

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

MDF/W/58

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Special Distribution

Services

SUMMARY TABLE OF ISSUES RAISED IN THE EXCHANGE OF INFORMATION ON SERVICES

Note by the Secretariat

1. This document summarizes in tabular form the points made by delegations on issues in the services sector, in national examinations circulated through GATT or in statements made at the meetings on services held on 24 January, 1 and 2 April, 8 May, 7 June, 15 July, 18 September and 17 October 1985.
2. It must be emphasized that a listing of this kind inevitably cannot do justice to the balance and nuances of the original presentations. The document is therefore circulated on the responsibility of the secretariat and does not commit delegations.

(1) GENERAL CHARACTERISTICS OF SERVICES

BRAZIL - 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.

(MDF/6, para.51)

CANADA - He agreed with the United States concerning the exclusion of labour and capital returns as these often were factors in a production process rather than involving trade as such.

(MDF/13, para. 13)

DENMARK - 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.

(MDF/6, para.20)

FRANCE - Thought the point made in the Japanese study well taken that the social and public character of a number of service sectors necessitated government intervention, and that perhaps this was an area where services differed from goods. He also took note of the point made that the set of tradeable services was smaller than the services sector as a whole, as their large human element or regional nature required that a number of services be produced and consumed in situ.

(MDF/10, para.42)

- During the post-war period goods have been an important motor of world economic growth. It is worth wondering whether efforts to stimulate services trade might not play a similar rôle in the years to come.

(MDF/7/Rev.1, para.11)

- One should not overestimate the importance of having a precise definition of services.

(MDF/W/56, para.14)

EGYPT - Felt that a discussion of definitions should come at the end rather than at the beginning of the exercise.

(MDF/13, para.14)

FINLAND - Of particular importance would be an analysis of what constituted international trade in services (especially what comprised "other services").

(MDF/10, para.36)

INDIA

- There was still no agreed definition of services and this question had not been adequately addressed. The exchange of information so far had shown that the services sector covered a variety of activities. It was difficult to establish what different services had in common and no attempt had been made to address other common characteristics.

(MDF/20, para.23)

- With reference to paragraph 1.1 of the French study on definitions and statistics, he said this paragraph clearly illustrated the conceptual and statistical difficulties inherent in any attempt to deal with services as a whole. He believed that the discussion in the French study of the definitional and statistical problems in the field of services confirmed the view expressed by his delegation, that the treatment of various services as a whole was more a matter of convenience than of common economic characteristics. He noted that, as mentioned in the French study, the classifications of services varied in time and space for numerous reasons.

(MDF/W/56, para.6)

- The interdependence of services and goods was another complicating factor for the economic analysis of services, which had not yet been discussed in these meetings.

(MDF/W/56, para.9)

- In the area of services the issue of definition was particularly important as some views had been expressed that, in view of the lack of common economic characteristics of the various service activities, it would be impossible to deal with services at a multilateral level.

(MDF/W/56, para.15)

ISRAEL

- While it was true that the concept of services covered a wide range of heterogeneous activities, this also applied to goods.

(MDF/W/56, para.8)

JAPAN

- He noted there were some conceptual shortcomings in the "tertiary" sector 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.

(MDF/6, para.49)

- Lack of a universally agreed definition of services should not be a factor hindering progress in the examination of services issues, including the possibility of multilateral action in this sector.

(MDF/20, para.18)

SPAIN - Also agreed that labour remittances and capital flows should not be considered as services.
(MDF/13, para.13)

DEN - Investment was considered to be relevant to services trade because service exports often were achieved through this means.
(MDF/10, para.35)

SWITZERLAND - 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, those that are complementary to production of goods, and those that accompany or follow goods in the market place and could be described as "downstream services".
(MDF/6, para.34)

- 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.
(MDF/6, para.44)

TURKEY - He noted that the analytical summary suggested two approaches for delineating the services sector: residual and de facto. His delegation felt the former was more logical and would incorporate everything not in the primary and secondary sectors, including, e.g. labour remittances and capital flows.
(MDF/13, para.15)

UNITED STATES - While many of the structural changes in the economy had been accomplished through modernization of domestic industries, employment in those industries which were not competitive had shifted into newly created service sectors.
(MDF/10, para.12)

- Though trying to decide which specific sectors to consider would be an unproductive exercise, the work could be circumscribed by considering internationally traded services. Two items he felt should be excluded from that category were labour remittances and capital flows unrelated to rendering a service.
(MDF/13, para.12)

- World service exports increased at an annual compound rate of nearly 19 per cent from 1970 to 1980, i.e. slightly less than merchandise exports but much more than world production.
(MDF/7/Rev.1, para.8)

UNITED STATES
(contd.)

- New sophisticated services are changing the way all industries do business and are contributing to the transformation of the world economy.

(MDF/7/Rev.1, para.9)

- The basic economic principles and theories that elucidate the evolution of the goods-producing sector of the economy may provide a starting point for better understanding of the services economy.

(MDF/7/Rev, para.10)

- Concerning the complexity of defining services, while recognizing the difficulties involved, he nevertheless thought that some parameters could be delineated for the purpose of discussions. For example, one could focus on tradeable aspects of services, segregate out capital flows and investment questions, and concentrate on what could be done in this area.

(MDF/W/56, para.12)

- In his view, exchange of information on obstacles in specific services was part of the process of arriving at an acceptable definition.

(MDF/W/56, para.33)

CANADA, EEC,
EGYPT, INDIA AND
UNITED STATES

- It was premature to discuss a definition of trade in services, a point which had been raised at the last meeting. It might be better to look at coverage in a pragmatic fashion; at the end of the exercise, those elements which had been considered to be relevant might then provide the basis for a definition for use in future multilateral action.

(MDF/15, para.5)

(2) CONCEPTUAL FRAMEWORK, STATISTICAL PROBLEMS AND METHODOLOGIES

BRAZIL

- Services production and consumption were usually simultaneous operations; since services were consumed at the moment they were provided, in most cases the fact of providing or selling services implied the presence of a person or enterprise providing the services. Therefore, when this presence was not temporary, the services, from the point of view of the country in which they were provided, involved investment and not trade.

CANADA

- In terms of future discussions, he suggested that an appropriate concept for dealing with international trade in services might be to consider services which gave rise to international transactions.

(MDF/13, para.13)

- One of the major areas of uncertainty and lack of knowledge relates to multinational enterprises where much more intensive analysis will be required.

(MDF/7/Rev.1, para.18)

- Restrictions to operations are sometimes viewed in relation to the principle of national treatment.

(MDF/7/Rev.1, para.30)

- Statistical data are conceptually imprecise, highly aggregated and misleading in international comparisons.

(MDF/7/Rev.1, para.34)

DENMARK

- The establishment of foreign service enterprises cannot, to the same extent as for trade in commodities, be regarded as merely an alternative to trade.

(MDF/7/Rev.1, para.18)

- The use and assessment of statistical material is subject to considerable uncertainty as the material itself is based largely on estimates.

(MDF/7/Rev.1, para.34)

EEC

- Data should be treated with caution if used to draw conclusions on which policy decisions were to be based.

(MDF/10, para.22)

- Broad analysis of available data was not necessarily misleading. Some general conclusions on the world services economy as well as on world transactions in services could be drawn from the existing data. In addition, he did not share the view that difficulties in developing data stemmed from the diversity of services activities. On the contrary, as all services were invisible, diversity was not an issue in the area of statistics.

(MDF/13, para.36)

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- EEC (contd.)
- Despite efforts made to harmonize or to estimate data, considerable reservations are expressed concerning the quality of the information provided. Too detailed analysis based on the data provided could be misleading.
(MDF/7/Rev.1, para.34)
 - He underlined the importance of the idea that data flows using telecommunications were helping to make more services internationally tradeable.
(MDF/W/56, para.38)
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- EGYPT
- Indicated that "trade in services" was not mentioned in either the 1982 Ministerial decision or the 1984 Agreed Conclusions of the CONTRACTING PARTIES and that his delegation was very sensitive to the phrase.
(MDF/15, para.8)
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- FINLAND
- The services accounts gives a very incomplete picture of actual transactions in services.
(MDF/7/Rev.1, para.34)
 - The emergence of new services is not easy to identify.
(MDF/7/Rev.1, para.34)
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- GERMANY, F.R.
- The expression "barriers to business activity" also relates to a separate concept.
(MDF/7/Rev.1, para.32)
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- INDIA
- It was important, to try and distinguish between establishment and tradeable aspects of services.
(MDF/W/56, para.44)
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- JAPAN
- Some further deliberations might be needed on the distinction between trade and investment, particularly with respect to sales of services through branches or other affiliates.
(MDF/13, para.30)
 - It would be interesting to discuss further how to reach a consensus on the concepts of "elements of trade in services that are an integral part of trade in commodities". As a preliminary comment, he suggested that if the price of services were included in the export price of commodities, these services were then an integral part of trade in commodities.
(MDF/13, para.30)
 - Countries should agree on uniform and effective rules for the collection of figures which could be compared internationally sector-by-sector.
(MDF/13, para.34)

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- JAPAN (contd.)
- With regard to statistics, the need had been reaffirmed for developing certain common statistical formats to improve comparability among countries.
(MDF/20, para.18)
 - The study based on statistics only enables one to grasp an outline of trends.
(MDF/7/Rev.1, para.34)
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- NETHERLANDS
- The need to provide services in the place of consumption impinges on the concept of "trade in services".
(MDF/7/Rev.1, para.18)
 - One study treats restrictions to local operations as a separate category of restrictions.
(MDF/7/Rev.1, para.32)
 - There exists a lack of statistical material and a relatively large margin of error for quantitative data.
(MDF/7/Rev.1, para.34)
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- NORWAY
- 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.
(MDF/6, para.6)
 - An unclear definition of the service concept has entailed that some of the service transactions are residually determined.
(MDF/7/Rev.1, para.34)
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- 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.
(MDF/6, para.38)
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- SWEDEN
- The difficulty in evaluating the rôle of services in the national economy arises partly because the distinction between good-producing and service-producing industries is ambiguous.
(MDF/7/Rev.1, para.20)
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- SWITZERLAND
- Had come to the conclusion that, for the time being, it probably would be misleading to give statistical data representing the relative importance of trends of given sectors, which were based on far from sufficient material. He was of the opinion that countries should first agree on some issues of methodology rather than present inadequate data.
(MDF/13, para.35)

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- UNITED KINGDOM
- Care was needed in defining services as opposed to invisibles.
(MDF/10, para.23)
 - The statistics in the different national studies varied in definition and classification.
(MDF/13, para.26)
 - He noted the difficulties in producing comparisons for services on a consistent basis.
(MDF/13, para.26)
 - Statistics for different sectors should not be regarded as directly comparable.
(MDF/7/Rev.1, para.34)
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- UNITED STATES
- In addition, work should focus on trade-related and not investment-related issues as the latter were not within the purview of the GATT (although his government felt many trade problems were related to investment issues). One trade-related issue his government felt deserved attention included those service activities whose facilitation/marketing was needed from abroad. This was related to the concept included in the United States' national examination of "access to the distribution system", where the distribution system itself could not be owned but where access to it was needed to trade in those services.
(MDF/13, para.12)
 - In the context of the improvement of data collection, a distinction should be made between classical tradeable activities and trade between affiliates, which would sometimes not necessarily be counted as trade.
(MDF/13, para.31)
 - Services data would never be established with the same degree of precision as for goods, and the discussion and resolution of most of the important conceptual trade issues in services could proceed on the basis of the current statistical data available.
(MDF/13, para.36)
 - National treatment is deemed to cover the right of establishment in certain situations.
(MDF/7/Rev.1, para.30)
 - The paucity of comprehensive, disaggregated, internationally comparable data on services trade complicates efforts to examine the specific effects of such trade and to place issues in proper perspective for resolving existing and emerging problems in services trade.
(MDF/7/Rev.1, para.34)
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- URUGUAY
- It was necessary to obtain information on all activities of trade in services and in this respect it was evident that one of the major areas of uncertainty and lack of knowledge related to multinational enterprises where much more intensive analysis would be required.
(MDF/13, para.29)
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- CANADA, DENMARK,
NETHERLANDS,
NORWAY, AND
UNITED STATES
- One of the essential features of services is that in many instances, though by no means all, services must be consumed where produced, because they are intangible and neither storable nor transportable.
(MDF/7/Rev.1, para.18)
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- CANADA, EEC,
FRANCE, AND,
GERMANY, F.R.,
AND SWEDEN
- Operations by foreign-owned or controlled firms in the local market are discussed in conjunction with establishment or investment.
(MDF/7/Rev.1, para.30)
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- CANADA,
UNITED STATES
- "Immigration" is a separate issue, the handling of which affects international transactions in services both on a "trade" and on an "establishment" basis.
(MDF/7/Rev.1, para.33)
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- DENMARK, EEC,
GERMANY, F.R.,
SWEDEN, AND
UNITED STATES
- Market access is described (i) as the possibility to transact services across borders; (ii) as the possibility to sell services abroad; (iii) as "freedom to provide services" or restrictions to "trade in the proper sense", to "trade across the borders", and also as "trade-related obstacles".
(MDF/7/Rev.1, paras.25 and 26)
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- EEC, DENMARK,
NETHERLANDS AND
SWEDEN
- Establishment is a concept which is either limited to the setting-up of branches, subsidiaries or affiliates abroad, or which encompasses other forms of direct investment, i.e. the acquisition in whole or in part of foreign companies.
(MDF/7/Rev.1, para.27)
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- EEC, SWEDEN,
UNITED STATES
- Reference is made to the impact of restrictive business practices on the possibility of firms to operate in foreign markets.
(MDF/7/Rev.1, para.31)
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GERMANY, F.R.,
NETHERLANDS

- Restrictions to the movement of labour are treated as constraints on local operations of foreign-owned or controlled enterprises.

(MDF/7/Rev.1, para.33)

GERMANY, F.R.
SWEDEN

- The compilation of data is fraught with difficulties and insufficiencies.

(MDF/7/Rev.1, para.34)

(3) NATIONAL AND INTERNATIONAL REGULATIONS GOVERNING INDIVIDUAL SERVICES SECTORS, AND PROBLEMS IDENTIFIED IN RELATION TO INTERNATIONAL TRANSACTIONS IN SERVICES

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- ARGENTINA
- He observed that the restrictions listed in the specific sectors generally concerned limitations on the establishment of companies or persons, and laws and regulations on foreign investment rather than trade in services.
(MDF/10, para.28)
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- AZUL
- Commented that, as in other studies, there was a lack of precision 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.
(MDF/6, para.13)
 - In the absence of international disciplines, obstacles strictly speaking could not be considered illegitimate.
(MDF/W/56, para.41)
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- CANADA
- It would be important at some stage to look at socio-economic reasons for regulations.
(MDF/10, para.9)
 - Pointed to the fact that there was often a mixture of motivations for regulations, which may be difficult to disentangle.
(MDF/15, para.10)
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- EEC
- It was also important to realize that barriers were widespread and did not only exist in developing countries.
(MDF/10, para.7)
 - However, disagreed with the idea that all regulations may have protective effects in the trade sense of discriminating in favour of domestic producers. Distinctions should be made on the basis of the primary purpose of the regulations.
(MDF/15, para.10)
 - Because there were no tariffs on the trade in services, all obstacles to trade in services were non-tariff barriers, and these were almost always caused by national regulations. However, not all obstacles which had been identified in the national examinations were due to regulations dealing with non-trade policy. Some of them were clearly protectionist regulations designed to have an impact on trade and as such would enter into the normal terminology of trade barriers. On

EEC (contd.)

the other hand, he agreed that some regulations were perfectly legitimate expressions of the efforts of countries to reach to socio-economic goals which they had set for themselves. In that sense, the representative of the European Community could associate himself with those who said that not all regulations should be treated as obstacles. Not all countries which had circulated an examination of course interpreted obstacles in the same way.

(MDF/W/56, para.38)

- His view was that obstacles related primarily to access and in this respect, it could be said that all obstacles to trade in goods related to access to foreign markets as well, and that liberalization of trade was always about access to markets.

(MDF/W/56, para.42)

- Although the right of establishing a commercial presence in a foreign country had a greater rôle to play in certain services than in goods, this was probably more a matter of degree rather than of nature.

(MDF/W/56, para.42)

GERMANY, F.R.

- 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.

(MDF/6, para.26)

INDIA

- Concerning the fact that obstacles were of a non-tariff nature, mentioned by the representative of the European Community, he said that his authorities had maintained that since services were not subject to tariffs they were less amenable to treatment under rules such as those of the General Agreement, which dealt basically with tariffs. In addition, obstacles of a non-tariff nature related to access and to right of establishment, but it had not yet been established that they were obstacles to trade.

(MDF/W/56, para.40)

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.

(MDF/6, para.36)

SWITZERLAND

- 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.

(MDF/6, para.34)

SWITZERLAND
(contd.)

- 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.

(MDF/6, para.42)

- 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.

(MDF/6, para.45)

- Structural changes, as well as obstacles to trade, could pose problems for service firms.
- Wondered whether one could consider the problem of unfair trade in services in the same way as for goods.

(MDF/10, para.5)

UNITED KINGDOM

- One country which favours a long-standing tradition of self-regulation by the appropriate professional body or trade association, has kept the regulatory framework to the minimum.

(MDF/7/Rev.1, para.48)

UNITED STATES

- The observation made in the Swiss 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.

(MDF/6, para.36)

- All regulations, whether designed to protect the domestic market or intended for "legitimate" purposes such as consumer protection, national security or social/cultural concerns, may have restrictive effects in terms of either trade in services and/or the ability of a foreign firm to do business on the domestic market. It was therefore important to consider the regulations' underlying motivations to attempt to determine what constituted a "reasonable degree of regulation". In this connection, he noted that the specificity and diversity of sectoral regulations may of themselves have economic effects which go beyond the objectives of the regulations.

(MDF/15, para.9)

UNITED STATES
(contd.)

- Many regulations on the face of it were not discriminatory but were often implemented in a manner detrimental to foreign firms.

(MDF/W/56, para.33)

EEC, CANADA,
SWITZERLAND

- Agreed it was important to clarify the motivations underlying different regulations to distinguish between those serving purely protective purposes and those with other intentions.

(MDF/15, para.10)

(4) ISSUES RAISED IN CONNECTION WITH POSSIBLE MULTILATERAL
ACTION ON SERVICES

ARGENTINA

- Like Switzerland, he was interested in the concept of "legitimate interests", and how this related to the concept of liberalization of trade in services. In particular, what would happen if there were not yet a definition of legitimate interests for a particular country?
(MDF/10, para.33)
- In view of the inadequate statistical information available and the lack of an accepted definition of services, and of a clear distinction between those services which entered into trade and those which did not, his delegation felt many of the conclusions reached in section IV of the analytical summary might be premature. A number of studies dealt only with trade in services which he felt was a limited point of view and not in keeping with the Ministerial decision.
(MDF/15, para.13)
- A great deal of information had yet to be analysed. In view of these difficulties, it was rather difficult to draw conclusions.
(MDF/20, para.22)
- Moreover, the studies available were only from developed countries which enjoy a high degree of development.
(MDF/20, para.22)

AUSTRALIA

- While GATT might have an important rôle to play, as stated in paragraph 142 of the analytical summary, and the drafting of general principles might be a useful adjunct to the work of other organizations, it was difficult to see how a new, global and independent legal instrument could be achieved given the diversity of technical instruments already being applied. The emphasis should, in general, be placed on the process of adjustment.
(MDF/15, para.14)

BELGIUM

- The increasing importance of trade in services both internationally and from the point of view of national economies, on the one hand, and the continuing growth of protectionist trends, on the other, demand an approach involving multilateral liberalization of this international trade.
(MDF/7/Rev.1, para.140)
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BRAZIL

- Services were still a largely unknown area notwithstanding the exercise on exchange of information that had taken place. There was need for much more analysis.

(MDF/20, para.21)

- Brazil's concerns about the establishment of multilateral rules and disciplines in the area of services had not been dispelled as a result of the exchange of information, and his authorities were still worried that the development of such rules might lead to a situation where developing countries would be kept in the rôle of more or less permanent importers of services from developed countries.

(MDF/20, para.21)

CANADA

- He concluded by stressing the importance his government attached to the principles of the multilateral trading system embodied in the GATT and to the need for contracting parties to discuss and seriously consider the issue of trade in services.

(MDF/10, para.4)

- While it might be difficult to determine fair pricing or levels of subsidy, he felt that the issue of non-tariff measures such as countervailing duties and subsidies would have to be addressed seriously.

(MDF/10, para.9)

- The right of establishment was one issue that would have to be looked at in detail: services were delivered in a different manner from goods, sometimes requiring a presence which might necessitate rules regarding the right to conduct business. While recognizing that establishment had not been covered by GATT rules, Canada was keeping an open mind regarding all issues concerning how service firms conducted business and what constituted trade in services.

(MDF/10, para.10)

- He acknowledged the European Community's concern regarding split jurisdiction between the federal and provincial levels of government and hoped to engage in constructive discussion on this matter.

(MDF/10, para.11)

- His authorities had set out their views on the need for a multilateral framework and had stated that there would be considerable merit in examining how concepts such as non-discrimination, national treatment and transparency could apply to services.

(MDF/20, para.20)

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- CANADA (contd.)
- While keeping an open mind on specific solutions, it is certainly useful to examine how existing GATT principles might be applied to trade in services.
(MDF/15, para.16)
 - Canada did not, however, have a fixed view as to what kind of framework should be set up. In particular, Canada remained open as to whether it should be a comprehensive agreement, agreements particular to specific sectors or a combination of both, provided the framework was established within GATT.
(MDF/20, para.20)
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- EEC
- Comparative advantage was more ephemeral for services than for goods. This was an important issue which deserved careful study.
(MDF/10, para.7)
 - Not just any rules would be preferable to the current situation. Only the objective was clear at this stage, namely to encourage world trade in services and thereby stimulate the world economy. This should be achieved by constructing rules which encourage trade, given the constraints that might be imposed by "reasonable" regulations.
(MDF/15, para.12)
 - Comparative advantage was only one of many possible sources of benefits from liberalized trade in services; economies of scale as well as the effects of international competition in open markets would also benefit the world economy. Clearly, one major objective would be to seek adjustment in government measures.
(MDF/15, para.15)
 - Multilateral action was necessary and services were an appropriate subject for negotiations in GATT.
(MDF/15, para.18)
 - Quite apart from the impact of the large number of regulatory obstacles to trade, the absence of agreed international rules itself might inhibit the development of trade by increasing the uncertainty attached to its pursuit.
(MDF/20, para.16)

EEC (contd.)

- The subject of trade in services needed to be integrated into multilateral trade policy and, by extension, negotiations on services should take place in the framework of the GATT. The aim would be to develop a set of international rules designed to expand the opportunities for trade while preserving the attainment of national regulatory goals in service sectors.

(MDF/20, para.16)

- The General Agreement as it stands could not simply be extended to the area of services. The objective should be to develop specific rules for trade in services, drawing on the General Agreement on Tariffs and Trade principles only where they were relevant and important.

(MDF/20, para.16)

- World trade in services is carried out very largely in an environment in which governments are free to establish restrictions as and when they see fit. The question is asked whether efforts to stimulate services trade might not play a rôle in the relaunching of growth in the world economy in the years to come.

(MDF/7/Rev.1, para.133)

- With reference to the changing patterns of international trade and to their implications, such considerations form a powerful argument for an increased emphasis on services trade in multilateral trade policy fora such as the GATT.

(MDF/7/Rev.1, para.148)

- On the question of legitimacy of national regulations in the absence of international disciplines, he said this was precisely a situation which pleaded in favour of negotiations to set up international rules in order to be able to distinguish which perceived obstacles should be regarded as subject to liberalization and which should be regarded as legitimate national rules not subject to liberalization.

(MDF/W/56, para.42)

EGYPT

- It was premature to discuss details of what would constitute an "appropriate" régime before a conclusion had been reached as to whether or not a régime in services would be appropriate at all.

(MDF/15, para.12)

FINLAND

- The subject of what could be done to improve multilateral co-operation in services also should be discussed.

(MDF/10, para.36)

- In terms of the summary of problems and issues for further consideration contained in the Finnish study, she felt that there was a long exploratory process ahead. International negotiations could only take place after a common understanding had been reached concerning such problems and issues.

(MDF/10, para.39)

- As a starting point, developed and developing countries alike could examine which principles of the General Agreement could be made applicable to services.

(MDF/20, para.19)

- GATT has an important rôle to play in analysing the problems relating to trade in services.

(MDF/7/Rev.1, para.142)

- A global approach is best suited to promote the interests of the emerging service sectors and the users of internationally traded services.

(MDF/7/Rev.1, para.142)

- A review of the existing international agreements directly applicable or potentially relevant for services might be fruitful. Such a survey could be carried out in close cooperation with the international organizations administering these agreements.

(MDF/7/Rev.1, para.143)

- GATT has an important rôle to play in analysing the problems relating to trade in services. In so far as GATT and its contractual framework are concerned, the preliminary findings of earlier studies indicate difficulties in directly extending the General Agreement to services. Nonetheless, this does not mean that there is no need for detailed examination of how the principles of the General Agreement and the Agreements and Arrangements concluded in the Multilateral Trade Negotiations could be developed in order to safeguard the interests of all concerned at a multilateral level.

(MDF/7/Rev.1, para.142)

FINLAND (contd.) - Trade in various services sectors generally faces similar kinds of restrictions. Frequently it is only the degree of restriction that differs from sector to sector. Therefore, in principle an integrated approach would be the most appropriate.

(MDF/7/Rev.1, para.150)

FRANCE - The heterogeneity of the services markets and the diversity of the protectionist barriers encountered make it impossible to imagine international negotiations on services that are symmetrical with the earlier negotiations on goods.

(MDF/7/Rev.2, para.140)

- Strongly in favour of a multilateral approach in the framework of GATT, although this did not mean that existing principles for trade in goods could automatically be applied to services.

(MDF/W/56, para.2)

- The purpose of paragraph 3.1.3 of the French study was to focus attention on the theoretical problem that some of the basic assumptions underlying the existing rules for trade in goods were not applicable to services. Therefore, a simple extension of theoretical hypotheses might lead to inappropriate practical results. To avoid logical inconsistencies, it would be necessary to reflect before envisaging, for example, the extension to services of the traditional negotiating techniques of reciprocal concessions based on quantitative assessments of expressed benefits.

(MDF/W/56, para.4)

- Regarding possible negotiations on services he said that at present there was no multilateral agreement on services and since GATT had experience in negotiating on trade in goods, it seemed a good thing to negotiate on services in GATT, while taking into account the specificity of services. The word GATT was not mentioned in the French national study but the study was clearly meant to be a contribution to current talks on services in GATT.

(MDF/W/56, para.11)

GERMANY, F.R. - 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.

(MDF/6, para.26)

INDIA

- The process of exchange of information should continue, and it should be recognized that there was still a long way to go.
(MDF/15, para.18)
- General conclusions could not be based on nebulous concepts.
(MDF/20, para.23)
- No attempt had been made to identify specific features of services which might make certain categories more amenable to multilateral approach than others, and in what form.
(MDF/20, para.23)
- Regarding proposals for a framework, he noted that the available national studies indicated that the right of establishment was of importance to a number of service sectors, whereas in other cases access was the main concern. This made the meaning of the proposed approaches rather unclear.
(MDF/20, para.23)
- He recalled that the national study of Finland had called for recognition of the special situation of small countries which could not afford to accept a multiplicity of foreign service firms participating directly in their economy. This important issue had not yet been addressed in the meetings.
(MDF/20, para.23)
- He enquired, in the context of a proposed multilateral approach, who would be the judge of sovereign interests, or decide whether they were more relevant to some service sectors than others. No discussions had yet been held on the rôle of development in services and no developing countries had submitted a national study.
(MDF/20, para.23)
- It is too early to determine whether multilateral action is needed with respect to trade in services on the basis of the conclusions of national examinations in view of the fact that these examinations came from a limited number of GATT contracting parties thus far.
(MDF/15, para.17)
- The meetings on services could only be considered to have conducted a tentative exploration of the services issues. There were still substantive areas which needed appropriate reflections and discussions.
(MDF/20, para.23)

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- INDIA (contd.) - It was not possible to obliterate the fundamental difference between goods and services simply by adding the word "trade" to the word "services". Problems of goods and commodities moving across borders were different from the problems related to services sectors such as banking and insurance. His authorities did not accept that it was open to third countries to indicate what form socio-economic goals and wider economic policies should take and how these should be regulated. Moreover, developing countries were just about to enter into certain services sectors and government support and participation, protection and preferences were necessary.
(MDF/W/56, para.40)
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- ISRAEL - From the beginning, his authorities had supported and encouraged the building of a multilateral framework for negotiations of services and they saw GATT as specifically the appropriate venue for such a negotiation. A number of GATT principles had already been mentioned which could be used in the service sector. However, the important principle of differential and more favourable treatment in favour of developing countries should also be mentioned. This principle could appropriately be accepted and used in any framework for services.
(MDF/20, para.25)
- The close relationship between services and goods, and the necessity of dealing with services and goods in the same framework, were clearly brought out in the French study.
(MDF/W/56, para.56)
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- ITALY - There exists a double requirement for more in-depth national studies as well as for more objective overviews of the services activities. Such an aim would be reached only on the condition that the majority of GATT contracting parties carry out similar studies. Completion of this information phase is essential if the services activities are to be taken into consideration at a later stage, under a more operational viewpoint with an aim to reaching a regulation on an international level.
(MDF/7/Rev.1, para.139)
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- JAPAN - It would be preferable as a first step to seek certain commonalities among sectors. Sectoral rules could be tackled at a later stage if necessary.
(MDF/20, para.18)

JAPAN (contd.)

- With regard to possible multilateral action, while agreeing that there was a need for further study of issues, he said that the question of how liberalization should be handled in GATT, was also important. In this regard, attention should be paid to how existing GATT principles could be adapted to services, and whether new principles or possible modifications of existing principles should be elaborated. On the question of legitimate national policy objectives, he said that one should consider the extent to which these could be deemed consistent with existing rules in goods trade. His country had a preference for multilateral action.

(MDF/20, para.18)

- He cautioned, however, that in view of the day-by-day evolution of services, future arrangements should leave room to accommodate dynamic changes in services activities. One should avoid seeking out unrealistic, over-ambitious goals; his authorities envisaged a step-by-step, pragmatic approach.

(MDF/20, para.18)

- While keeping an open mind on specific solutions, it is certainly useful to examine how existing GATT principles might be applied to trade in services. Japan has a preference for a multilateral approach and stresses the need to take into account the dynamic aspects of trade in services.

(MDF/15, para.16)

- Services by definition required global markets, not compartmentalized or regionalized ones. However, in view of the day-by-day evolution of services, future arrangements should leave room to accommodate dynamic changes in services activities. Japan envisaged a step-by-step, pragmatic approach, and was also aware of the necessity to accommodate the special needs of development.

(MDF/20, para.18)

NETHERLANDS

- His authorities felt that there was scope for international efforts, notably in GATT, directed towards the gradual elimination of barriers to international trade in services.

(MDF/10, para.27)

- The authors of the study felt that the theory of comparative advantage, as accepted in economic literature regarding trade in goods, also applied to trade in services. However, as service activities had reached different stages of development in different countries, special treatment along the lines of GSP for goods might be considered for services.

(MDF/10, para.29)

NETHERLANDS
(contd.)

- International division of labour on the basis of an optimal operation of comparative advantage should not be limited to the goods sector alone. Its potential can only be fully realized if every sector of the economy is involved.
(MDF/7/Rev.1, para.131)
- Trade in various services sectors generally faces similar kinds of restrictions. Therefore, in principle an integrated approach would be the most appropriate.
(MDF/7/Rev.1, para.150)

NORWAY

- 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.
(MDF/6, para.8)
- Norway's attitude is positive with respect to GATT's consideration of the question as to what extent it is desirable to have a multilateral system of rules.
(MDF/7/Rev.1, para. 144)

PAKISTAN

- Noting that labour was an integral component of some service sectors, for example in construction or restaurant business, said that restrictions on immigration should be discussed in such situations.
(MDF/10. para.16)

SWEDEN

- The growing number of regulations affected the potential for trade and economic growth offered by services and thus called for multilaterally agreed principles concerning their impact and legitimacy. The concept of "trade" in services also should be discussed, as it was difficult, for example, to separate services trade from trade in goods. As it would be difficult to apply separate rules and policies to trade in services if these were an increasingly integral element of trade in goods, careful consideration should be given to the extent to which GATT principles might be applied to services.
(MDF/10, para.31)
(MDF/7/Rev.1, para.145)
- On the question of "legitimate interests", she did not think it would be possible to define common criteria as to what might be considered the legitimacy of government regulations, but it would at least be necessary to know the motivations behind the regulations that exist.
(MDF/10, para.35)

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- SWEDEN (contd.)
- UNCTAD has an important contribution to make to the consideration of the rôle of the service sector in the development process.
(MDF/7/Rev.1, para.153)
 - The growing rôle of services in national economies is said to offer a promising potential for trade and economic growth, a potential which will not be fully used if governments fail to pursue policies that would be conducive to liberalization of trade in services.
(MDF/7/Rev.1, para.135)
 - In this respect, the growing number of regulations with trade restrictive effects would call for multilaterally agreed principles or rules defining the legitimate interests of governments to protect when doing so.
(MDF/7/Rev.1, para.145)

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- SWITZERLAND
- 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.
(MDF/6, para.46)
 - Suggested that instead of analyzing whether GATT rules were applicable to services one could first look at the particular problems arising in the services sectors and then look only at what types of regulations may be needed and what existing rules were relevant. In this context, he suggested in particular that the motivations behind the measures hindering trade in services should be examined rather than just the measures themselves.
(MDF/10, para.14)
 - Raises two questions of a general nature which, if the GATT CONTRACTING PARTIES decided to continue work on services, it thinks would merit thorough and priority examination. In order really to understand the substance of the problems and the way in which they should be approached, it would be necessary first to elucidate the various objectives pursued by governments in the matter of services and the methods used to achieve them. Following such an inventory, it would perhaps be possible to determine whether and to what extent there exists an adequate common basis for orienting, clearly and appropriately, any multilateral efforts to work out international rules of behaviour in the matter of services. To be fruitful, such efforts would have to be based on a common conception of the forms and, if necessary, the limits of the competition to be safeguarded by the international community.
(MDF/7/Rev.1, para.149)
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UNITED KINGDOM

- He concluded by saying that an overall approach to services, giving the flexibility to handle special circumstances of individual sectors, offered the best changes of success at the international level. In this context, particular attention should be paid to the possible application of existing international provisions governing trade in goods and to the experience gained in preparing and operating those provisions.
(MDF/10, para.25)
- The removal of restrictions would have positive economic effects in terms of allocation of resources and benefits to consumers, and those were the main aspects to keep in mind.
(MDF/10, para.26)
- This country is ready to participate fully in subsequent negotiations in the GATT. In this country's view it may well be possible to obtain a lead from the principal provisions that now govern trade in goods. Such an overall framework offers the best chance of progress towards genuine liberalization of trade in services.
(MDF/7/Rev.1, para.146)
- It is hoped that the outcome of the consideration of national examinations will go beyond an understanding of obstacles by pointing the way to an internationally agreed framework within which liberalization of trade in services can take place, similar to that which it has been the GATT's purpose to achieve in trade in goods.
(MDF/7/Rev.1, para.150)
- It may well be possible to obtain a lead from the principal provisions that now govern trade in goods. Such an overall framework, while retaining however a flexibility of application to fit the particular circumstances of individual sectors, offers the best chance of progress towards genuine liberalization of trade in services.
(MDF/7/Rev.1, para.150)

UNITED STATES

- Regarding state jurisdictions in the area of services he acknowledged that this may affect the ability of the United States government to commit itself to certain principles. While state regulations were fairly open, the issue of sovereignty remained sensitive.
(MDF/10, para.18)

UNITED STATES
(contd.)

- On the question of access to the distribution system, he said that the "right" of access should be judged from the point of view of whether the regulations were reasonable. The problem was: could trade rules govern the right to own a distribution system? This was basically an investment issue, but the "right" to contract with a local distribution system was seen as a practical way of getting around the investment aspect.
(MDF/10, para.19)
- As far as immigration was concerned, while ideally one should not exclude any issue from discussion, as a practical matter it would be difficult to subordinate immigration rules to trade rules.
(MDF/10, para.20)
- The absence of data should not prevent discussions of possible approaches to multilateral action. While the ideas presented in the national studies were preliminary, it was useful to have some discussion of possible solutions.
(MDF/15, para.15)
- Multilateral action should be carried out in GATT because the most important aspect of any arrangement would be its contractual character. He agreed, however, that GATT rules could not be simply extended to services, though some GATT principles could quite conceivably be found applicable.
(MDF/20, para.17)
- He highlighted items which could be taken into account in the final discussion process, in particular general principles, namely transparency, national treatment, and consultation and dispute settlement; rules governing monopolies; rules applying to specific sectors; and the conclusion of agreements along functional lines. His government's position remained flexible on precisely what substantive principles were needed for an understanding.
(MDF/20, para.17)
- Successful structural adjustment of national economies is closely tied to the growth of services within individual economies and to their exchange internationally.
(MDF/7/Rev.1, para.133)
- Four possible approaches to regimes of trade disciplines in services. One approach would be to rely on multilateral institutions dealing with problems related to individual sectors.
(MDF/7/Rev.1, para.154)
- A second approach would be to rely on bilateral agreements for individual sectors.
(MDF/7/Rev.1, para.155)

UNITED STATES
(contd.)

- A third approach would be to rely on bilateral agreements covering all or a large number of service sectors.
(MDF/7/Rev.1, para.156)
- A fourth approach would be to rely on multilateral agreements covering all sectors.
(MDF/7/Rev.1, para.157)
- This fourth option was the one which met the preference of the United States authorities. It was also their view that multilateral action should be carried out in GATT because the most important aspect of any arrangement would be its contractual character. However, GATT rules could not be simply extended to services, though some GATT principles could quite conceivably be found applicable.
(MDF/20, para. 17)
- The question was that, although it was important to have useful analytical work on services, there was a great deal of frustration over the difficulties of doing business in foreign countries and the absence of any meaningful international disciplines. The international regulatory environment could best be described as a state of anarchy, which permitted developed and developing countries alike to adopt regulations based solely upon their sovereign objectives and not taking into account what might be an international norm. In this context, the whole discussion of GATT competence was an academic one.
(MDF/W/56, para.39)
- A process could be devised to determine which regulations and which services activities could be appropriately subjected to international disciplines. One could not just accept without discussion any and all arguments that regulations were being maintained for sovereign socio-economic reasons.
(MDF/W/56, para.43)

INDIA, ARGENTINA,
BRAZIL, EGYPT,
PAKISTAN, URUGUAY
YUGOSLAVIA

- Stressed that no conclusions had been reached in the exchange of information and that there was not even a common understanding on the issues raised in the analytical summary of national examinations prepared by the secretariat.
(MDF/W/56, para.48)
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(5) WORK UNDERTAKEN IN OTHER RELEVANT INTERNATIONAL ORGANIZATIONS

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- AUSTRALIA
- Noted that other international fora, e.g. OECD, UNCTAD, IMF, IMO, ICAO, etc. had specific rôles and responsibilities in certain areas of services, which related to the implementation of existing legal instruments, whereas the GATT had no specific mandate in services up to now.
(MDF/15, para.14)
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- ARGENTINA
- The information provided for by the international organizations, in particular UNCTAD, showed interesting approaches to services which took more into account the situation of developing countries. This type of information should not be omitted from any conclusions that might be drawn from the exchange of information.
(MDF/20, para.22)
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- EEC
- It would be a mistake to think that all the points mentioned in document MDF/17 were of particular interest to developing countries only. Many of the points raised were of general interest, for example the rôle of transnational corporations, the dependence of countries on large foreign companies, the problems which might arise if an international market did not have a competitive structure.
(MDF/W/56, para.38)
 - He agreed that the rôle of services in the development process was important and should be taken into account.
(MDF/W/56, para.38)
 - The work of a large number of international organizations dealing in some way with services had to do with aspects of services which were either technical, or in any case partial.
(MDF/W/56, para.38)
 - There existed a multiplicity of international organizations, all having a very partial rôle and a large part of international transactions in services were not subject to international regulations and did not fall under the work programme of any international organization.
(MDF/W/56, para.38)
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- INDIA
- UNCTAD had done some work on various services sectors, notably shipping, insurance, transfer of technology and financing related to trade. This work had led to the negotiation of certain instruments, particularly in the areas of maritime transport and transfer of technology.
(MDF/W/56, para.37)

INDIA (contd.)

- UNCTAD was already seriously addressing itself to some of the concerns delegations were considering in these meetings and it was useful to keep this fact in perspective. Therefore, his delegation felt that UNCTAD had a significant rôle to play and that the on-going work in that organization could help to clarify some of the issues which these meetings had not yet discussed.

(MDF/W/56, para.37)

- Referring to the work done by UNCTC, he recalled that other delegations had also noted in the context of their national studies the rôle of transnational corporations in services sectors. In this context, his delegation was interested to reflect on the question of restrictive business practices in services and how these could be addressed i.e. either by sector or through a combined approach.

(MDF/W/56, para.37)

- Countries were propagating ideas of liberalization and a GATT-like approach. He stated that it was not yet clear how this approach, which was supported by a number of delegations participating in the meetings, could take into account the existence of fora, some with wider representation than the GATT, which were fully competent to deal with all aspects of particular services.

- As long as it was not possible to establish some common characteristics in all services sectors, and to show that these common characteristics were significant enough to bring them within the umbrella of an overall multilateral agreement, it was not correct to say that the specialized organizations mentioned in document MDF/17 had only a partial rôle in addressing these questions. These organizations were fully competent, their competence had not been questioned and they had not been found wanting in the areas where they were discharging their responsibilities:

(MDF/W/56, para.40)

UNITED STATES

- Concerning the general contribution of the international organizations to this dialogue on services, there was no question that there was a multiplicity of them dealing with various aspects of services, and probably the only one which had dealt with the subject in its entirety was UNCTAD. What was relevant, nonetheless was the long-term contribution which all these international organizations could make, and in this regard it was clear that apart from doing analytical work, the scope of their activities was very limited.

(MDF/W/56, para.39)