

March 29, 1999

Ms. Gloria Blue
Executive Secretary
Trade Policy Staff Committee
Office of the United States Trade Representative
600 17th Street, N.W.
Washington, D.C. 20508

Re: Section 1377 Review For Mexico

Dear Ms. Blue:

On behalf of the International Communications Committee ("ICC") of the Competitive Telecommunications Association ("CompTel"), I am writing in response to the letters submitted by AT&T Corp. and MCI WorldCom to the Office of the United States Trade Representative ("USTR") pursuant to Section 1377 of the Omnibus Trade and Competitiveness Act of 1988, 19 U.S.C. § 3107, regarding Mexico's compliance with the World Trade Organization ("WTO") Basic Telecommunications Agreement. The ICC has actively monitored Mexico's policies regarding telecommunications resale, and CompTel agrees with AT&T and MCI WorldCom that Mexico's continuing refusal to authorize resale constitutes a serious violation of Mexico's WTO obligations.

Established in 1997, the ICC comprises a diverse array of facilities-based and resale U.S. international carriers in virtually all segments of the U.S. international telecommunications market. Through the ICC, CompTel supports U.S. Government initiatives and actions designed to promote competitive entry into the international market and make licensing procedures and regulatory policies as user-friendly and competitively-neutral as possible. Historically, CompTel has prided itself on serving as a primary vehicle for new entrants and small carriers, including many carriers who provide services on a resale basis, to communicate their needs and interests to the U.S. Government. For example, just last month the ICC asked the FCC to take remedial action against Telmex's U.S.-affiliated carrier due to Mexico's restrictions against telecommunications resale. *See* Letter from C. Bischoff, CompTel, to M. Salas, FCC (Feb. 8, 1999) (File No. ITC-97-127) (copy attached).

As regard to resale, CompTel objects strongly to two aspects of the Mexican Government's telecommunications policies. *First*, contrary to its WTO commitments, Mexico has refused to permit licensed carriers to route switched traffic over international private lines, a practice known throughout the industry as international simple resale ("ISR"). The provision of service on an ISR basis expands competitive entry opportunities for small U.S. carriers in foreign markets. *Second*, Mexico still does not permit carriers to engage in "pure" switched resale operations. While Mexico permits carriers who have

their own networks and facilities to engage in limited resale activities, it does not permit carriers to provide service solely through the resale of the telecommunications services and facilities provided by other carriers. As with ISR, "pure" switched resale expands the entry opportunities for small U.S. carriers in foreign markets, and Mexico's refusal to license such operations constitutes a denial of market access, and an unreasonable restriction on the supply of a service, in violation of Mexico's WTO obligations under GATS Articles VI and XVI.

CompTel submits that these restrictive policies are particularly harmful on routes, such as the U.S.-Mexico route, where there is an enormous traffic volume between two contiguous countries whose business communities and populations already are inextricably commingled. On such routes, the ability to originate traffic on both sides of the border free from unreasonable resale restrictions is a key factor in being able to compete on either side of the border. By effectively excluding many U.S. carriers from the Mexican market through resale restrictions, the Mexican Government has made it difficult for those carriers to compete against other carriers in the U.S. market (including the U.S. arm of Telmex's bilaterally integrated business operations) for routing international switched calls to and from Mexico. In order to prevent this harm, and to ensure that U.S. carriers have the entry opportunities in the Mexican market to which they are entitled under Mexico's WTO commitments, CompTel supports the calls for USTR to take all necessary actions to ensure that Mexico complies with its WTO obligations.

Respectfully submitted,

Carol Ann Bischoff
Executive Vice President and
General Counsel