite services.

• **Transparency:** There is a lack of transparency in satellite regulation in China.

➡️ So the situation may have changed and I stand ready to be corrected!

➡️ Lack of competition, no exposure to foreign innovation
Cross border supply:

• Satellite Services are by essence without frontiers! BUT in China...

• The cross-border provision of satellite service today is hampered by the restricted means by which foreign satellite services (Mobile-Satellite as well as Fixed-Satellite Services) can be used for communications into and out of China, and by the near-impossibility of new entry, be it Chinese or foreign, into the domestic service provision market.
EU Companies, incl. Satellite Operators, believe that:
- Open markets foster competition, and
- More competition foster innovation.

EU Companies would like China to open up.

Trade Policy is a tool to engage into liberalisation reform. Two possible ways to engage:
- EU-China Bilateral Investment Agreement (would allow only negotiated Establishment)
- China active participation to TiSA in Geneva.
« The voice of the European Service Industries for International Trade Negotiations in Services »

MULTILATERAL versus NEW EU BILATERAL TRADE POLICY

But China has taken no commitment in Satellite Services

• China
• Korea
• Colombia
• Peru
• Central America (6)
• Mercosur (4) (?)

• Mexico
• Chile
• Euromed

• Canada
• Singapore
• India
• Malaysia
• Vietnam
• Japan
• USA
• Thailand
• Indonesia (?)
• Philippines (?)

• Ukraine, Armenia, Georgia, Egypt, Morocco, Tunisia

WTO UR (1995-1997)
DDA Offers (July 2008)
WTO Accessions since 2001
Old EU FTA
US FTA +

• US Parity
• Market Acc +
• Public Proc +
• Mode 4 +

New EU FTAs
• Market Acc +
• Public Proc. +
• IPR +
• BIT +
• SOE +
• Reg. Coop. +

EU-China BIA

Market access level

Approximation (EU law)

Only 30 Countries, not 158 WTO Members!
23 “Real Goods Friends of Services” (RGFS) in Geneva (22 + 1(28) = 50
Australia, Canada, Chile, Colombia, Costa Rica, European Union (28),
Hong Kong, Israel, Japan, Liechtenstein, Mexico, New Zealand, Norway,
Pakistan, Panama, Paraguay, Peru, South Korea, Switzerland, Taiwan,
Turkey, and United States.

Services exports to the world represented +/- 70% of global services exports.

Will China join? Will other join China in TiSA?
– China has now asked to join (29 Sep 2013)! As well as Uruguay. How to deal with new comers?
– Letter from MOFCOM to EU Commission/ Visit China President Xi Lipping (31 March 2014), But USA against, so far
– Multilateralisation of TiSA? Standalone agreement? Or DDA?
What kind of commitments to open up satellite services?

- Allow foreign operators to establish in China...
  - With a local partner? ATTENTION: 49% equity cap = disincentive to invest!
  - With phasing out/transitional period

- Allow foreign operators to sell cross-border services to Chinese clients (Foreign manufacturing companies, B2B, B2C, ...) without being obliged to used domestic intermediaries

- Adhere to Set of Disciplines in Telecommunications services (incl. Satellite services) (see GATS Telecoms Reference Paper)
Thank you for ATTENTION!

Pascal KERNEIS
Managing Director
European Services Forum – ESF
168, Avenue de Cortenbergh
B – 1000 – BRUSSELS
Tel: + 32 2 230 75 14
Fax: + 32 2 320 61 68
Email: esf@esf.be

Website: www.esf.be