

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

MTN.GNS/44

28 August 1991

Special Distribution

Group of Negotiations on Services

NOTE ON THE MEETING OF 10-25 JULY 1991

1. The Chairman welcomed delegations to the fortieth meeting of the Group of Negotiations on Services (GNS) and drew their attention to the agenda for the meeting which was to be found in GATT/AIR/3209 of 4 July 1991.
2. He recalled that for the first and second agenda items - financial services and telecommunications services - the concept of co-chairmanship had been agreed.
3. Moving to the first item on the agenda, financial services, the Chairman noted that the following documents were relevant: MTN.GNS/W/71 submitted by Mexico, MTN.TNC/W/50 and MTN.TNC/W/50 Add.1 submitted by four countries (Canada, Japan, Sweden and Switzerland), MTN.TNC/W/52 submitted by Malaysia (on behalf of the countries participating in the Association of South East Asian Central Bankers) and MTN.TNC/W/68 submitted by Colombia. The Chairman, noting that the representative of Mexico had indicated that his document was previously introduced, invited the other countries concerned to introduce their documents. The representatives of Switzerland, Sweden, Malaysia and Colombia responded with brief descriptions of their submissions.
4. The Chairman then called for general comments on the documents.
5. Representatives reconfirmed their agreement on the need for an annex which should address certain specific characteristics of the sector. Statements were also directed at explaining the differences of views regarding the content and role of an annex. The representative of Brazil said that differences arose regarding the extent to which an annex could depart from the rules of the framework. The problem was less of substance than of procedure and criteria. If participants were to use the framework and general rules as a basis to determine what specific annex provisions were needed, discussions should take fully into account elements already addressed in the framework and then concentrate on those points necessary for the financial services sector.
6. The representative of Egypt said that his delegation favoured the concept of progressive liberalization as it had evolved in the framework negotiations. Moreover, since more than 90 percent of trade in the financial services sector was accounted for by developed countries, the increasing participation of developing countries was particularly relevant. The representative of India said that some of the peculiarities said to be unique to financial services were not in fact so and noted that several of

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UR-91-0110

the ideas raised in the financial services group had now been incorporated into the framework. The representative of Korea said that most participants agreed that competition could promote an efficient shift to a market economy, often at the cost of less efficient players. However, banking and financial institutions could not easily be allowed to go bankrupt, given the government's responsibility to depositors and the heavy costs which bank failure could incur. Thus, stability of the financial system was important.

7. The representative of Australia said that the texts under consideration provided the necessary raw material for arriving at a financial services annex. They also contained some valuable suggestions for improving the framework text, particularly regarding Article VI. The representative of Canada agreed that some aspects of the financial services texts could be reflected in the framework.

8. The representative of Yugoslavia said an annex should be trade neutral, addressing the specificities of financial services. The elaboration of some of the framework provisions such as transparency was helpful as was the work on prudential regulation.

9. The Chairman invited the delegations to address issues related to the two-track approach.

10. The representatives of Egypt, India and Yugoslavia said that a high level of liberalization could be achieved for any sector through framework rules and did not see the need for different rules, with the same aim, applying specifically to financial services. The representative of India said that it was unclear why an alternative approach to that in the framework should be adopted. It would be difficult to bring all participants on board if provisions on liberalization were included in the annex. Furthermore, no persuasive arguments had been offered regarding the desirability of annexes that were not trade neutral. The representative of Malaysia said that the framework had a great deal of flexibility and did not in any way limit the ability of countries to make commitments. The two-track approach was therefore not necessary.

11. Several delegations argued in favour of the liberalization approach contained in MTN.TNC/W/50 and MTN.TNC/W/50/Add.1. The representative of Sweden, on behalf of the Nordic countries, said that the most important advantage of this liberalization approach was that it would afford great clarity to commitments made by countries under the annex. The representative of Australia said the negative list approach facilitated the task of scheduling commitments from an administrative point of view. The representative of Canada said that the two-track approach allowed substantial liberalization to take place where it was possible while offering sufficient flexibility for progressive liberalization to be undertaken where necessary. Countries would not be judged on which track they made commitments, but on the actual offers implied by their commitments. The representative of the European Communities said that the commitments on market access and national treatment were clear obligations that would facilitate uniform interpretation and comparability of offers.

12. The representative of Australia said that his delegation supported the notion, as clarified in the addendum to MTN.TNC/W/50, that m.f.n. should be applied to all commitments made, whether under the framework or the annex. The representative of Japan noted that references to positive- and negative-list approaches were misleading because under the framework a hybrid approach had been adopted whereby a positive-list applied with respect to the listing of sectors while a negative-list applied with regard to inscribing limitations on national treatment and market access.

13. The representative of the European Communities said that the two-track approach constituted one possible compromise solution to the treatment of financial services since it left open the possibility for countries to choose the form of liberalization they wished to take. The European Community fully supported the inclusion of financial services in the services agreement. The willingness of a number of participants to liberalise in their schedules according to specific procedures and clearly determined rules could be fulfilled under the framework. Further consultations were needed on whether to include provisions of an obligatory and permanent nature in an annex which could guide the liberalization of financial services.

14. The representative of the United States said that whether a party made its commitments according to the annex or the framework approach, there was little difference in the method in which restrictions would be listed. The main difference was that the annex approach was based on different terminology. Countries opposing the annex approach should state clearly the options to their problems regarding terminology. Regarding the idea that an annex should be trade neutral, the basic question was whether a formula approach was permissible. In his view, the fear that annex procedures would constitute a license for resort to conditional m.f.n. was unfounded.

15. Responding to the representative of the United States, the representative of India said that MTN.TNC/W/50 and MTN.TNC/W/50/Add.1 defined certain terms in a way that went beyond the framework text. The definitions of market access and national treatment, for example, were more onerous than those in the framework. The representative of Chile said that although MTN.TNC/W/50/Add.1 clarified many doubts, his delegation had serious reservations about aspects of the annex, including some of the definitions. The representative of Malaysia said that Part III of MTN.TNC/W/50 and MTN.TNC/W/50/Add.1 went beyond what was contained in the framework and was less flexible. Some form of discrimination between countries would result.

16. The representative of Brazil said that although the arguments for and against the two-track approach had some merit, they did not lead to overcoming the impasse. One way to proceed was to put the framework on the table as the main text and apply a "necessity test" for financial services to check to what extent these concerns and objectives could adequately be dealt with in the framework provisions. The issues that needed to be included in the annex could then be selected, taking into consideration the valuable contributions of the proposals in MTN.TNC/W/50, MTN.TNC/W/50/Add.1 and MTN.TNC/W/52.

17. The representative of Mexico said that since the countries seeking a greater degree of liberalization in financial services were not seeking to apply this approach elsewhere, the proposal should not pose a problem. Moreover, it was clear that any country or group of countries could take the approach best suited to their own interests and circumstances; therefore, as the two-track approach allowed for options, there was no reason to oppose it.

18. The Chairman invited comments regarding concerns for prudential regulation in the financial services sector.

19. The representative of the United States said that the MTN.TNC/W/50 and MTN.TNC/W/50/Add.1 related prudential regulations to Article XIV of the framework on exceptions but MTN.TNC/W/52 contained a complete carve-out that omitted the possibility of resort to dispute settlement. The basic question was whether or not to give central banks a blank check; if this were the case there would be no reason to have a financial services annex because any binding commitment could be undermined by actions a country deemed prudential. The issue was not whether there should be a strong or a weak prudential carve-out, but whether a country should be free to take any prudential measures necessary so long as the measures were not arbitrary, unjustifiable, or discriminatory between domestic and foreign financial service providers. In his view, linking the prudential carve out with Article VI of the framework on domestic regulation did not result in a weak carve-out but in a balance between keeping markets open to foreigners on fair terms and ensuring adequate leeway to take necessary prudential action. The representative of Japan added that a prudential carve-out should not be used as a way to restrict trade.

20. The representative of Singapore said that prudential regulation could not be associated with the exceptions provision of the framework because prudential actions could only be taken in certain circumstances. Also, notification would be required for every prudential action taken. Regarding the use of the words "arbitrary" and "reasonable" as tests for supervisors, some safeguards might be desirable. However, these terms were not the most appropriate, given the difficulty in deciding whether an action was reasonable or arbitrary.

21. The representative of Mexico said supervisors had to ensure the solvency and security of the financial system and the safety of the depositor. Although supervisors should be given the benefit of the doubt that they would act responsibly, they could not be given "carte blanche". The solution should be balanced and accommodate the requirements of both discretion and autonomy. The representative of Singapore said that it was necessary to correct the misimpression that if supervisors were given unlimited powers they would be given "carte blanche"; supervisors already had this, so one would not be giving away anything.

22. The Chairman introduced the topic of institutional provisions. The Co-chairman said that the first item under this matter concerned cross-sectoral retaliation. He noted that in MTN.TNC/W/52 there was a clear statement that no cross-sectoral retaliation should take place whereas in

MTN.TNC/W/50 and MTN.TNC/W/50/Add.1 brackets on parts of this provision indicated possibilities for allowing some cross-sectoral retaliation to occur.

23. The representative of Canada said that one of the issues was how to deal with a situation where there might be no way of retaliating in the sector concerned either because of the nature of trade or because of the absence of the trade concerned in the "offending" country. The representative of the European Communities said that it appeared that the financial sector was particularly sensitive and that there was an overriding interest in preserving the confidence and stability of markets. There was also some fear that conflicts arising in other areas of negotiation would spill-over into financial services. In his view, the main question was whether linkage across sectors could undermine the stability of the financial sector, given the need to have a credible dispute settlement mechanism. Cross-sectoral retaliation should not be completely impossible but should only be permitted under specific conditions which should be discussed and agreed.

24. The representative of Japan said that this needed to be addressed in the context of the discussion of the dispute settlement system within GATT and GATS where there was talk of co-procedure as well as discussion of a "common" approach. He wondered what the legal feasibility was of cross-retaliation within the services sector and retaliation beyond the services sector and noted that the purpose of retaliation was to redress the balance of concessions and commitments and to exact a penalty.

25. The representative of Yugoslavia, while agreeing that the financial sector was sensitive, said that there was not yet a clear understanding about dispute settlement and retaliation in the context of the framework discussion. In his view, there should be no retaliation outside of the sector or sub-sector involved and there should be no retaliation between goods and services. The representative of India said that retaliation was being discussed in a larger perspective in the framework agreement as was the question of acquired rights. While recognizing the sensitivities of the financial sector, the issues needed to be discussed further in the framework context before a conclusion could be reached for financial services.

26. The Chairman then opened the floor to the discussion of the second aspect under institutional matters, which concerned the proposal to establish a financial services body.

27. Regarding the role of experts in membership of a financial services body, the representative of Malaysia said the membership of any such body should consist of people involved in the day-to-day supervision and regulation of the business. The representative of Chile said that each country was entirely sovereign and competent to designate its representatives to an international body of this kind; in the text it was not possible to tell governments who should be appointed. The representative of Canada said that for coherence and credibility any body established should be part of the entire services agreement. Since it had to be credible to the

industry, governments would want to send the most appropriate representatives. The representative of India said that while no participants doubted the importance of technical experts, how their expertise would be used was still under debate. The representative of Hungary said that the relevant part of the MTN.TNC/W/50 and MTN.TNC/W/50/Add.1 were too rigid in prescribing the membership of the financial services body.

28. The representative of the European Communities said that any financial issues should be handled with the appropriate expertise. This agreement should enjoy the confidence of the regulatory and supervisory authorities in each country, hence it was essential that they would be fully involved. His delegation would favour the creation of a financial services body within the GATS framework. There would be a role for the body to play in dispute settlement and in other areas relating to the day to day management of the agreement. It should be in principle up to each delegation to appoint the members of such a body. The representative of Yugoslavia noted the reference to subsidiary bodies in Article XXV:3 of the framework and said that while there was probably a need for such a body, the decision should be left to the Council. In this regard, the Co-chairman noted that it might be useful for financial experts to know more about what was perceived to be the function of these bodies.

29. Following the discussion, the Chairman proposed, and participants agreed, to proceed with respect to future work in the following manner. First, the Chairman and Co-chairman would carry out consultations with delegations, including both trade and finance officials, on the basis of the views expressed and the written considerations received from participants to date or in the future. Second, the results of these consultations would be reported back to the next meeting of the GNS in September 1991. Third, based on the consultations and in collaboration with the secretariat, an attempt would be made to put together an informal note which may help move the process forward, e.g. by identifying questions which might need to be addressed.

30. The representative of Yugoslavia urged the Chairman to ensure the fullest possible participation of interested delegations in the process and the fullest possible transparency.

31. The Chairman moved to item 2.2 on the agenda, concerning the telecommunications services annex on access and use as contained in MTN.TNC/W/35/Rev.1. The Co-chairman noted that with respect to the annex on access to and use of public telecommunication transport networks and services, a number of issues were outstanding including scope, intra-corporate communications, movement of information and pricing. He opened the floor first to a discussion on the scope of the annex.

32. The representatives of Japan and Malaysia expressed concern about the scope of the annex. The representative of Japan said that since some operators in Japan were fully liberalized, coverage of these operators by the annex would be difficult. The representative of Malaysia had the

concern that a government should not be held responsible for the activities of private entities.

33. The representatives of the European Communities and Sweden, on behalf of the Nordic countries, noted that under the annex provision on scope, a result was sought that would apply to all entities, both publicly or privately owned. If a party whose operators were privately owned had laws regarding competition, it should not have any problem undertaking obligations. The representative of Sweden, on behalf of the Nordic countries, stressed that the agreement should bind all entities in order to avoid different benefits accruing to parties depending on whether the operator in question was publicly or privately owned. Regarding competition laws, the representative of the United States remarked that there could be a high degree of technical second guessing, that there were differences in the standards applied in such laws in various countries, and that it was not possible to enforce an obligation by a party with respect to competition laws.

34. With respect to intra-corporate communication, the representative of the European Communities noted that the issue related to two problems: (a) whether one should ensure that companies were reasonably free to communicate in the most efficient way among subsidiaries; and (b) where the line should be drawn. For example, banks might need to communicate with branches or employ a common computer system. However, it was unclear whether the goal was for the annex to cover normal operations of a company or to cover every possible type of linkage.

35. Regarding movement of information, the Co-chairman noted that differences of view had centred on two issues: (a) the ability to move information; and (b) a requirement for prior consultation regarding changes in regulations on the movement of information.

36. The representative of Singapore said that if the sentence in the annex on prior consultation meant that a party would have to submit proposed changes to other parties, the right of a party to make its own laws would be directly affected. The representative of Sweden said that the concept in paragraph 14 of the annex was horizontal in nature and should be placed in the framework. The representative of the United States agreed that it might be possible to place it in the framework and added that nullification or impairment of commitments could result if some of the activities mentioned in paragraph 14 were restricted; therefore, allowing such activities might be necessary in any event. The representative of Malaysia said that paragraph 14 was related to the cross-border mode of supply.

37. The representative of the European Communities said that there should be a sufficiently free two-way flow of information for benefits not to be nullified. While the issue of nullification and impairment might not be unique to telecommunications, it was important enough to the sector that if such a provision were not included in the framework it would be needed in the annex.

38. Regarding the issue of pricing, addressed in paragraph 13 of the text, the representative of Chile suggested deleting the brackets around the provision while retaining the word "endeavour to". The representative of the European Communities said that social elements did have a role and were legitimate. "Cost-oriented" meant that prices were based on objective criteria and were fair to all, while aiming at a reasonable return on investment through which modernization could take place. It also took into account that prices could differ from country to country and that cross subsidies could be involved when based on reasonable needs. The representative of the United States said that the idea of cost-oriented pricing was essentially aimed at avoiding nullification and impairment.

39. The representative of India said that paragraph 18 of the text, which addressed development considerations, had already been watered down from what had been in the proposals contained in MTN.GNS/TEL/1 and MTN.GNS/TEL/2. He felt that the intention of the specific language contained in these proposals had been incorporated in the text of this paragraph. The representative of Egypt noted that paragraph 18 still retained the word "reasonable". As the negotiations proceeded it would be necessary to explore what participants considered to be reasonable. The representative of the European Communities said that a general approach to "reasonableness" was difficult because what might be appropriate in the schedule of one country might not be appropriate in the schedule of another country.

40. Offering general comments, the representative of the European Communities said that there was an important balance between paragraphs 11 and 12, concerning the access and use to be accorded to service providers, and between paragraphs 16 and 17, concerning the conditions that regulators may establish whenever necessary. The representative of the United States said that given balance considerations and the text of paragraph 11, national treatment would not be enough. Some providers simply would not be entitled to certain basic services which they needed in order to effectively provide their services. The annex should go back to some of the terms originally proposed by the United States.

41. The representatives of the European Communities and Japan agreed that the elements of paragraphs 11 and 12 and paragraphs 16 and 17 were drafted on the basis of very careful consideration. The representative of the European Communities noted that there would be a problem if as a result of a commitment, a country was required to allow a foreign service provider access that was not allowed to a domestic company. If there were no agreement on an annex, telecommunications access would have to be negotiated bilaterally for every single sectoral and sub-sectoral concession. There had been a consensus for some time that generally agreed principles on access were needed. A case by case approach to access would cause the negotiations to take a lot longer to complete. The representative of India agreed that the current balance of the annex was important. The representative of Yugoslavia noted that an important aspect of the balance of the annex was contained in paragraphs 16 and 17 as currently drafted. The representative of the United States said that his delegation had long contended that paragraphs 11, 16 and 17 were unacceptable since they seemed

to contain an inherent right to regulate. If the annex were not to provide for more than national treatment, an annex might not be needed at all.

42. Following the discussion, the Chairman proposed, and participants agreed, to proceed with respect to future work in the following manner. First, the Chairman and Co-chairman would carry out consultations with delegations on outstanding issues in the draft telecommunications annex on access and use. Second, the results of these consultations would be reported back to the next meeting of the GNS in September 1991. Third, based on the consultations and in collaboration with the secretariat, an attempt would be made to put together an informal note which may help move the process forward, e.g. by identifying questions which might need to be addressed.

43. The Chairman moved on to agenda item 2.3 covering Parts I to IV of the framework and dispute settlement. After the introduction by the secretariat representative of its informal paper on dispute settlement, he opened the floor for comments. The representative of the European Communities said that given the other work before the Group for the present meeting, discussions on dispute settlement might need to be postponed until later.

44. In accordance with the Chairman's proposed programme of work for the meeting, informal consultations were held by him and the Ambassador of Australia on various elements of Parts I to IV of the framework. The Chairman asked the Ambassador of Australia to report on progress made during his informal consultations on scheduling. The Australian ambassador noted that the informal document dated 25 July had been made available to the Group. It contained redrafts of Articles XVI and XVII and a commentary on the status of work on market access, national treatment and the implications for scheduling.

45. It was clear to participants that the question of what needed to be scheduled arose only when a country undertook a specific commitment in a sector or sub-sector. When a sector or sub-sector was listed in a national schedule, the absence of any reference to limitations and conditions on market access and conditions and qualifications on national treatment meant the following: that foreign services or service providers could enter the market and be treated on terms no less favourable than existed for national services or service providers within the scope of the existing national regulatory framework. However, if a country chose to place limitations on the extent of its market access and national treatment commitments then these limitations would have to be clearly indicated in its national schedule. Regarding this aspect of scheduling, work in his consultations had proceeded on the assumption that the identification of what measures should be scheduled would be facilitated by having a clearer idea of what the market access and national treatment provisions covered. In his view, participants broadly agreed that if a country placed limitations on the extent of its market access and national treatment commitment, the following types of measures would have to be scheduled in a top-down manner: quantitative restrictions of both a discriminatory and non-discriminatory kind which were specified in Article XVI:3, and discriminatory measures of

a formal and also a de facto kind which were covered by Article XVII, paragraphs 1 and 2.

46. What was less clear was how qualitative measures of a non-discriminatory character should be treated, in particular, those relating to qualifications, standards and licensing requirements which are now specified in Article XVI:4. Assuming that there would be an adequate Article XVII:2 provision, such measures which had a discriminatory affect would be captured, which in turn would probably reduce the coverage of Article XVI:4 to a residual of non-discriminatory measures mainly relating to the standards issue. He said that some participants had suggested that this might be more appropriately dealt with under Article VI, perhaps linked to a standards-related work programme. Considerable thought needed to be given by participants as to how they wished to proceed on this issue. It was necessary to look more closely at Article VI but only after completing the work on the provisions on market access and national treatment. He said he had tried to present "clean" texts as bracketed texts indicating competing formulations would not be helpful. However, it was clear that these were in no way final or agreed versions and that all parts of both texts were still open to discussion. He had commented on the issues that he considered to be significant, in the form of notes to draft provisions. Since the GNS was envisaging an agreement which would entail commitments, it was necessary to have the clearest possible understanding of what provisions meant.

47. The representative of Chile considered that the report by the Ambassador or Australia did not fully take into account the view of his delegation concerning the importance of a "bottoms-up" scheduling approach for all measures that should be scheduled.

48. Still under agenda item 2.3, the Chairman reported to the GNS on the progress that had been made in informal consultations on substantive guidelines for negotiations. He said that his consultations had been useful, although he was not yet in a position to come forward with an agreed text. Nevertheless, the progress which had been made had been recorded in some changes made to Article XVIII, a new draft of which had been distributed.

49. Regarding the discussions on m.f.n. he said that it appeared that the two informal notes that he had put forward provided some structure to the debate and clarification of the problem of why some participants might seek an exemption from the m.f.n. provision, how to deal with exemptions in a legal sense and how to minimize their impact on trade. He had posed the question as to whether there was some way to carry the process forward of settling outstanding matters on m.f.n. between now and the next meeting of the GNS. This could be done, for example, through submissions by participants, further work by the secretariat on the basis of the two notes which he had presented or any other means. No specific suggestions in this respect seemed to be accepted by all participants. He proposed therefore that those participants, who had indicated that more information was necessary in order to have a better idea of how to proceed, should submit to the secretariat on a confidential basis, information relating to those

measures for which they might request an exemption from the m.f.n. provision. In the discussions many ideas had been expressed with respect to the motivations behind the request for various exemptions, the means of providing for exemptions of existing measures, (for example through grandfathering or multilaterally agreed exemptions), the time bound nature of exemptions, the need for a review mechanism, ways to discipline the use of exemptions, etc. In developing solutions to these questions, the information relating to participants' intentions would help to provide a clearer understanding of how to proceed.

50. In order to provide some common structure to the information provided, he suggested that each interested country indicated the following in its response: (i) in which sector an exemption might be sought (e.g. audio-visual sector, maritime transport sector); (ii) the activity within that sector for which the measure for which an exemption was being sought was relevant (e.g. film production, liner transport); (iii) the measure itself for which the exemption was sought (e.g. law that promotes co-production agreements, regulation stipulating cargo-sharing for liner shipping); (iv) whether or not the m.f.n. inconsistent measure would be applied with respect to some existing international agreement or with respect to existing domestic legislation; (v) whether the measure was already in existence or whether it would/might be applied in the future; (vi) the time-frame within which the application of the measure was envisaged (i.e. information with respect to the intention to phase-out the existing measure). This information should be forwarded to the secretariat by 20 September 1991. He stressed that the source of this information would be strictly confidential and at this stage for use only by himself and the secretariat. The evaluation of this information would assist in identifying the dimensions of the problem and give possible insights with respect to how to advance in a well informed manner. Furthermore, he emphasized that the submission of information by participants was not as a result of a procedure agreed in the GNS.

51. Regarding agenda item 2.4 on labour mobility, the Chairman said that he had reviewed the suggestions made in the discussion at the last meeting relating to the draft annex on the temporary movement of natural persons providing services. Before presenting a revised version of that annex as requested, he said he would like to carry out further consultations. In that respect, he would appreciate if delegations which had developed their thinking on this subject could now come forward with their ideas. He opened the floor for comments on the issue.

52. The representative of the European Communities suggested a number of points which could be taken into account in discussions on the annex including the following: the annex should apply to the temporary movement of natural persons who were service providers or who were employed by a service provider of a Party; it should not prevent parties from applying their citizenship and immigration laws and regulations, including those touching on entry, stay and work on a temporary basis, though parties should not apply them in a manner which nullified or impaired benefits derived from specific commitments; the annex could include a provision on

the settlement of disputes involving the temporary entry of natural persons to provide a service under a specific commitment.

53. The representative of Canada called attention to his delegation's proposal of a common approach for liberalization commitments on the temporary movement of natural persons providing services. The representatives of India, Morocco and Mexico warned against any common approach which would lead to an unbalanced and asymmetrical conclusion of the GNS negotiations. The representative of Canada disagreed that a common approach to liberalization commitments in the area of temporary movement of service providers was causing, or could cause, an imbalance in the negotiations. The representative of Singapore said that the annex on labour mobility should be trade-neutral and suggested that discussions on any common approach should be conducted in the context of the request and offer process to be engaged with respect to initial commitments. He said that paragraph 6 of the draft annex contained in MTN.TNC/W/35/Rev.1 should be retained until the issues of m.f.n. and exceptions had been resolved.

54. The representative of Hungary called attention to the relationship between paragraphs 1 and 5 as well as 5 and 6 of the present version of the annex contained in MTN.TNC/W/35/Rev.1. The contents of paragraph 6 could, for example, render the contents of paragraph 5 meaningless if an exemption from m.f.n. obligations for preferential agreements on the movement of natural persons was too broad in scope. Any common approach to liberalization commitments on the temporary movement of natural persons providing services should not be limited to those relating to establishment trade or to those of a highly-skilled type. These views were shared by the representative of Mexico.

55. The representative of Malaysia opposed any common approach for commitments on the movement of natural persons providing services and the establishment of an illustrative list of service providers. She supported the contents of draft paragraph 6 of the annex in MTN.TNC/W/35/Rev.1. The representative of Egypt said that through a multilaterally-agreed illustrative list of service providers the Group could achieve a balance regarding levels of skill covered by the annex on labour mobility. He supported the contents of paragraph 5 of the draft annex contained in MTN.TNC/W/35/Rev.1 and agreed with others on the need to avoid limiting the scope of the annex to movements involved in establishment trade. The representative of Chile suggested that the title of the annex be changed to reflect the fact that discussions related to the temporary movement of service providers and not to the mobility of labour as such.

56. After having had further consultations with a view to arriving at a new text on the annex concerning the movement of natural persons providing services under the Agreement, the Chairman said that he was in a position to distribute a new draft text. He noted that though the text was not free of square brackets, the brackets had been removed from around the text itself while none had been placed around the new agreed title.

57. Under item 2.5, Other business, the Chairman invited delegations which had recently tabled offers to present those offers to the Group. The

following preliminary conditional offers were presented: Yugoslavia (MTN.GNS/W/121), Malaysia (MTN.GNS/W/122), Venezuela (MTN.GNS/W/123), China (MTN.GNS/W/124), Argentina (MTN.GNS/W/125), Poland (MTN.GNS/W/126), Costa Rica (MTN.GNS/W/127), Uruguay (MTN.GNS/W/128) and Peru (MTN.GNS/W/129).

58. He then raised the matter of the work programme for future meetings. He proposed that the next meeting take place on 17-27 September with the following agenda items: telecommunications services; maritime transport services; financial services; and, a range of matters concerning the draft agreement - namely, articles relating to substantive guidelines, scheduling, m.f.n., other draft articles, the annex on the movement of natural persons providing services under the agreement, definition of terms, further work on initial commitments and other business. Regarding further meetings in 1991, he tentatively proposed the following dates for GNS meetings: 21 October - 1 November, 18-26 November and 9 December.

59. The representative of Norway, speaking on behalf of the Nordic countries, announced his intention to submit a proposal comprising a common approach for the liberalization of maritime transport services. He also requested that the secretariat elaborate on the sectoral classification concerning maritime transport services. The representative of India said that the issue of a common approach was related also to other sectors and suggested that it was necessary to decide whether the GNS was going to discuss common approaches sector by sector and how many meetings involving experts could be organised for that purpose. Among further issues requiring the attention of the Group later in the year, the representative of Canada suggested that the secretariat prepare an analytical paper on the question of rules of origin.

60. The representative of Sweden drew the attention of the Group to the amendments that he wanted to make to the note on the last meeting contained in document MTN.GNS/43 circulated on 15 July 1991. Regarding paragraph 7, the third sentence should read: "The representative of Sweden, speaking on behalf of the Nordic countries, said that listing the four modes of delivery was not necessary in the schedules." In paragraph 8, the last sentence should read: "The representative of Sweden, speaking on behalf of the Nordic countries, wondered what the value would be of a commitment that could not be enforced and recommended clearer language for Article I:3(a)iii." In both instances this was instead of the text attributed to the representative of Switzerland.

61. Similarly the representative of Thailand noted that regarding paragraph 5 of the same document, he had said that "national security should be the perimeter for the movement of all personnel".

62. The Chairman then closed the proceedings.