

**PREPARATORY COMMITTEE
FOR THE
WORLD TRADE ORGANIZATION**

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SUB-COMMITTEE ON SERVICES

REPORT OF THE MEETING HELD ON 19 MAY 1994

Note by the Secretariat

1. The Sub-Committee on Services held its first meeting on 19 May 1994 under the chairmanship of Ambassador Christer Manhusen of Sweden. The agenda for the meeting is contained in document PC/AIR/3. The purpose of the meeting was to consider organizational matters relating to the activities of the Sub-Committee.

2. The Chairman recalled that the Sub-Committee was established by the Ministerial Decision establishing the Preparatory Committee for the WTO with the responsibility for preparatory work on GATS matters.

Membership and participation of observers

3. With respect to the membership of the Sub-Committee the Chairman stated that it will follow the same rules as the Preparatory Committee, namely, that it will be open to all signatories of the Final Act of the Uruguay Round, and to any contracting party eligible to become an original member of the WTO in accordance with Article XI of the WTO Agreement. With respect to observers in the Sub-Committee, the Chairman suggested that the United Nations, the International Monetary Fund, the World Bank and UNCTAD, as well as those governments which had been associated with the work of the Trade Negotiations Committee of the Uruguay Round, would be invited to attend formal meetings of the Sub-Committee as observers. He also suggested that any further requests for observership should be addressed on a case by case basis.

4. The Sub-Committee so agreed.

5. With respect to observers in the Negotiating Groups, he suggested the following:

(a) In the case of the negotiating group on Movement of Natural Persons, participation would be open to all Members of the Sub-Committee. Any requests for observership would be addressed on a case by case basis.

(b) In the case of the Negotiating Group on Basic Telecommunications as well as the Negotiating Group on Maritime Transport Services observership should be open, upon request, to countries which have not notified their intention to participate in the negotiations. Such requests should be transmitted to the Secretariat. Observers would be invited to attend formal meetings of these two negotiating groups and would receive all documents produced by the Secretariat. Requests for observership from International Organizations would be considered on a case by case basis.

6. The majority of delegations supported the Chairman's proposal. They were of the view that allowing countries to participate in those meetings as observers, by ensuring transparency, would eventually lead to wider participation in the negotiations themselves. Also, the participation of observers would not be of any hindrance to the work of the Negotiating Groups since observers would not

participate in decisions and would be allowed to speak only upon invitation from the Chairman at the end of a discussion. One speaker, on behalf of a group of countries, however, expressed the view that meetings should be confined to those countries which announced their intention to participate; the Decision on Negotiations on Maritime Transport Services and the Decision on Negotiations on Basic Telecommunications require countries wishing to participate in the negotiations to notify their intention to the Secretariat. Transparency would in any case be achieved through the supervisory rôle of the Sub-Committee. It was therefore suggested that invitations to future meetings of these Negotiating Groups should be addressed only to those countries which had notified their intention to participate in the negotiations.

7. The Chairman concluded that, while in the case of the Negotiating Group on the Movement of Natural Persons there was no disagreement with his suggestion, in the case of the other two negotiating groups further informal consultations would be necessary on the issue of observers.

Election of Chairman for the negotiating groups

8. The Chairman gave a progress report on his consultations concerning the election of chairmen for the three Negotiating Groups. He indicated that, although progress had been made, there was still a need for further consultations. He expected that prior to the next meetings of the Negotiating Groups he would be in a position to make concrete proposals. One delegation proposed that, since Movement of Natural Persons is a cross cutting issue, the Negotiating Group should be chaired by the Chairman of the Sub-Committee himself. The Chairman took note of the proposal.

Functions of the Sub-Committee

9. The Chairman drew the Sub-Committee's attention to the Note prepared by the Secretariat (PC/SCS/W/1) dated 11 May 1994 as a basis for the discussion of this item. He indicated that the main purpose of the discussion was to have a better common appreciation of the workload and priorities of the Sub-Committee with a view to arriving at a work programme and a calendar of meetings for the remainder of 1994. The discussion then proceeded on the items contained in the Note as follows:

(a) Oversight of on-going negotiations

10. The Chairman recalled that the Ministerial Decisions establishing the Negotiating Groups on Maritime Transport, Movement of Natural Persons and Basic Telecommunications call upon the respective Negotiating Groups to report periodically on the progress of negotiations. He also recalled that paragraph 8(c)(ii) of the Ministerial Decision establishing the Preparatory Committee for the WTO refers to "overseeing negotiations in specific services sectors" as one of the functions of the Sub-Committee on Services. In the case of Financial Services, the Chairman indicated that the situation is different in the sense that there is no Negotiating Group established. The relevant Ministerial Decision, however, calls upon the Committee on Trade and Financial Services to monitor the progress of any negotiations undertaken under the terms of that Decision and to report to the Council for Trade in Services no later than four months after the entry into force of the WTO Agreement. Therefore, the Chairman suggested, prior to the entry into force of the Agreement, the Sub-Committee on Services might provide the forum for any multilateral discussions that may be necessary on financial services.

11. Delegations in general agreed with what the Chairman said concerning the rôle of the Sub-Committee in overseeing on-going negotiations. Some delegations emphasised that they attach great importance to negotiations on financial services and believed it would be desirable to establish a separate Negotiating Group on financial services. Other delegations took the view that there was no current need for a negotiating group and that the Sub-Committee would be, at least for the time being, the appropriate forum for any multilateral discussions on financial services.

12. The Chairman indicated that he would be consulting further on the matter of whether, and when, a Negotiating Group on financial services could be established. He concluded that, until such decision is made, the Sub-Committee will be the forum for any multilateral discussions on financial services, which would appear as an item on the agenda of the next meeting of the Sub-Committee.

(b) Issues relating to the scope of the GATS

13. The Chairman recalled that discussions on issues relating to the scope of the GATS took place during the final stages of the Uruguay Round negotiations and due to the lack of time then, no specific conclusions were reached on a number of questions. Therefore, the Chairman of the GNS issued a statement dated 14 December 1993 (MTN.GNS/W/260) which provided participants with an additional period up to 15 December 1994 to consult on such matters. The Sub-Committee on Services would be the appropriate forum for such discussions and would finally report on them to the Council for Trade in Services. He suggested that discussions be resumed on the basis of the Note prepared by the Secretariat dated 4 November 1993 (MTN.GNS/W/177/Rev.1). He also drew the Sub-Committee's attention to the addendum to that document (MTN.GNS/W/177/Add.1) which registers an agreement by participants that the provisions of Article II (Most-Favoured-Nation Treatment) do not apply to measures relating to judicial and administrative assistance.

14. Delegations agreed that this item is a priority for the Sub-Committee particularly in the light of the deadline referred to by the Chairman. There were suggestions that the Chairman might start a process of informal discussions in the very near future.

15. The Chairman said that he would start informal discussions on the issues relating to the scope of the GATS and report on them to the Sub-Committee.

(c) Guidelines for notifications

16. The Chairman indicated that the Note by the Secretariat refers to a list of GATS Articles containing notification requirements Article V(bis) should be added to this list. He said that it is understood that upon the entry into force of the GATS, Members will have different notification obligations depending on their individual situations. For example, notifications under Article XII (Restrictions to Safeguard the Balance of Payments) will be required only from those Members which invoke that Article and maintain such restrictions. Therefore, not all Members will be subject to all notification requirements upon the entry into force of the agreement. Nonetheless, he added, in order to ensure consistency in presentation and content of all notifications under each of the provisions, guidelines need to be established. He suggested that work on this item could start on the basis of draft guidelines to be prepared by the Secretariat.

17. The Sub-Committee so agreed.

(d) Future negotiations

18. The Chairman drew the Sub-Committee's attention to the list of GATS provisions referred to in page 3 of the Secretariat paper. He suggested that there may be a need to clarify the time frame for negotiations on certain subjects since not all of those provisions are clear in that respect. He also suggested that there may be a need to establish an order of priority among different items and to assess the need for the establishment of subsidiary bodies for certain areas of negotiations. Delegations, while recognizing the importance of such future negotiations, were of the view that the work of the Sub-Committee on this item should be confined to the preparation of the procedural aspects of such future negotiations. They were also of the view that this item should not have the same degree of priority

as the ones that preceded it. The Chairman therefore suggested that at this stage it would not be necessary to request background papers from the Secretariat.

(e) The working party on professional services

19. The Chairman suggested that, on this item, the efforts of the Sub-Committee should be directed to the preparation of modalities and rules of procedures for the Working Party on Professional Services.

20. A number of delegations emphasised the importance of the future work of the Working Party as a part of the work programme envisaged under paragraph 4 Article VI of the GATS. They also recalled that the Ministerial Decision on Professional Services identified accountancy as the area of priority among professional services. However, most of them agreed with the Chairman that the work of the Sub-Committee in this area should be confined to the preparation of modalities and rules of procedures for the Working Party. It was suggested that the Secretariat might start establishing contacts with the relevant specialized international bodies in preparation for an efficient start by the Working Group upon the entry into force of the Agreement.

(f) Terms of reference for the Council and Subsidiary Bodies, and examination of schedules

21. The Chairman recalled that the Sub-Committee on Services does not have the mandate to make final decisions in relation to those two items. However, he added, the Sub-Committee may very well be called upon to address issues relating to terms of reference and rules of procedure for the Council for Trade in Services as well as make proposals concerning such matters in relation to the subsidiary bodies. He drew the Sub-Committee's attention to the Ministerial Decision on Institutional Arrangements for the General Agreement on Trade in Services, which addresses in specific terms the responsibilities of subsidiary bodies and sectoral committees. He added that it is also expected that the verification of the technical aspects of new schedules of specific commitments would more appropriately take place in the Sub-Committee while the final decisions concerning acceptance or accession will be made in the Preparatory Committee. The Chairman also indicated that, in this process, he would be consulting with the Chairman of the Preparatory Committee.

22. The Sub-Committee so agreed.

Work programme and calendar of meetings

23. The Chairman suggested that the Sub-Committee would address, as a matter of priority, issues relating to the scope of the GATS. He proposed to start conducting informal discussions on those issues and report back to the Sub-Committee. In the second order of priority, he suggested that the Secretariat would prepare draft guidelines for notifications which will be the basis for future discussions in the Sub-Committee. With respect to the Working Party on Professional Services, he suggested that the Secretariat should start its contacts with the relevant specialized international bodies in the area of accountancy and prepare the ground work for the Working Party so as to ensure an efficient start upon the entry into force of the Agreement.

24. On future meetings, the Chairman suggested that the next meeting of the Sub-Committee would be held on 12 July 1994. He also suggested that the Sub-Committee might hold three formal meetings during the period September-December 1994: dates would be decided at a later stage.

24. The Sub-Committee so agreed.