

# GENERAL AGREEMENT ON TARIFFS AND TRADE

## SERVICES

### MINUTES OF THE MEETING HELD ON 24 JANUARY 1985

Chairman: Ambassador F. Jaramillo

1. In opening the meeting, the Chairman drew attention to GATT/AIR/2093 which recalled the mandate given to him by the Agreed Conclusions adopted by the CONTRACTING PARTIES at their 40th Session. He said that the purpose of this meeting was to exchange information in accordance with paragraph 1 of the Agreed Conclusions adopted by the CONTRACTING PARTIES at their 40th Session. While the airgram had referred in particular to five national examinations (Denmark, Federal Republic of Germany, Italy, Norway and Switzerland) which had been circulated since October 1984, and on which delegations had not yet had an opportunity to comment, eight other national examinations (Canada, European Communities, Finland, Japan, Netherlands, Sweden, United Kingdom and the United States) had been circulated and discussed briefly during informal consultations in 1984. He suggested therefore that the exchange of information should proceed on the basis of all the information available in these thirteen studies. (See list at Annex).

2. He noted that several contracting parties had indicated that their national examinations were either preliminary in character or might be supplemented by new submissions at a later stage. Other national examinations might be circulated through GATT, and additional information might be provided by relevant international organisations. The secretariat may also be expected to contribute a first analytical summary of national examinations together with information made available by those international organisations, consistently with the statement made by the Chairman of the CONTRACTING PARTIES following the adoption of the Agreed Conclusions. It was therefore his understanding that the exchange of information would leave room for the consideration of all those elements in due course.

3. He did not intend to propose a specific agenda for this meeting, and he suggested that any aspect of the subject matter could be raised by any delegation at any time. However, he also thought that mutual understanding of the issues in the services sector would best be served by discussing these in an orderly manner. Hence he suggested that the five national examinations recently submitted could be presented by the delegations concerned and that these presentations could be followed by questions and answers on the information contained therein. If delegations so wished, they could then return to the eight other examinations circulated in 1984 and, later on, proceed to look at various aspects covered in all the national examinations submitted thus far.

4. The representative from Argentina said that, basing themselves on GATT/AIR/2093, his authorities had prepared questions on the five examinations listed in that airgram, but not on the other eight studies circulated earlier. However, he reserved the possibility to submit other questions in writing at a later stage.

5. The Chairman suggested that other delegations might be in the same position and that discussions would continue at subsequent sessions on all the studies.

6. The representative of Norway, presenting his country's examination, said that the objective had been to obtain an overall picture of Norway's foreign trade in a number of key service sectors. The examination also focussed on national legislation and views applicable to services transactions, and outlined international trade barriers experienced by Norwegian traders. The Norwegian examination contained two main parts: the rôle of services in the overall economy and national legislation affecting trade in services in general, and an examination of the same elements for main service sectors. He noted that data deficiencies had hindered a more comprehensive analysis of the composition and importance of services in foreign trade. In general, these difficulties were related to the fact that statistics on registered payments were not sufficiently specified by type of service, country of origin or country of import. He felt therefore that it would be desirable, both nationally and in relevant international fora, to examine the possibilities for a coordinated and systematic collection of information on exports and imports of services to permit a meaningful analysis of trends in international trade in services. He also raised the question of whether a number of services transactions were presently being classified as merchandise trade.

7. Several provisions of Norwegian legislation were indirectly and generally applicable to a number of economic sectors, including services, (e.g. state permission for purchase or lease of real property, foreign exchange regulations, tax and excise rules) while a number of specific provisions specifically and directly influenced services transactions (e.g. quantitative regulations, quality specifications, different types of tax rules and public procurement policies).

8. In detailing the position of the Norwegian government in the main services sectors, he noted that in the field of shipping present developments, characterised by increasing protection and governmental regulations, were having negative consequences for the shipping industry in general as well as for international trade, by making shipping services more expensive and less efficient. In banking, a new policy decision had been taken by the Norwegian government to permit the establishment of foreign banks in Norway. Telecommunications services in Norway were provided via a monopoly; a recent report by a group of experts had concluded that Norway was too small a country to be served by competing telecommunications networks. Referring to obstacles faced by Norwegian service exporters, he mentioned the need for free access to transit in the context of existing bilateral agreements on road transport. In engineering/consulting, national treatment between foreign and domestic firms competing for assignments should be a general goal. In conclusion, he emphasized Norway's positive attitude towards liberalization of trade in services. GATT had a major rôle to play in the elaboration of multilateral rules. In pursuing this work, however, due account had to be taken of the fact that some service sectors performed special tasks for the public.

9. The representative of the European Community enquired about the reasons for the recent change in Norwegian policy regarding banking. The

representative of Argentina, also referring to this sector, noted that savings banks comprised 11 per cent of banking activity in Norway and wondered if the new legislation regarding foreign banks applied to savings banks. In particular, could foreign banks enter into this market and would they be subject to the same legislative requirements regarding their operations? Further, would they have to adjust to general legislation in force? He also asked what was the meaning of "credit cooperative obligations" and if this referred to the public or to the private sector. Concerning market trends, he wished to know whether the new trend in Norwegian banking legislation was in any way related to a movement towards oligopolistic concentration of firms in Norway.

10. In relation to insurance, the representatives of the European Community and of the United Kingdom asked Norway's views as to the apparent contradiction between the internationalization of Norway's insurance market and the fact that Norway did not allow direct purchase of insurance from abroad. In addition, the representative of the United Kingdom enquired whether Norway envisaged any particular legislative action concerning reinsurance. The representative of the Netherlands asked what value Norway attached to the "economic needs" criterion and whether the abolition of this principle in the field of banking would be followed by a similar move in the field of insurance. In this connection, the representative of Argentina asked for clarification of the notion of "special right" to participate in insurance activities, referred to in the Norwegian study.

11. The shipping sector was also the focus of a number of questions. The representative of the European Community, pointing to the fact that the IMF had identified shipping receipts as one of the areas with the highest incidence of underrecordings, asked whether Norway had any evidence of such underrecordings in their figures for shipping. The representative of the United Kingdom asked if Norway could speculate on whether the decline in shipping receipts in its balance-of-payments could be attributed to the recession, to a decline in the competitiveness of Norwegian fleets, or to barriers to Norwegian sales of shipping services, and if the latter, whether the quantitative effect of these barriers had been studied. The representative of the United States shared the concerns expressed by Norway over the future of the liner trade and the possible effect on the freight rates of the new system being put in place. The representative of the Netherlands asked for some clarification on the Norwegian policy in the area of coastal shipping.

12. The representative of the United States, noting that Norway intended to maintain its state monopoly in the field of telecommunications, asked to what extent the Norwegian authorities could envisage the offering of value added network services, such as data processing, on a competitive basis.

13. The representative of Brazil, while noting that his delegation would formulate written questions on the Norwegian examination at an appropriate time, commented that, as in other studies, there was a lack of precision in the Norwegian examination on the identification of barriers to services transactions; the barriers referred to often amounted to rules governing the right of establishment of foreign enterprises, and only in limited cases did they appear to have trade implications.

14. The representatives of Japan and Argentina sought more precision on the meaning of the word "sheltered" used to describe Norway's service sector industries. Were some sectors reserved for Norwegian companies or for the public sector, and if so, which sectors? Was there a link between the growth of the private sector, the sheltering of industries and the limited participation of the public sector?
15. The representative of Japan alluding to the development of combined services such as telematics, wondered whether the Norwegian government had taken this into account and how they intended to deal with such cases.
16. The representative of Yugoslavia requested more information on multilateral and bilateral cooperation agreements on services to which Norway was a party. She noted the existence of some EFTA schemes which were relevant and wished to know, for example, whether these covered shipping services.
17. The representative of Norway said that he would provide detailed replies to all the questions raised at a later session. He recalled that it was a general policy of his government to stimulate competition. This was the underlying motive for the liberalization efforts in, inter alia, the banking and insurance sectors. As regards banking, he noted that Norway had not so far adhered to the principle of reciprocity. In reply to the question by Argentina, he said that foreign savings banks would fall under the new legislation but that they would have to abide by general laws applicable to the banking sector, as did Norwegian banks.
18. The representative of Denmark introduced the Danish examination by characterizing it as predominantly descriptive. She noted that the service sector had a great importance for production and employment in Denmark. Industries producing marketable services were the principal contributors to GDP, and on the whole showed a development parallel to that of manufacturing industries.
19. Services also played a significant rôle in Denmark's total trade. The share of services in total exports in 1982 was about 25 per cent. In recent years, service exports had grown in real terms by about 3.7 per cent per annum; however, services exports had been growing more slowly than those of industrial products. Sea transport comprised the largest category of Denmark's services exports. Denmark's services imports comprised about 20 per cent of total imports in 1982; in recent years they had grown in real terms by about 3.9 per cent per annum, which was the highest real import growth recorded. This was attributed primarily to supplies for Danish ships in foreign countries and to travel. While Denmark had a positive services trade balance, a detailed analysis showed a differentiated picture in terms of the contribution of different services to the overall balance: this was considered to be an issue for further study.
20. Denmark maintained relatively few restraints on trade in services as well as to the establishment/activity of service enterprises. An open international market for services as well as for goods was important for a small open economy such as Denmark. The representative of Denmark noted the existence of obstacles to Danish service exports, notably restrictions on establishment and currency regulations. She remarked that the close link between trade and investment in various services gave them a complex character

which merited careful consideration. This link also meant that open international markets for services would not affect the international division of labour to the same extent as it did the production of goods. They considered these issues to be important and hoped that further studies on these topics would follow.

21. The representative of the United States raised a number of questions regarding specific sectors. He wondered why there was such a small number of foreign bank subsidiaries and branches in light of the lack of restrictive regulations in Denmark. Regarding insurance, he noted that foreign insurance companies were allowed to establish companies or branches on the basis of national treatment, yet the Danish study also stated that reciprocity was prescribed by law, though it was enforced liberally. He asked for some clarification on this. He also asked why life insurance was considered so vulnerable to foreign exchange risks as to prohibit Danish citizens from taking it out abroad. More details on the professional standards that were applied in the engineering/construction sector would be of interest to his delegation. In the field of telecommunications, the Danish government monopoly had granted concessions to three private companies in certain geographical areas. He was interested in the background to this decision, which was an exception to the practice of government telecommunications monopolies in Europe.

22. The representative of Japan pursued the issue of the link between trade and investment and outlined three forms of service-related international transactions identified by Denmark in its national examination and oral presentation: pure services trade; direct investment; and "intermediary forms" or "indirect establishment", e.g. local agencies, franchising etc. He asked what was the Danish government's intention in introducing a category called "intermediary forms" of services, and how these were classified in Denmark's balance-of-payments. In Japan, these types of transactions were included under "invisible" trade and thus were counted as services trade, rather than investment or capital transactions.

23. The representative of Argentina said that the mention, in the introduction to the Danish study, that the question of international trade in services has been raised in GATT did not reflect the 1982 Ministerial decision, and only represented Denmark's own interpretation of that decision. He noted that the study showed that there were serious problems of classification and definition of services due to the use of different statistical bases. He asked for confirmation of his authorities' understanding that the growth of the Danish service sector both in production and employment had been generated by the public sector. He was interested to know how this had developed. He further requested clarification on the following specific points: the reasons for the recent slowdown in the growth of Danish imports of services, i.e. was it due to the recession or to specific measures in certain sectors which could be identified; the impact of the strength of the U.S. dollar on receipts from sea transport and hence on the total import receipts of Denmark; whether there was a link between the fact that the public sector was Denmark's most dynamic contributor to services and that there was no specific legislation or regulation for this sector. In this regard, he noted that the study made no reference to the existence of state monopolies or to oligopolistic market structures.

24. In response to the questions from the United States, the representative of Denmark said that the small presence of foreign banks resulted from the currency restrictions previously maintained by Denmark. These were being liberalized and he believed that the number of foreign banks would increase as a result. They were already now double the figure appearing in the study. Regarding the reciprocity principle applied to insurance, the Danish authorities did not attach much practical importance to it and were considering removing this restriction. Concerning the question of intermediary forms of service transactions raised by the Japanese representative, Denmark regarded these as special kinds of services, not like the others dealt with in the study. He confirmed the interpretation of the Argentine authorities that between 1972-82, growth in Denmark's service economy was mainly in "non-marketable services", primarily public sector but also a few "non-marketable" private sector services. However, since 1982 that situation had reversed itself and growth had been strongest in marketable services, including marketable private services. He explained that market-related or marketable services referred not only to private services but included those offered by the public sector on the market (e.g. telecommunications). He also attributed the slowdown in Danish imports to general macroeconomic policies rather than special sectoral policies. He would provide replies to other questions at a future opportunity.

25. The representative of the Federal Republic of Germany introduced the German examination by noting that it had been confined to a small number of sectors, but that other sectors could be added at a later date; the study could also be revised in other respects in the light of comments made during the exchange of information.

26. He said that Germany had encountered statistical problems similar to those of other contracting parties, but there was no doubt that services were increasingly important to the Federal Republic of Germany. The lists of barriers to trade in services in Chapter II were based on information supplied by German service export firms. He noted that a distinction should be drawn between investment-related and trade-related barriers: the former included restrictions on the establishment of foreign enterprises or impediments to business activities, while the latter included discrimination against services furnished across borders by foreign enterprises. The Federal Republic of Germany attached great importance to the present discussions as the tendencies towards protectionism had increased in the area of services as well as in goods, and the sector had already been subject to a great number of regulations which crippled the free exchange of services. Better use should be made of the principle of comparative advantage in the services sector as experience had shown that liberalization influenced positively the development of the world economy.

27. The representatives of Japan, Sweden, and the United States requested some clarification on the share of services in total employment and value added. The representative of Sweden also asked for an explanation of Germany's growing services deficit.

28. The representative of Argentina drew attention to the fact that Germany's national examination concentrated on trade aspects of services and lacked certain important elements, notably the respective participation of the public

and private sectors and the structure of the former. He also wondered whether some of the obstacles listed in Chapter II could really be described as obstacles to trade (e.g. restrictions on foreign travel, censorship, mandatory disclosure of confidential information, and insufficient protection of copyrights and trademarks, etc.) The representative of Japan considered the lists of barriers to be a significant contribution and suggested that the meeting might discuss these practices at some future date. He asked to what extent similar practices existed in Germany.

29. The representative of the United States found Germany's relatively low export performance in services puzzling in view of its dynamic merchandise exports, unless there were significant services components in exported goods. Referring to a comment in the text to the effect that "more intelligent" integration of value added networks (vans) required a certain harmonization of telecommunication policies in various countries, he asked what were the areas of harmonization which could lead to progress in international policies regarding "vans" and data processing activities. Concerning the application of the principle of reciprocity which was implicitly referred to in the section of the study relating to insurance, he asked what was the policy of regulatory authorities with regard to the licensing of foreign insurance companies. In the field of banking, he asked whether so-called "full-merchant scale companies" under foreign control would have higher equity capital requirements than similar German companies, and if so on what grounds? Could the manager of such a company be a foreigner? In view of the statement in the study that the Deutsche Bundespost (DBP) could not influence or control the place of processing of data, he asked whether the relevant DBP regulation issued in early 1982 requiring that processed data received from another party be processed in Germany was still applicable?

30. The representative of Canada asked what were the "special factors" accounting for the balance in the foreign transportation account recorded in 1982. He also asked, referring to the section on trends in banking in Chapter I of the study, what had prevented German banks from engaging in certain foreign business operations.

31. The representative of the Republic of Korea, noting the different approaches followed in the studies under consideration, asked if, without prejudice to the position of any contracting party, the secretariat could be able to draw up a provisional definition of services, perhaps based on the national examinations already submitted, solely to assist the process of exchange of information.

32. The representative of the Federal Republic of Germany explained that the data relating to the share of services in employment and value-added given in Chapter I referred to all service sectors, not just the five discussed in detail in the study. He pointed out that Germany's growing services deficit was primarily due to the negative balance on tourist travel. In response to the representative of Argentina, he acknowledged that not enough distinction had been drawn between the public and private sectors, and that perhaps this would be taken into account in a revision of the study. As to the lists of obstacles in Chapter II, they had been submitted to stimulate discussion; if it were found that some of the items were not really obstacles to trade, these could be dropped from the list. He would endeavour to provide answers to the other questions posed at a later stage.

33. The representative of Switzerland said that his authorities were not in a position at this stage to collect the kind of information needed for the current detailed examination nor to produce consolidated information for a comparative analysis of the different service sectors. The Swiss examination was therefore of a purely preliminary nature, and his authorities were prepared to supplement information both concerning sectors already covered and perhaps other services as well. Regarding the importance of services in the Swiss economy, he said that, though no detailed statistics were available, services were estimated to account for slightly more than 50 per cent of GNP.

34. The objective of the examination was to present a concise view of the situation in Switzerland and to clarify legal rules and regulations applied to service sectors. In Part III, a number of problems had been addressed which his authorities thought could be relevant at the multilateral level, and they hoped thus to demonstrate Switzerland's keen interest in the work initiated at this meeting. The examination had revealed striking variations among the different service sectors. It seemed that a distinction should be drawn between those services that are independent of production and trade in goods, those that are inputs into the production of goods (e.g. engineering), those that are complementary to production of goods (e.g. transport), and those that accompany or follow goods in the market place and could be described as "downstream services". Regarding barriers, a distinction also had to be drawn between general barriers affecting both trade in goods and services and other barriers affecting services, or certain types of services, more specifically.

35. The representative of Finland wondered what criteria had governed the inclusion of certain sectors (e.g. forwarding trade) and the exclusion of others (tourism) from the Swiss study.

36. The representative of the United States sought clarification on the reasons behind Swiss legislation to protect information. While protection of privacy was a fundamental question there were also economic implications. While recognizing the validity of the question raised in the Swiss examination as to whether problems in the services economy were attributable to barriers or structural change, he felt that it would still be useful to examine the obstacles themselves although other factors might be relevant. The observation made in the study that certain obstacles were only the "tangible expression of underlying economic and political motivations" struck at what his delegation felt was the heart of the services exercise. While this was true for many regulations, the question had to be asked to what extent the regulations were reasonable, given the motivations. The representative of Japan felt there was a need to focus on methods used to implement certain underlying objectives, but that an examination of the legitimacy of different governments' objectives would not lead very far.

37. The representatives of the European Community, Japan, and the Netherlands noted the lack of statistical information, particularly on trade. The representative of the European Community asked why Switzerland had not given a breakdown of balance-of-payments statistics. The European Statistical Office had produced figures suggesting that Swiss services trade over the period 1967 to 1982 had grown less than merchandise trade and that service expenditures had grown faster than receipts. He hoped that Switzerland would be able to

verify this information at a later date. Regarding the sector of insurance, he asked what was the rationale behind the obligation to maintain a headquarters office in Switzerland, which he assumed had to be done through establishing a subsidiary incorporated in Switzerland. He also was interested in hearing how and why, in the Swiss view, services were "contributing to the efficiency and growth of the economy in general".

38. The representative of Peru, pointing to the difficulties encountered by a developed country like Switzerland in preparing its statistics, noted how much more difficult it would be for developing countries to provide relevant data, especially for specific sectors. She asked for clarification on Swiss legislation on banks and finance companies: did the law apply differently to domestic and foreign banks, and under which conditions did the federal law apply or not apply to finance companies?

39. The representative of the United Kingdom asked how many countries were (or were not) able to give the guarantee of reciprocity required in the banking sector. With reference to insurance, he asked what was the content of the special law regulating contractual relations between insurers and insured, and whether its purpose was to protect consumers or suppliers.

40. The representative of Argentina referred to a number of points in the conclusions of the study. This section stated that market forces had free play in some sectors while competition was hampered by government interference in others but it did not specify which sectors were meant. Was the meaning that regulations applied only to some sectors, or that the regulations applied to all sectors but hampered certain sectors more than others? He also wondered how the reference to underlying economic and political motivations should be interpreted, if this meant that standards in services must meet such motivations, and if so, what were these standards and to which sectors did they apply?

41. The representative of the Netherlands noted the references made in the study to bilateral and reciprocal agreements and commented that discrepancies in liberality and degree of transparency in bilateral agreements posed problems for Netherlands' enterprises. The problems posed by bilateral agreements constituted one reason for the Netherlands present participation in multilateral discussions of trade in services. This problem had also been referred to in the section on road haulage in Norway's national examination. In this connection, he raised the question of the measures taken by Switzerland since January 1985 affecting road haulage. Regarding the need of the international community to safeguard the limits of competition while at the same time not stifling the dynamism of certain sectors, the Netherlands felt that the obstacles to trade in services impeded the optimal allocation of resources based on comparative advantage and thus dampened the political dynamism of service sectors.

42. In response to the question raised by Finland, the representative of Switzerland said that the exclusion of tourism had not been a matter of principle but that it had not been possible to deal with it for practical reasons. However, additional data would be provided. He said he would also provide information at a later date concerning the United States question on

the intentions of the Swiss authorities regarding the protection of information. The reference in the examination to the relative importance of structural change versus obstacles in creating difficulties for service producers did not mean that the Swiss authorities were not interested in trying to find solutions to specific barriers resulting from government measures. They had wished to emphasize, however, that all difficulties did not arise from government measures, and conversely that government measures did not necessarily solve all problems. Concerning the point made that regulations were the tangible expression of political and economic motivations, while he would agree that it was legitimate to examine the "reasonableness" of a measure, he felt it was important to look at this in the light of such considerations. Concerning Japan's question on the same point, while the Swiss study did not refer to the "legitimacy" of measures, he said it would nonetheless be useful to try and compare motivations to determine if they were compatible and thus amenable to common disciplines.

43. Regarding the comments made by the European Community, Japan and Netherlands concerning statistics, the representative of Switzerland said that Swiss statistics on services were neither adequate nor clearly disaggregated. For example, neither the balance of payments nor the national accounts figures gave a precise picture of services industries, so it had been decided not to include any of these statistics. However, his authorities would endeavour to supply more detailed data if needed.

44. In response to other questions raised by the European Community and the United Kingdom, he said that the purpose of the laws in the insurance sector were to protect the consumer; it was felt that the only way this could be done effectively was to require the insurer to respect Swiss legislation, which necessitated the establishment of subsidiaries. As to the rôle of services in the general economy, the representative of Switzerland suggested that this issue should be approached in a qualitative and not merely quantitative manner. For example, services acted as a lubricating factor in the economy as a whole. Since production and trade in goods could no longer be dissociated from that of services, services had a multiplying effect on the economy that could not be measured merely on a quantitative basis.

45. In response to Argentina's questions concerning market forces versus government intervention, he noted this distinction had not been confined to Switzerland. Swiss producers had indicated that there were considerable differences among countries as to which sectors were liberalized or subject to government intervention. The underlying motivations referred to considerations of what rôle the government saw for itself in the economy, what it reserved for private initiative, and what type of economic order it intended to create. These considerations constituted fundamental elements which would determine the scope and nature of measures taken.

46. In response to the concern expressed by the Netherlands about bilateral agreements, he acknowledged that in the absence of a multilateral system, it was necessary to negotiate bilateral agreements which by their very nature must differ among them. While agreeing that international rules might enhance the dynamism of the services sector, such rules would not necessarily solve all problems, including that of structural adjustment. In addition, care had

to be taken that regulations and rules, even if well intended, did not limit the economic freedom of the sectors concerned. Finally, he reserved the possibility of returning later to the questions that he had left unanswered at this session.

47. In introducing the Italian examination on trade in services, the representative of Italy emphasized that this was an initial contribution to the exchange of information on services in GATT. He noted that some difficulties had been encountered in its preparation due to the complexity and fragmentation of the service sectors. In outlining the contents of the study, he pointed out that the sectors covered were not the only significant ones in Italy. Travel and tourism made the highest positive contribution to Italy's services balance. In the area of banking, consideration of national treatment, reciprocity and non-discrimination (both with respect to right of establishment and operations of banks) were prominent in the minds of his authorities. As far as computer services were concerned, the Italian Parliament was presently discussing a way to regulate the organization and management of these activities. As to insurance, while Italy allowed for freedom of establishment and provision of services in the case of reinsurance, this was not extended to direct insurance. Turning to obstacles to Italian exports, he noted that in construction/engineering the distinction between the services and supplies components was difficult. Regarding maritime transport, he drew attention to problems concerning certain discriminatory practices adopted by third countries.

48. The representative of Canada asked what would be considered a "positive repercussion" of the legislation envisaged on the international flow of information. The representative of Sweden asked a related question concerning how the lack of Italian legislation had hindered the international flow of information, and whether Italy could draw a general conclusion from that.

49. The representative of Japan asked several questions regarding the classification of services. He noted that Italy, as Japan, used the concept of "tertiary" sector in defining services. But there were some conceptual shortcomings in this concept, such as the inclusion of the services of public administrations, which were not tradeable and the inability to identify services produced by the primary and secondary sectors. He noted that some service transactions were accompanied by trade in goods, such as maintenance fees for equipment, and wondered whether the representative of Italy had any ideas as to how to clarify such problems. Regarding the reversal of Italy's services trade balance with EC and non-EC countries, he asked if this had been a general trend covering all sectors or was confined to particular sectors. The representative of Argentina also was interested in the trend in Italy's services account, and asked which services had yielded a surplus.

50. The representative of the United States asked what percentage of activity in each of the six sectors identified was performed by State companies. The representative of Argentina wished to know what were the relative shares and rates of growth of activity in the public versus the private sector.

51. Regarding Japan's question concerning the identification of the amount of traded services incorporated in traded goods, the representative of Brazil doubted that this line of questioning could go very far. The different

concepts which service industries themselves applied and the way in which services were sold would affect the type of statistics obtained and the level of disaggregation. While the question went to the heart of how to separate services from goods, he wondered what level of disaggregation the Japanese representative had in mind. The representative of Japan said he had meant to refer to the service element accompanying trade in goods, not the services incorporated in goods. He pointed out that relatively inexpensive goods were often accompanied by a service element costing far more than the good itself. However, he agreed with the representative of Brazil that one should not attempt to distinguish what was not distinguishable.

52. The representative of Italy deferred replies to most questions to a further study which would incorporate more statistical material and contributions from the sectoral authorities directly involved. As to reversals in the Italian services trade balance, he could say that this was a general trend not related to specific sectors.

53. The Chairman suggested that the discussion of the eight national examinations submitted in the first part of 1984 might be pursued at a future meeting. He added that, looking at the tables of contents of the national examinations, it had occurred to him that these might provide some guidance as to the main headings under which various aspects of this subject matter might be discussed in the future. For example, most studies dealt with definition and coverage of services; services in the world economy and in national economies; basic economic concepts related to production and trade in services; basic concepts relating to restrictions in international transactions in services; statistical problems and methodologies; national and international regulations; problems identified in relation to international transactions in services. Perhaps one could also hear comments at future meetings on the need for multilateral action, or discuss the work in other relevant international organizations. He asked for delegations' views as to how to best conduct further work.

54. The representative of India said that it would be a logical step to first consider the other eight national examinations in a manner similar to the exchange of information just conducted on the last five examinations. The representatives of Argentina, Egypt, Israel, Korea and Yugoslavia supported this idea, indicating that all the national studies should be treated in the same manner.

55. The representatives of Canada, the European Community, Japan, Sweden, the United Kingdom and the United States felt that the Chairman had provided a useful framework to guide the discussions, and supported the idea of looking at some of the common elements or headings he had mentioned. In this connection, the question of definition and coverage of service sectors was seen as an opportune starting point, as all thirteen examinations submitted thus far had dealt with the issue either explicitly or implicitly. However, these delegations had no objection to looking again at the eight national studies, either sequentially or concurrently. The representative of India considered that a discussion of common elements was premature at this stage. Referring to an earlier statement by Korea, he pointed out that the secretariat's mandate was clearly laid down in the statement of the Chairman of the CONTRACTING PARTIES at their 40th Session and he could not go along with any suggestion of entrusting additional tasks of substantive documentation to the secretariat.

56. The Chairman noted that there were differences of opinion regarding some aspects of future work, but that there was a consensus to discuss the eight other national examinations, so he proposed to begin by doing so at the next meeting. Some elements might emerge from this discussion, and it could then be seen how one could envisage preparing a summary of the results of the exchanges of views. Once the exchange of information had borne on all the studies available and any others that may be circulated before the next meeting, one would be in a better position to have a general overview of all the elements contained in them. The framework he had suggested was only meant to help delegations reflect on the subject, but there was of course nothing compelling or binding in it. Thus, the question of definition and coverage could be discussed to the extent that delegations deemed it appropriate to do so. Concerning the rôle of the secretariat, he said this had been very clearly defined by the CONTRACTING PARTIES. No one expected the secretariat to put forward proposals of any kind at this point. All the secretariat could do now is keep a record of the information exchanged among delegations.

57. After a brief discussion of a possible date for the next meeting, during which some points were made concerning the appropriate pace at which the work should be pursued, the Chairman concluded that the date of the next meeting would be fixed in consultation with delegations.

ANNEX

LIST OF NATIONAL EXAMINATIONS AVAILABLE

| <u>National examination</u> | <u>Date issued</u> |
|-----------------------------|--------------------|
| 1. Canada                   | 18 January 1984    |
| 2. United States            | 25 January 1984    |
| 3. United Kingdom           | 13 June 1984       |
| 4. Netherlands              | 15 June 1984       |
| 5. Sweden                   | 8 October 1984     |
| 6. EC                       | 10 October 1984    |
| 7. Japan                    | 12 October 1984    |
| 8. Finland                  | October 1984       |
| 9. Norway                   | 22 November 1984   |
| 10. Denmark                 | 27 November 1984   |
| 11. Germany                 | 27 November 1984   |
| 12. Switzerland             | 28 November 1984   |
| 13. Italy                   | 21 December 1984   |

SYMBOLS - CONT'D:

TBT/Notif. 85.51, 52, 53

COM.TEX/SB/1044, 1045, 1046

NTM/W/12

L/5789

TBT/Notif. 85.54 - 60

VAL/1/Add.11/Suppl.2

SCM/63

L/5746/Rev.1