

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## SERVICES

### MINUTES OF THE MEETING HELD ON 2-4 JUNE 1986

Chairman: Ambassador F. Jaramillo

1. The Chairman noted that, as indicated in airgram GATT/AIR/2285, the purpose of the meeting was twofold. First, the meeting would hear presentations from the representatives of the International Telecommunication Union and the United Nations Centre on Transnational Corporations. Secondly, it would discuss issues raised in connection with possible multilateral action on services.

2. In introducing the report of the Independent Commission for Worldwide Telecommunications Development, entitled "The Missing Link", the representative of the ITU referred to the structure of this organization and the nature of its work. He then pointed out that, whilst the mandate to the Commission covered telecommunications in general, the Commission had taken a conscious decision to focus attention on the public telephone systems, since it viewed telephony as the basic service which opened the way for all other services such as data, facsimile and the growing array of new services known as "telematics". The Commission had recognized that telecommunications had a participatory rôle and was an essential component of, and a contributor to the process of development. It had also found that the growth of telecommunications across the world showed wide and distressing disparity between the extent and quality of services in the industrialized world and those prevailing in the developing world. Of the 600 million telephones in the world, nearly 75 per cent were concentrated in nine industrialized countries. Three-quarters of the world's population had less than ten telephones per 100 head, while half the population had less than one telephone per 100. Similarly, in terms of efficiency, availability and quality of service too, there was a wide disparity. While addressing this matter, the Commission had drawn particular attention to the fact that 80 per cent of the population in the developing world lived in rural and interior areas. For this reason, ease of access to service would be the major criterion as distinct from "telephone density" which would be a more relevant yardstick in urban areas. The Commission had stated that the developed world should respond to the needs of the developing countries for reasons of enlightened and longer-term self-interests. They could not therefore lose sight of the fact, that potentially, the developing world offered in the future a large and growing market. The Commission had set an overriding objective for achievement, that by the early part of the next century virtually the whole of mankind should be within easy reach of a telephone and all the benefits this could bring.

3. The Commission had also addressed a series of recommendations and had stressed the mutuality of interests that should bind all concerned in a common endeavour. On the crucial question of priority for allocating resources to telecommunications, it had called on all governments and on the

national and international institutions concerned to take into consideration the larger purposes and rôle of telecommunications in the world of today and assign to it the priority that it needed. This recommendation in particular was already endorsed by a number of countries, some of the UN economic commissions and other international fora including the ministerial level conference held last year in Arusha, Tanzania and which adopted the well-known Arusha Declaration on Worldwide Telecommunication Development.

4. On the subject of international technical cooperation and assistance, while noting the considerable achievements of the existing arrangements, the Commission had called on the international community to increase and expand cooperation and assistance so as to satisfy the increasing needs of the developing world. One of the specific measures recommended was the setting up of a centre for telecommunication development by the ITU to be supported by voluntary contributions from both governmental and non-governmental sources. On the choice of technology, it had drawn attention to the fact that all available technology from the industrialized world would not necessarily respond to the needs of the developing world and adaptive and innovative work was necessary to meet the latter. At sub-regional and/or regional levels, developing countries could as far as practicable evolve common specifications for their requirements of telecommunication equipments. This would facilitate deriving advantages of economies of scale in procurement. Common specifications and common procurement could pave the way also for cooperative endeavours at regional/sub-regional levels for local manufacture. Research and development effort should also be promoted and institutionalized through regional/sub-regional cooperative endeavours in the developing world.

5. The representative of the United States, noting that the costs of telecommunications were constantly going down, wondered whether this cost decrease was not a fundamental step in terms of developing countries being able to acquire the most appropriate technology. He also questioned the importance of standardizing the procurement practices in developing countries since it would seem that the key issue was the design of the best system available for a particular country's needs and not the stage of development of a given country, whether developed or developing. The representative of the European Community commented that, while telephone services were seen as a basic service paving the way for other telecommunication services, it was unclear technically how the emerging integrated services digital networks could one day be combined with such telephones services.

6. The representative of ITU remarked that the design parameters for telecommunication equipments were the environment, needs and capabilities which prevailed in developed countries. In the light of the difference in the situation between developed and developing countries, the latter's requirements were of a different nature. In absolute terms, demand in developing countries was small although it was escalating at a great pace, and the provision of equipments lagged way behind the needs. Since the needs of developing countries were small, procurement tended to be fragmented, although some changes had been introduced on a sub-regional basis, for example in the South Pacific Region, where some practices had been developed on a common basis. He noted further that telephone services had to be addressed first since other telecommunications services would follow once telephone links had been established.

7. Concerning the question of study of the idea of an organization to co-ordinate the development of telecommunications worldwide (WORLDTEL), raised by the representative of India, the representative of ITU said that paragraph 56 of the Executive Summary of the report of the Commission referred to a new organization with capabilities in technical, managerial and financial activities. Its charter would allow it to raise funds and to invest them either on a concessional or commercial basis. Its objective would be to progress the development of telecommunications in developing countries. The idea of such an organization needed to be further explored by the Secretary-General of the ITU in consultation with member countries and existing agencies. A dialogue would have to be maintained to see if appropriate conclusions could be reached for presentation to the ITU Plenipotentiary Conference in 1989. Regarding the development of institutional links between ITU and other international organizations addressing telematics, the representative of ITU said that close working links existed with bodies having an interest in this field, for example the OECD, UNESCO and the Intergovernmental Bureau for Informatics (IBI).

8. The representative of the United States commented that, in the field of telecommunications, the establishment and formulation of standards were the responsibility of regulators whereas, insofar as broad policy goals were concerned, there was a rôle for GATT, especially in the new round of multilateral trade negotiations, where links between GATT and ITU should be closer. Both organizations over time would have their mutual and respective rôles since they were complementary and, as such, had to learn from one another. The representative of Canada asked whether the ITU had done studies on the economic importance of having access to high quality, low cost telecommunication services, both basic and enhanced, and if these studies had been made available to the Independent Commission. Another question was what data was available to the Commission from ITU sources on international telecommunication transfers and on trends in development of international telecommunication trade, both basic and enhanced. The representative of ITU pointed out that the Union had provided a great number of economic studies which related to appraising investments in projects in terms of viability and returns mostly based on the experience in developed countries. Subsequently, in order to highlight the importance of telecommunications in developing countries, major studies were undertaken jointly by ITU and OECD and in 1983, the World Telecommunications Year, an ITU/OECD synthesis report was issued. These individual studies as well as the synthesis report represented an impressive input in the work of the Commission. In February 1986, ITU had issued a follow-up report entitled "Information, Telecommunications and Development" which summarized work done worldwide from 1983 onwards. As to the data available to the Commission, the representative of ITU said that, to the best of his knowledge, the Commission had not been provided with any data on trade in telecommunications, except on the issue of technical assistance to developing countries, and statistical data covering traffic and distribution of telecommunication services.

9. The representative of Brazil asked for comments on views expressed by the Commission in its report, to the effect that the existence of an efficient telecommunication system conferred direct and indirect benefits which justified regarding it as a public good, that the accelerated pace of technological advance widened the range of options and complicated developing countries' choices, and that the latest technology was not always the best solution, as the most appropriate technology for any country was one which

made optimal use of existing human, material and financial resources. The representative of ITU recalled that in the past it had been the practice to evaluate and judge proposals for highly capital-intensive telecommunication investment in terms of financial returns, and not necessarily of broader socio-economic returns. The Commission had made it clear that the services rendered and the indirect or intangible contributions were difficult to quantify, and that there could be only an intuitive and qualitative appreciation, but no translation in monetary terms. As to the choice of technology, the situation was that many technology innovations could become dead-ends. The Commission's view thus was that the technology had to yield the best benefits in the local situation, and that a distinction had to be introduced between hardware and service. A number of complementary issues were raised such as the understanding of the technology, the ability to operate it in an efficient way, maintenance and repair, the need of fully trained personnel and the whole array of logistic support. It was in this respect that the Commission had observed that the yardstick should be the full scale use of optimum benefits from the technology, not merely the availability of the technology.

10. The representative of Israel referred to paragraph 23 of the Executive Summary of the report of the Commission which indicated that telecommunications should be run on business lines as separate, financially self-sustaining enterprise, and to paragraph 50 which made an appeal to governments participating in the Economic Summit to give encouragement to practical measures to improve and expand telecommunications. He also expressed his disappointment that the presentation of "The Missing Link" report gave a one-sided view of ITU activities while its Charter and the Nairobi Convention dealt directly with trade in services, for example in granting recognized status to private operators and in providing provisions for rates and payments for services exchanged. The representative of India pointed out that ITU was not concerned with North/South issues since the ramifications of telecommunications had global implications. It was also clear that the ITU was engaged in telecommunication services by virtue of its very mandate, and that it was seized of the importance of developments in telematics and in the related services, and to this end participated in deliberations of these subjects in co-operation with other relevant international organizations. The GATT discussions on services were initiated in pursuance of the 1982 Ministerial Declaration without prejudice to the forum in which the discussions were in fact taking place and without prejudging that any multilateral action in services, if considered desirable or appropriate, must take place in this forum alone. The forum of the exchange of information was unique and without prejudice to the location. In this respect, the presentation of the representative of ITU was very useful to explain that there was a very large area of services in which significant work was already being done in a relevant international organization. The representative of Egypt said that his delegation viewed telecommunication issues as a developmental issue related to the developmental process itself. It really touched upon the infrastructure for development and sometimes, in different countries, it was considered as a public service. As a result, private capital was hesitant to finance it on the basis of criteria of profitability, so that the only alternative was public capital. The representative of Argentina referred to the status of telecommunications in different countries, i.e. whether wholly state-owned and operated, or wholly or partly privately-owned, whether telecommunications were operated as a monopoly or whether competition was admitted. In this respect, he asked what was the percentage of wholly state-owned telecommunications networks in the world.

11. The representative of ITU said that the Commission had recognized that the nature of the set up in each individual country was a matter for sovereign decision. The point was also that telecommunication services were able to earn revenues which could aid other streams of national development and thus it was essential to run telecommunications as productive and financially viable enterprises. It was for governments to decide whether telecommunications were publicly or privately owned. No precise percentage could be given of wholly state-owned telecommunications in the world, but in the majority of developing countries they continued to be State enterprises either directly or through an appropriate public corporation and, to a certain extent, this was also true in many industrialized countries. Concerning the appeal to governments participating in the Economic Summit, the background was that, in an earlier Summit declaration, they had identified specific areas of action for support regarding new energy resources which had generated actions promoting the development of alternative energy sources. It was against this example that the Commission addressed the Economic Summit and requested that they support practical measures for the development of telecommunications. Regarding the issue of services, the representative of ITU pointed out that services had a specific connotation in the context of ITU, which addressed largely technical issues, focused its attention on the medium, and did not deal with the issues related to the messages. Telecommunications services concerned various activities such as video, telegraphy, teleprinting, facsimile, telephony, the standardization and harmonization of equipments and systems, as well as the international linkages to ensure efficient network operations. The issue of payment of services referred to principles agreed upon with respect to tariffs for making available the medium. There was no other connotation to services as understood within the ITU. As to the question why the ITU chose to present "The Missing Link" in response to the query from GATT, the representative of ITU said that this report, which had drawn international attention in 1985 and which encompassed the whole range of issues in telecommunication and development, was considered to be meaningful to the deliberations of this meeting and the circulation of a Summary of the report by GATT tended to confirm this. However, additional information could be made available to the meeting if necessary.

12. In response to a question by the representative of Yugoslavia, regarding whether the Commission had taken into account the technology developed in East European countries, the representative of ITU said that the views concerning the situation in this part of the world had been described in the documentation received by the Commission from two members from the USSR and Romania. The report of the Commission which had been agreed upon unanimously, had taken the various inputs into account and stressed the need for harmonized co-operative international endeavours. Regarding the issue of restrictive business practices by producers of telecommunication equipment, also raised by the representative of Yugoslavia, the representative of ITU said that his organization worked within the confines of the Convention and the tasks which were attributed to its various bodies. As of now, the ITU had addressed essentially technical aspects of harmonization and standardization; economic considerations were relevant as a tool for evaluating alternative technical solutions, but the specific question of trade in services had not been dealt with in the ITU.

13. The representative of UNCTC in his presentation to the meeting, dealt with the following four items: (1) the work of the United Nations Commission

on Transnational Corporations and the Centre as regards services; (2) foreign direct investment and transnational corporations in services; (3) the impact of transborder data flows (TDF); and (4) the relative importance of foreign direct investment and trade in services. Concerning the work of the Commission and the Centre, both established in 1974, he said that on the basis of its original work programme and subsequent directives from the Commission, the Centre had prepared studies on banking, reinsurance, advertising, tourism, shipping, engineering and consultancy and data services, i.e., transborder data flows, which had been summarized by the GATT secretariat in document MDF/17 and Add.1. The Centre's work on services was complemented by information analysis, technical co-operation in the services sector in developing countries and workshops on various service industries. Concerning foreign direct investment (FDI) and transnational corporations in services, he highlighted the findings discussed in chapter IX of the Centre's publication Trends and Issues in Foreign Direct Investment and Related Flows (ST/CTC/59) which had been distributed to the meeting. The pattern of FDI had changed markedly over the past decade or so. At the beginning of the 1970s, about a quarter of the \$160 billion of world stock of FDI was in services. Today, perhaps upward of a third of the more than \$650 billion of world stock of FDI was in services. This shift towards services was even more pronounced in the composition of FDI flows. In common with other FDI, almost all FDI in services - mainly in trading, banking, and insurance - was made in and originated from developed market economies. A number of factors explained the rapid growth of FDI in services, e.g. the difficulty of trading most services, the attractiveness of foreign markets, the search for new business opportunities, the need to maintain competitive positions in world markets, the emergence of Eurocurrency markets, the rise of international lending, the growth of tourism, competitive advantages of transnational corporations over domestic firms in host countries, and advances in communications. The rise of FDI in services was also to be seen in the broader context of the internationalization of the world economy. The geographical and sectoral pattern of the distribution of this investment depended on the regulatory environment, and especially the extent to which FDI in services was permitted or not by host countries. Thus, the liberalization of restrictions on FDI in banking had contributed substantially to the transnationalization of banking. Similarly, tax and regulatory advantages offered by some countries had led to the growth of offshore financial markets for many transnational banks. On the other hand, restrictions on trade in some services and obligations to establish local affiliates had fostered FDI in such industries as advertising and insurance.

14. Concerning the impact of transborder data flows, the representative of UNCTC, referring to the Centre's publication Transnational Corporations and Transborder Data Flows: Background and Overview (E/C.10/87), which had been made available to the meeting, elaborated on the impact of transborder data flows on the tradeability of services. Since most services were intangible and non-storable, their production and consumption normally occurred at the same time and in the same place. The constraints that this placed on the tradeability of services were reflected in the fact that the proportion of all services produced that was traded was considerably lower than that for industry and agriculture. However, if these constraints could be overcome, the potential for a substantial increase in trade in services was high. One way in which this was being done was through transborder data flows. Instantaneous, interactive communication via transnational computer-

communication systems reduced time and space at decreasing costs and permitted service transactions to take place at the same time between different places. As a result, the tradeability of certain services increased considerably. This was especially true of such key business services as banking, insurance, accounting, design and engineering, legal services, management consulting and data services themselves. This increased tradeability had major implications, e.g. for the expansion of trade in services, for the future of foreign investment and for governmental regulations.

15. Finally, he noted that precise data on the relative importance of FDI and trade as channels for the delivery of services to foreign markets was only available for the United States, the most important exporter and importer of services capital. In 1982, the value of services sold in the United States by foreign affiliates of non-United States transnational corporations was about four times the value of United States service imports. Similarly, estimates for the United Kingdom, Japan, Canada showed that, for each of these countries, the value of sales of foreign affiliates of transnational corporations headquartered in them was about twice as high as their services exports. The available data suggested that, for the world as a whole and for the most important exporters of services and services capital in particular, FDI in services was a more important vehicle than trade for the delivery of services to foreign markets. This pattern did not apply in the same manner to developing and socialist countries, whose exports of services were more important than the services sales generated by their FDIs. On the import side, it was quite likely that the volume of services sales by foreign affiliates located in developing countries was higher than the volume of services imported by these countries. Given the importance of FDI in services, the Centre on Transnational Corporations would continue to deal with the rôle of transnational corporations in services within the larger framework of its work on a Code of Conduct on Transnational Corporations, which would also apply to FDI in services. The Code would not only contain guidelines for transnational corporations with regard to their expected contributions to national development objectives and policies, but it would also deal with such issues as national treatment, right of establishment, nationalization and compensation, transfer of payments and fair and equitable treatment of investors. The Centre was prepared to make its future work results available to this or any other group, if this was desired.

16. The representative of Brazil asked for some elaboration of the concepts developed in the UNCTC study (E/C.10/87) on transnational corporations and TDF, which suggested that, to the extent that information was a basis of power, the ability to collect, store, access, process and work with it could give countries political, economic and social advantages over other countries, and that TDF might thus lead to an accentuation of existing imbalances, - and in fact, the emergence of a new set of imbalances - between the developed and developing countries. The representative of India, pointing to the fact that FDI was far more significant than trade in services and that dealing only with trade aspects of services would not address the most significant features of services, asked what percentage of services transactions was not in the hands of transnational corporations. The representative of Canada asked for some clarification about figures concerning the value of the stock of FDI in the Canadian service sector as presented in Table IX.1 on page 83 of UNCTC document ST/CTC/59, as well as about the ratio between the stock of FDI and sales in services.

17. The representative of UNCTC said that TDF was to be seen in the broader context of the merging of telecommunications and informatics, i.e. telematics. If the micro-electronics revolution was at the centre of an industrial restructuring limited primarily to the developed countries, then the imbalances were likely to increase. However, as the document also pointed out, TDF might become an instrument for the advancement of the development objectives of the developing countries for example, if data resources located abroad became more easily available to all countries. Regarding the amount of services exchanged by means other than transnational corporations, he noted that although no precise figures were available, it seemed that trade in services followed a similar pattern to trade in goods, namely that for some countries, the share of goods exported by transnational corporations might be as high as 90 per cent. With regard to the ratio between the stock of FDI and sales in services, he observed that in general one dollar of stock of FDI generated 2 dollars of sales in services. In this context, he noted that he did not imply that FDI, which was by definition establishment, was a precondition for trade.

18. The representative of Japan commented that, despite technological advances in services tradeability, there might also be a need for a local presence of services firms in order to sustain services locally, in particular in the context of services required by consumers. With regard to the Code of Conduct on Transnational Corporations, he asked whether there was any conspicuous generic difference between the behaviour of transnational corporations in services and those engaged in manufacturing, which would have some relevance in connection with government regulation or incentives vis-à-vis these business activities. His opinion was that basically corporate behaviour should be similar in both cases. With respect to the possible need for a local presence, the representative of UNCTC observed that the counter hypothesis advanced by Japan was as plausible as the one he had spelt out. In fact the increased tradeability might not lead to a decrease in FDI. He noted that FDI in goods tended to grow more rapidly in the 1950s in the United States, and in the late 1950s and 1960s in Western Europe and Japan, while FDI in services grew faster five to ten years later; for instance, the annual growth rate of FDI in services in the United States amounted to 30 per cent during the late 1960s. He pointed out that the draft provisions of the Code of Conduct dealt with the behaviour of transnational corporations regardless of their activities, and that the set of guidelines did not go beyond those of the OECD.

19. With respect to questions raised by the representative of the European Community as to what definition was used in UNCTC with regard to FDI and transnational corporations, and as to whether the representative of UNCTC could elaborate on the idea he had expressed that there existed a high potential for trade in services if constraints were removed, the representative of UNCTC said that the Centre used the IMF or the United States "equity" definition of FDI, namely that 10 per cent or more of equity in an entity abroad constituted FDI. However, he noted that there were other "non-equity" forms of FDI such as management, licensing and supply contracts, which implied a certain degree of control as well as associations between firms, notably in the accounting sector, which were somewhere between licensing and trade marks agreements and did not involve any foreign control as such. He also drew attention to the fact that, on a world-wide basis, FDI was a highly concentrated phenomenon as 50 per cent of total FDI originated

from 50 transnational corporations (out of 20,000 transnational corporations in total). The definition of transnational corporation was still being discussed in the Commission on Transnational Corporations, but for working purposes UNCTC regarded a transnational corporation as any corporation which controlled assets abroad. For theoretical purposes, the Centre would include in the definition a corporation which established one branch or one subsidiary abroad, perhaps even a sales office abroad even if assets were insignificant. Concerning the relationships between the importance of trade and FDI in services, and the reasons why he considered that the potential for trade was high if constraints on tradeability were removed, he observed that he was not referring to constraints of a political or regulatory nature, but of a technical nature. Approximately 10 per cent or less of world production of services was internationally traded whereas the figure was about 45 per cent for industrial goods. If one would generalize from past experience in industry, if services were tradeable as goods were, one could perhaps expect a higher percentage of services to enter international trade. If the option existed of selling a service abroad through trade, without having to establish a foreign affiliate, more companies might be expected to take advantage of this opportunity and therefore trade in services would increase.

20. In response to a question concerning the cost of pursuing non-liberal policies in services for small countries raised by the representative of New Zealand, the representative of UNCTC said that, although such a cost varied from country to country and a case could be made for infant industry considerations in developing countries, his view was that for many countries the problem was to select industries that could become competitive internationally, so as to make the best possible use of scarce national resources. In many services, due to their limited tradeability, the choice between FDI and trade did not really exist. It was only to the extent that technical barriers were overcome, for example through TDF, that the choice between FDI and trade increased, regulations permitting.

21. The representative of the United States commented that UNCTC documents concluded too often that the advent of data services and their impact on the tradeability of certain services had created new circumstances for which developing countries were not prepared and the barriers to entry could therefore be formidable. His authorities would have appreciated more emphasis on the negative economic implications for development of services of the imposition of restrictions against FDI. He observed that the advantage of TDF was that the operations of the transnational corporations could be decentralized to the greatest extent possible, resulting in more profitable performances. This meant also that the know-how and the management was located abroad and concerned mainly foreign citizens. The efficiencies and the technologies provided by the headquarters of the transnational corporations benefited the overall welfare of host economies, whether these were developed or developing countries. Furthermore, he reiterated the view expressed at previous meetings that it was very difficult not to include in the notion of trade in services those activities where law made establishment the only basis upon which a service could be sold. Finally, one concern his delegation had in terms of progress regarding the discussions of the draft provisions of the Code of Conduct was that, insofar as the obligations of transnational corporations were concerned, the consensus had broken down among countries as to what the obligations of governments should be. An example was the definition of national treatment which had not been agreed upon. There was an imbalance in the draft Code between the obligations of

transnational corporations on one side and the lack of assurances about how governments might behave insofar as their willingness to accept the presence and activities of these corporations, on the other. A basic question was also how such a Code of Conduct could be usefully applied on a voluntary basis.

22. Concerning the effect of TDF on corporate structure, and in particular on decentralization, the representative of UNCTC said that corporate behaviour depended on the relative costs of informatics equipment, telecommunications and human resources. The cost of informatics equipment, which was tending to decrease rapidly, was a factor pushing in the direction of decentralization to the extent that it was relatively easy for foreign affiliates in various locations to possess their own computing equipment. Furthermore, the cost of telecommunications did not decrease as rapidly as the cost of informatics equipment. Conversely, the cost of human resources increased with the cost of highly qualified technicians able to develop complicated software. The way in which these three factors worked out in the context of any corporation affected its management strategy. Regarding the Code of Conduct, the representative of UNCTC considered that it was not entirely fair to say that the guidelines for transnational corporations, which had mostly been agreed upon, were precise while those specifying obligations for governments were not precise. An example of a not too precise guideline was the one concerning adherence to socio-cultural objectives, values and traditions of the countries in which corporations operated. The approach followed here was the same as for obligations of governments in such areas as national treatment, fair and equitable treatment, transparency, compensation, dispute settlement, i.e. in areas not covered so far in any multilateral agreement on an international scale. Given that all countries were participating in the negotiation of the Code of Conduct, it would be difficult to come up with a totally satisfactory formulation of national treatment for any country. The objective was to agree upon reasonable provisions setting up some kind of modus vivendi among countries, within a framework providing predictability in the relationship between foreign direct investors and governments.

23. In stressing imbalances in TDF affecting national sovereignty of developing countries, the representative of Brazil quoted recommendation 24 of the Canadian Consultative Committee on the implications of telecommunications for Canadian sovereignty which suggested that the Canadian government should act to regulate TDF in order to ensure that Canada did not lose control of information vital to the maintenance of national sovereignty. He raised questions on the implications of TDF for the development process, especially with respect to the capacity of developing countries to pursue self-reliant development strategy; on the problems faced by developing countries as a result of the high concentration of the supply of many services in a number of transnational corporations; and on the restrictive business practices related to the operations of transnational corporations, taking into account their dominant position in the market. Elaborating on the proposition that TDF might affect the tradeability of services and that FDI might not necessarily decrease as a consequence of the increase in the tradeability of services, he wondered whether FDI was not a sine qua non condition for the supply of the majority of services in any market. The representative of Argentina asked to which existing or hypothetical framework for the expansion of services the representative of UNCTC was referring. He

commented that there did not seem to be a clear conceptual distinction between the establishment of only a representative office abroad and some other forms of presence for the sale of services, except as regards the magnitude of the investment concerned. He observed that small services firms which did not dispose of important capital and high technology could not now compete with transnational corporations, but that as a result of technological developments middle-sized firms might be better placed than transnational corporations to sell data services in the future. Concerning a comment made by the representative of New Zealand that this meeting should determine rules to govern trade in services, he said that the participants were far from having reached a consensus on the basic issues, and that in any case the mandate of this meeting was only to exchange information on services. As to the remarks made by the representative of the United States to the effect that the definition of trade in services should include the right to establishment or the right to invest, he was of the opinion that this meeting was still very far from discussing definitions, and certainly had no mandate to discuss investment.

24. Concerning the impact of TDF on the development process, the representative of UNCTC underlined that national data resources were the nexus of economic restructuring. At the same time physical or functional access to foreign data resources was equally important. Any obstruction to access to data abroad would represent a major problem, for example for banks needing international access to SWIFT while conversely, the development of national data resources might entail wasteful expenditure to the extent that such resources were freely accessible abroad. While it was true that transnational corporations might be tempted to set up restrictive business practices, the rather strong competition in most areas of TDF resulted in mitigating the effects of such practices. In addition, although data resources were highly concentrated in a few countries, corporations from developing countries were entering this field in selected areas. In light of the existing dual ways of delivering services, it seemed that if trade in certain services increased, FDI might no longer represent a sine qua non condition for supplying them. However, other related issues might then be raised such as access to telecommunication systems. As to the comment on framework made by the representative of Argentina, he emphasized that he had referred only to technical feasibility and not to the regulatory framework within which the expansion of services might, or might not, be considered. Regarding the distinction between various forms of FDI, he noted that a precedent existed in the Declaration on Services annexed to the United States/Israel Free Trade Agreement where the question was raised whether a representative office of a bank should be considered as FDI or trade in services. As to the question of whether the present pattern of trade in services might be changed in the future, he agreed that the ability to use TDF and other technological developments as well as access to the international infrastructure might make it more easy for small and medium-sized firms to enter the market. In reply to a question by the representative of Yugoslavia on the evolution of the profit margin of transnational corporations in developing countries and of the structure of FDI, he said that while globally the share of stocks and flows of FDI in developing countries had decreased substantially over the last years, conversely the share of stock of FDI in services had increased rapidly. Over 50 per cent of the stocks of FDI of the main investor countries in Latin America, i.e. United States, Japan and the Federal Republic of Germany, was

in services and this figure implied that over 70 per cent of the flows of FDI were in services. It was clear that, as far as the structure of FDI was concerned, there was a definite shift towards services in the international economy.

25. The representative of India asked what was the percentage share of services transactions taking place outside the intra-firm transactions of transnational corporations, in order to get a better perception of their rôle as providers and consumers of services. He noted from a study that the highly concentrated sector of the international information industry consisted of three groups of participants, i.e. two United States firms, three Japanese firms and several European firms. Similarly, another study pointed out that in the telecommunications equipment sector, the OECD countries accounted for 90 per cent of world production, 47 per cent for North America and 20 per cent for Europe. Twelve firms accounted for approximately 80 per cent of world equipment sales. While access to TDF should be a desirable objective within the available national resources, this concept should not be confused with the notion of widest possible access to markets and the widest possible use of TDF and, to this end, a clear distinction should be made between access to markets on one hand, and access to resources on the other hand, a wider concept which could not be addressed in the GATT. Referring to concern expressed by some delegations regarding the definition of commercial presence, he asked whether UNCTC had done some work on the various forms of establishment for services. He stated that, unlike manufacture of goods, economies of scale in services might be achieved by setting up individual units abroad and managing them from headquarters through computerized operations and highly efficient telecommunications networks.

26. Concerning the computerized control of foreign units by the headquarter of transnational corporations, the representative of the United States pointed out that this type of corporate management reflected an outdated structure of the 1970s which had proved to be a failure when controlling every operation from the headquarters. The representative of the European Community said that while some forms of commercial presence such as representative offices and branches were an integral part of the trade in services, this would never include investment in the full sense of a subsidiary. The European Community was primarily interested in liberalizing international access to markets through trade only. If this was not feasible, then the question of access through investment might arise. The representative of UNCTC indicated that for some countries transnational corporations were responsible for about 90 per cent of exports of goods through both intra- and inter-firm trade, i.e. goods exported from a company in country A to either an affiliate in country B or an independent company in country B. Perhaps 30 to 40 per cent of world trade as a whole consisted of intra-firm trade, i.e. transactions between affiliates of the same corporation. Finally, the Centre so far had only examined FDI as such and it would need a mandate from the Commission to carry out more specific analysis of various forms of establishment in idfferent services activities.

27. The Chairman drew the discussions to a close and, on behalf of the meeting, thanked the representatives of ITU and UNCTC for their presentations and comments. He then directed the meeting's attention to the next item on the agenda, "Issues Raised in Connection with Possible Multilateral Action on Services", which had been dealt with in Section IV of document MDF/7/Rev.2 and paragraphs 31-38 of document L/5911.

28. The representative of the European Community recalled his delegation's position that multilateral action was desirable, were it only because as the exchange of information had demonstrated services were a major element in the world economy. Those who had responsibilities in the national economies could no longer afford to neglect services, which had to be brought into the centre of the international agenda, and GATT should have its rôle to play, although trade in services was not the only issue of importance. Another reason for possible multilateral action was that theory and practice showed that trade in services could be developed on the basis of international competition and bring additional benefits to the world economy. The potential for trade in services was inhibited by obstacles which could be removed by suitable international agreement without violating legitimate social goals. Absence of rules governing services, as well as a lack of transparency, resulted in uncertainty for economic operators and difficulties for traders in carrying out international transactions. Multilateral action should lead to a removal of obstacles, greater certainty in trade practices and transparency in regulations.

29. The representative of Canada said that five basic principles underlay the Canadian approach. First, services represented a dynamic and growing part of the domestic economies of developed countries and many developing countries. Secondly, services had the potential to provide the impetus for economic growth, benefitting the world economy in general. Thirdly, the expansion of world trade in services was often restricted by a regulatory environment in which individual countries established restrictions without due regard for broader- and longer-term interests; current restrictions on services hindered the efficient allocation of global resources and in particular impeded structural adjustment in developed countries. Fourthly, with the growing importance of technology both in the production, installation and trade of goods and in the commercial systems through which trade was carried out, exchanges of services had become inextricably linked to trade in goods. Measures that affected services transactions therefore had a direct impact on trade in goods, and it was not conducive to global prosperity to have regulatory system for goods and services trade which were unco-ordinated and often working at cross-purposes. Lastly, introduction of trade policy disciplines into the area of services regulation would not remove the ability of governments to regulate for legitimate domestic purposes. Concerning the most appropriate approach to multilateral action, while Canada's views were not fixed, they would prefer to have as many countries as possible participate and would want broad sectoral coverage. Negotiations on specific services sectors should take account of the principles of trade liberalization if the outcome was to be significantly different from the current collection of essentially non-liberal sectoral arrangements. The experience of GATT could furnish principles of trade liberalization which might be broadly applicable to services, although some adjustments would have to be made to reflect the specific characteristics of services and of individual sectors. One element of a multilateral services agreement which seemed particularly important in light of recent developments was establishment of procedures for adjudication of disputes.

30. The representative of the United States said that the position of his government on the question of services negotiations was well known. Of all the elements which had been discussed in the meetings, the one which made the deepest impression had been the element of regulation, i.e. how regulation

was carried out, to what extent a regulation became distortive, when regulations could be regarded as reflecting national sovereignty, or when they were so prohibitive against foreign entry that it could not be solely looked upon as a sovereignty issue. The analysis of regulations in these meetings had lead his government to the conclusion that there should be some disciplines in services, not only to improve predictability for traders, but to have as open a régime as possible. The other factor which had influenced his government's thinking for several years was the profound conviction that greater international competition in services was good for the world economy and had more effect on economies which were not as developed and did not produce certain services which would otherwise be available. In the course of the discussions, while there had been some very useful input from international organizations, these did not present the best available fora to reach a comprehensive and balanced understanding. His authorities believed that GATT could negotiate legally binding rules governing trade in services with as broad a participation as possible. A general framework of principles should be agreed upon which could provide specific guidance for countries to establish regulations in the future. This general framework should be supplemented by sectoral understandings, defining the manner in which the general principles would apply to specific activities in particular services. Details of the United States' views had already been provided in written form, in particular in document L/5838. He expressed disappointment that only certain developed countries, and no developing countries, had so far submitted national studies. Nevertheless, through the exchange of views, these meetings had been able to assess what the problems in services were and why multilateral action should be launched in this area.

31. The representative of Sweden, speaking on behalf of the Nordic countries, said that the Nordic countries attached great importance to the work of these meetings and that they would continue to do so in the light of the constructive exchange of information held so far. The growing rôle of services in national economies offered a promising potential for trade and economic growth in all countries. However, without multilateral rules in services, there existed a risk that services would be subject to an increasing number of obstacles. Experience had also shown that once imposed, restrictions might be very difficult to remove. This was of great concern for small countries like the Nordic countries. One conclusion they had drawn from the exchange of information so far was that services were of importance to the development process in industrialized and developing countries alike. Because of the rapid evolution in services due to technological changes, it was believed that multilateral action was needed now, one important aspect being the securing of market access for new entrants. The time was more than ripe to act and agree upon a general framework covering as many services as possible in order to promote trade liberalization, foster predictability and minimize trade distorting effects of national regulations and other measures.

32. The representative of Nigeria said that the substance of services had to be examined more deeply before discussing meaningfully the formulation of international disciplines in services. Although these meetings had been useful in permitting exchanges of views beneficial to participants, they must complete the work with respect to national studies. The reasons for the slowdown in the world economy could not be explained by restrictions in services as other factors, such as high interest rates, volatility in exchange rates, collapse of commodity earnings, erosion of export earnings

capacity, and an inhibited capacity for importing goods from industrialized countries, had hit developing countries hard. In addition, developed countries' lack of will to honour their commitments on standstill and rollback and their maintenance of protectionist measures which impeded access to their markets, affected the economic situation of developing countries. Furthermore, a number of multilateral institutions were already in place which dealt properly with some aspects of services. The exchange of information should be continued so that developing countries could be in a position to negotiate on an equal footing with those developed countries advocating a prompt start of services negotiations. In order to make such negotiations meaningful, it would be proper that all contracting parties be encompassed in the present exchange of views before starting the process of discussing whether it was advisable to establish multilateral disciplines in services.

33. The representative of Australia said that participants in these meetings had begun to see the benefits which could result from a greater access for traded services, and it would seem appropriate that GATT dealt with trade in all of the major economic sectors. Contracting parties should work towards a multilateral framework within the GATT and using GATT principles to ensure greater opportunities for the important domestic services exposed to international competition in varying degrees. Although free trade in services did not seem achievable, contracting parties should elaborate a framework on trade in services which would make a contribution to economic growth, while preserving certain national sovereignty principles. It was felt that any framework would be most useful for the world economy if the largest possible membership could be induced to participate in negotiations.

34. The representative of Japan pointed out that, bearing in mind the rapid annual growth in financial or communications services, and hence in multiple contacts between buyers and sellers, a multilateral system was needed to deal with possible disputes, to ensure transparency and to eliminate barriers in services. The time was ripe now to develop minimum basic rules which could be applicable to as many services as possible, due account being taken of peculiarities in specific services sectors. In dealing with a possible multilateral framework, governments should not be over-ambitious. The issue of sovereignty should receive priority attention. For example, in telecommunications services a two-tier approach could be followed, with basic telephone services subject to public regulations on one hand and advanced telecommunication services open to competition, on the other.

35. The representative of Brazil referred to the conclusions and recommendations of the Second High-Level Latin American Co-ordination Meeting on Services held in Brasilia on 26-27 May 1986, which considered actions in relation to services which the countries in the region could implement at the national, regional and international levels. In this regard, SELA had concluded that bilateral or multilateral commitments should not be adopted if they constrained the development and expansion of service industries in Latin American and Caribbean countries. Concerning the proposals made by certain industrialized countries to set up a legal framework to regulate trade in services, investment and questions related to intellectual property, it was felt that, owing to the nature of these proposals, the negotiations would not only deal with trade aspects, but also with the policies, laws and mechanisms which regulated such activities in developing countries. These policies and

laws fell within the sovereignty of the countries themselves and had been defined in conformity with development objectives and with regard to public order and national security considerations. The SELA region could not accept that the industrialized countries required concessions from the developing countries in relation to the policies already mentioned in exchange for increased security of access for their goods exports. The countries in the region would find themselves in the situation of having concessions extracted in areas of vital importance for their development strategies in exchange for industrialized countries complying with commitments already undertaken in the past. The proposals of the industrialized countries could eventually legitimize within GATT the application of trade retaliation whenever it was considered that certain policies or practices of developing countries were obstacles to trade in services or were harmful to intellectual property rights or restricted the presence of foreign investment in particular sectors. A number of options for examining the subject of services multilaterally had been considered. However, the countries of the region did not consider this a priority; rather, the efforts of the international community ought to be aimed at eliminating the numerous obstacles limiting the expansion of exports of commodities, agriculture and manufactures of Latin American and Caribbean countries and other developing countries, as well as strengthening the multilateral trading system in such a way that it would be more able to promote the developmental goals identified by the region. Moreover, there was need to broaden and deepen understanding about the dynamics of the service sector nationally, regionally and in international transactions in order to consider whether any multilateral action in these matters was appropriate and desirable.

36. The representative of India noted that further clarification and meaningful examinations were needed with respect to issues raised in connection with possible multilateral action on services. He quoted some of the observations contained in UNCTAD document TD/B/1008/Rev.1 starting at paragraph 268, to the effect that to date, services issues had almost exclusively been discussed and analysed in a "trade policy" framework, using the terminology derived from GATT, other trade agreements and conventional trade theory, and rarely focused on the existing policy framework for international transactions in specific services. Services, in both their domestic and international aspects, had a critical importance in the over-all development context. Although most services were not traded internationally, their tradeability was increasing, stimulated by technological advances. Emphasis should hence be placed on the search for new ways of improving and strengthening the contribution of services to development. This development aspect did not seem to have been taken into account in the current debate on international service issues. The problems of developing countries had been only referred to in the context of the GATT analogy (i.e. "infant industry", "differential and more favourable treatment"). The impact of the various services on the economies of developing countries had to be taken into account. The same might also be said of the aspects of trade in services relating to technological developments and the rôle of transnational corporations. While in-depth studies on various aspects had been undertaken by academic research institutes and international organizations (notably UNESCO and the United Nations Centre on Transnational Corporations), the "trade"-oriented debate had not yet seriously integrated these aspects in its search for a possible negotiating framework. The attempts to introduce services conceptually into a trade policy framework had not succeeded in

distinguishing trade from foreign investment issues; efforts to equate trade concepts such as "access to markets" with investment concepts such as "establishment" had further obscured the debate. Issues involving labour mobility, and access to capital and technology, had not been examined. There was a difference in perception between transnational corporations (TNCs) which viewed the world as a single market for services, and governments. To TNCs the issues of trade and investment ("access" and "establishment") were elements of their global strategy. To governments trade and investment were two distinct issues. Furthermore the representative of India pointed out that the gap was widening between, on the one side, high technology and services economies and, on the other, such very modest goals as having a telephone within reach in developing countries. To the extent that technologically based services were presenting the most serious challenge for the development of a services economy, as the application of such technologies increased, their implications for the world economy would increase concurrently. It would be a fair statement to say that so far in the exchange of information participants had not had an opportunity to examine any instance of a dispute pertaining to services, either potential or real, which could have been addressed through a multilateral framework, and that a further in-depth discussion was needed.

37. The representative of Switzerland said that services transactions were increasingly linked with the production and trade of goods and this meant that the distinction between goods and services was more and more artificial, not to say useless. Many services were inputs for the production of manufactured goods - for example engineering, or necessary complements in carrying out trade - for instance financing and insurance. As a consequence, liberalization in goods could not be separated from liberalization in services, which were an integral part of international trade. In order to adjust the GATT system to reality and to strengthen it, it was important to consider what kind of rules could be elaborated for services. In his view, it was premature to talk of liberalization insofar as a clear distinction had to be drawn between the negotiation of rules in trade in services and their use towards a progressive liberalization in the area, which should be a careful step by step process as had been the case for goods in the past. It was in the interest of all countries to participate in the elaboration of a general framework of rules. Concerning the start of the negotiations, his opinion was that it was time to launch such an action in order to strengthen the GATT system.

38. The representatives of Yugoslavia and Egypt, supporting the views expressed by the representative of Nigeria, felt that this meeting had not yet come to the stage where action should be considered since more exchange of information was needed. Such an important question should be given ample scrutiny and thorough examination. The representative of India added that all implications should be studied and a better assessment should be done of all issues directly involved before any move toward multilateral action could be contemplated. Although the contracting parties which had submitted national studies represented a large share in world trade, he noted that all national studies came from OECD member countries. Participants, who met to reach mutual confidence building, should be conscious of the danger of transposing OECD approaches. Attention was drawn to the deficiencies of the work in these meetings. A fair statement was to say that the examination of TDF, as well as all other technologically advanced services, such as value

added networks, had not been comprehensive enough regarding their implications for trade in services.

39. The representative of Argentina said that a number of questions were still on the table concerning services. This meeting should go into them much more in depth before being able to take decisions, concerning multilateral action. The first questions which arose were the difficulties in finding definitions which could cover concepts such as trade or transactions in services, their link or absence of link with direct investment, and so on. Another problem which was a serious one for his delegation, was the differences of views among delegations in this meeting or among groups of delegations. For some the interest lay in analysing the sector as a whole, including its repercussions and ties with the economic development policies of individual countries, and the influence which it might have on phenomena such as dependency, and in trying to try to determine what consequences could come from possible liberalization in the field of services for these countries. Other delegations had contented themselves with a strictly trade aspect of the matter, giving too much importance to the trade element of services, without really being able to discuss in a balanced manner all of the other elements. The interests of the developing countries were very different from the interests of the developed countries. The developed countries considered that their service industries had achieved a very high level of development and therefore they should benefit from liberalization in world trade, which could in turn increase competition. In this respect, he quoted the Vice-President of the European Commission who had stated that the European Community represented a "superpower" in the field of services. The developing countries, on the other hand, were becoming aware of the importance of services for their own economies, and of the need for development of their own services sectors. It was really illusory to believe that in submitting these industries to free competition there would really be possibilities for keeping them alive. A more or less reverse situation existed if the European Economic Community or the United States wished to compete with Argentina in the exports of agricultural products without subsidies. If one were to determine a multilateral framework based on certain principles, such as non-discrimination and national treatment, the question was how could a developing country promote a specific sector for reasons of domestic needs. Another important doubt was the link between services on the one hand and investment on the other hand. His delegation did not see how a differentiation could be made between investments involving establishment and other types of investments. Moreover, there were other elements of a more practical nature, such as the enormous statistical difficulties that all the national studies had mentioned as one of the major inconveniences faced by administrations. Nor could it be said that the studies that had been submitted from various countries were really representative of the totality of the contracting parties. For all of these reasons, it appeared that the exchange of information that had been carried out was not sufficient to shed light on all of the main elements which should be known before a country was to take a decision committing it to any type of multilateral action. This meeting had benefited from the presence of certain international organizations and their presentations were most useful for the discussions in this meeting. The representative of Argentina associated himself with the conclusions of the recent meeting on services in SELA read out by the representative of Brazil.

40. The representative of the United States reiterated the view that discussions in these meetings had allowed a fruitful and complete exchange of

information. The representative of the European Community wondered whether much more information was needed since, in the past, many negotiations of major international agreements had started without knowing what the final agreements would be. The representative of Sweden, speaking on behalf of the Nordic countries, emphasized that the present work should be considered in a dynamic, not a static perspective, and thus look upon the process as a step-by-step approach.

41. The representative of Israel said that contracting parties had decided to proceed to an exchange of information, not to a deep investigation on services. Those who had wanted to exchange information had done so, and in fact, this exchange was still continuing. Views on services had been expressed by representatives from three different international organizations who emphasized the importance of services for the economies of developing countries. In addition, the ITU report "The Missing Link" noted in paragraph 23 that "it was for governments to decide whether telecommunications were publicly or privately owned, and whether competition should be admitted. But telecommunications should be run on business lines as a separate, financially self-sustaining enterprise." One of the conclusions which could be drawn for possible services negotiations in GATT was that one item to consider should be: in which services should competition be introduced. Another issue would be the place that governments would give to FDI in the context of trade in services. In any case, it was in the interest of developing countries to participate in any negotiation ab initio. Reference was also made to a number of issues, such as commercial presence, national treatment and monopolies, which should be dealt with as soon as GATT, considered as the appropriate forum, would step in the negotiations.

42. The representative of India emphasized that deeper analytical work was needed. With respect to the citation made by the representative of Israel, he pointed out that the report of the Independent Commission for Worldwide Telecommunications Development should not be confused with the work of the ITU itself and that, in addition, the representative of ITU had not gone into many aspects of the work of the ITU but limited the scope of his intervention to "The Missing Link". He felt that the quotation of the Vice-President of the Commission of the European Community referred to by Argentina illustrated the fact that participants should not forget the high concentration of supplies in telecommunication equipment and telematics, as well as the rapid development of technologically intensive services mostly in developed countries. One of the main purposes of future meetings should be a further in-depth assessment of the implications of these developments to the economies of developing countries, and the search of areas for further mutual co-operation and confidence building.

43. The representative of the European Community said that a selective quotation from the statement by the Vice-President of the Commission could give an imbalanced view of its whole content. For the record, he quoted another passage to the effect that the benefits for the Community from liberalization of trade derived from its ability to import those goods and services better produced elsewhere and that increased services exports would also be reflected in a better supply of high-quality services for EC consumers and more efficient service imports for EC manufacturers. He emphasized that the European Community was a superpower in services in both

exports and imports, and that the benefits from liberalization of trade in services should not be seen in a mercantilist sense. He reiterated the view that the meetings had identified problems that an agreement on services would need to address. Such an agreement should address all issues identified which were thought sufficiently important and a solution to them should be elaborated in the interest of all GATT contracting parties. His view was that a failure to start negotiations on services would represent a major setback for economic co-operation. The representative of Japan expressed the hope that the exchange of information could accompany the exercise of negotiations without losing sight of objectives such as transparency, consultation and dispute settlement, and the legitimate needs of countries.

44. The representative of Chile said that his country, which was not afraid of foreign direct investment, had implemented one of the most liberal legislations in the world in this particular area. Like some other participants in these meetings, his delegation felt that this forum should not be overburdened with information and explanations but should deal at one point in time with negotiations. All the arguments presented against the multilateralization of services convinced Chile that they should be multilateralized. Principles which had given good results for the exchange of goods should be also favourable for the exchange of services. Time should be devoted to specific issues deriving from multilateralism rather than going into statistical or scientific exercises which would overlap with work in other bodies. On the basis of the available information, a number of principles could be set which would be encompassed in any negotiation on services, for example the MFN principle, exceptions, special and differential treatment to developing countries, and in this context it would be important that discussions take place in GATT. Some legal formulas should be defined to relate trade in goods with trade in services. Referring to the statement of the representative of Brazil with respect to the SELA conclusions and recommendations, he said they were sufficiently broad as to make it possible for each Latin-American country to take up whatever position it wished to choose concerning the action to be taken in services.

45. The representative of Brazil referred to the SELA conclusions and recommendations to single out the fact that it was necessary to extend knowledge about the dynamics of services at national, regional and international levels, to see whether or not it would be appropriate to engage in multilateral action. He felt that developed countries were pressing developing countries to embark on negotiations on a theme on which the latter were not knowledgeable, and whose implications and ramifications were still obscure. It was only in the light of the thorough assessment still to be done that developing countries could formulate a decision and adopt a responsible attitude. They always had a constructive position in this exchange of information and would continue to do so in the future. At the next meeting, the most appropriate attitude would be to carry on with work according to the programme established in the past meetings. The representative of Argentina, supporting the views expressed by the representative of Brazil, commented that the SELA conclusions and recommendations, which mentioned, inter alia, the fact that the adoption of policies in regard to services was an essential part of the development strategies of the countries in the region, did not tie the hands of the respective countries to the extent that it gave a clear indication that knowledge needed to be expanded regarding services before deciding whether a

multilateral action was advisable. With respect to the comment by the representative of Chile that the objective of these discussions was to lead to negotiations, he noted that GATT was surely a negotiating body but that contracting parties had first to exchange information. Since no decisions in favour of negotiations had been taken, he wondered how contracting parties could now establish principles which would govern negotiations in services. This meeting could only discuss possible principles which might one day lead to a multilateral framework. Merely exchanging views on these items did not mean laying down principles for negotiations. The representatives of Egypt and India agreed with these points.

46. The representative of Chile, while recognizing that contracting parties needed to be more knowledgeable about services, said that the research need not be done here since each participant had to work on these issues on a national and regional basis. He noted that the representative of Argentina had referred to the fact that this meeting could discuss principles which might possibly be applied in a future negotiation.

47. The Chairman said that the next meeting was planned on 27 and 30 June. On the morning of 27 June, the discussion on issues raised in connection with possible multilateral action on services would continue. Thereafter, delegations would be invited to conduct a stock-taking of the work carried out so far under the Decision of the CONTRACTING PARTIES at their 41st Session (L/5924). The Chairman would also present on 27 June some ideas on the follow-up of the work carried out, on which he would invite discussion on 30 June. It was so agreed.