

GENERAL AGREEMENT ON TARIFFS AND TRADE

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TRADE IN SERVICES

The following communication, dated 10 June 1986, has been received from the delegation of the United States with the request that it be circulated to all members of the Preparatory Committee.

Proposed Text for Ministerial Declaration

In recognition of the growing importance of trade in services to the effective operation of the global economy, it is agreed that liberalisation of trade in services through negotiations is desirable. Such negotiations should aim at ensuring that international trade in services is as open as possible through the development of a multilateral services agreement setting forth principles and procedures for the conduct of international trade activities in services. Such agreement should establish disciplines governing services trade, taking account of the legitimate objectives of national laws and regulations applying to services, and should also address specific trade barriers and unfair trade practices encountered by particular services sectors, as identified during the course of the negotiations.

Accompanying Paper

Importance of Services Trade to the Global Economy

Services play a major rôle in the economies of all trading countries. Not only do services account for a substantial share of employment and job creation, but a dynamic services economy is generally recognised as essential if countries are to have the technology and information systems necessary to compete effectively in international goods' trade. Despite this recognition, trade in services frequently is occurring in a closed environment - obstacles are increasing due to a lack of agreed disciplines to govern international services trade and the tendency at the national level to unfairly control the activity of foreign participation.

Growth in internationally traded services is encumbered by a lack of transparency of practices, the explicit prohibition against foreign producers of services, and regulations whose clear effect is to restrict an open competitive environment for services.

For all countries, a favourable climate for services trade creates the necessary environment to achieve overall economic growth, and, in particular, the strengthening of existing services sectors.

Multilateral Action

An agreement setting forth multilateral rules for the conduct of services trade will have to take into account the legitimate objectives upon which regulations governing services trade are promulgated. This is no different from the conduct of trade in goods where countries continue to maintain their rights to establish regulations for such purposes as national security, cultural sovereignty, and consumer protection.

As trade in services has increased, attention has been focused on the problems created by those regulations that unreasonably restrict competition and distort trade. Agreement on the best means to address this situation, through negotiations, is desirable.

While the scope and outcome of any services negotiation will be an integral part of the negotiating process, a multilateral services agreement should provide a framework of rights and obligations that governs trade in services. Such agreement should also establish a basis upon which countries will agree to liberalise specific barriers to trade in individual service sectors and the procedures necessary to resolve disputes that arise between governments.

A number of well established GATT principles, such as market access, transparency and national treatment, should be the starting point for dealing with services trade, although such principles may have to be adapted to take into account the unique nature of such trade. As with trade in goods, the agreement will have to consider appropriately any exceptions to the basic obligations to take into account the sovereign concerns of governments.

Agreement on a general set of rights and obligations, while useful in itself, may not fully address the unique problems of trade in individual service sectors. Sector-specific agreements should also be reached giving greater clarity to these rights and obligations.