

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED
MTN.GNS/W/20
17 September 1987
Special Distribution

Group of Negotiations on Services

Original: French

COMMUNICATION FROM BRAZIL

The following statement, made by the delegation of Brazil at the meeting of the Group of Negotiations on Services on 15 September 1987, is circulated at the request of that delegation to the members of the Group.

1. At this fourth meeting, the Group of Negotiations on Services is again taking up the discussion of a subject that is quite complex and at the same time highly important for the national economies which are seeking an ever greater integration, on equitable economic and commercial conditions, in the economic community of nations. In this statement, the delegation of Brazil would like to contribute some general thoughts concerning the economic aspects related to service activities and trade in services. The first question addressed is that of the possible creation of a legal framework in an area of economic activity marked by a total lack of knowledge of the mechanisms at work. The second question addressed is that of the liberalization of this type of trade linked with the development processes of nations characterized by different stages of development.
2. The history of the creation of a legal framework for multilateral relations has in the past been determined by the existence of specific analytical foundations and, it may be admitted, by political theories on international trade as well as on the national development process. In the course of this, the very existence of these theories has allowed the introduction of new principles into the sphere of economic activity and intra- and international economic relations, in order to deal with the specific situations and circumstances of developing countries.
3. To take an example, the analyses of comparative advantage in the theory of international trade have justified the benefits accruing to nations from the introduction of a liberalization of international trade, in the case of goods. According to the theory, the relative specialization of nations in certain products in which they have an advantage, above all through the allocation of factors of production, would take place, allowing national economies to develop on the basis of international trading relations. We know that this has not happened over time, and these analytical foundations have been criticized, above all because it has been observed that other economic factors intervene in trade relations and confound the analytical reasoning underpinned by these theories.

4. Tertiary activities, and in particular services, constitute, a field conspicuous for a complete absence both of analytical and theoretical foundations allowing a better knowledge of the behaviour of such activities in relation to the national economic development process, and what is even more disturbing, of a knowledge of the volume, composition and dynamics of the corresponding trade relations.

5. If we take the analytical foundations of the theory of international trade, modelled on the behaviour of the production of manufactures or of so-called primary sector goods and the mobility of their intra- and international production, in order to try to understand this activity, we run the danger both of committing the same errors of general interpretation of economic relations and the development process of nations, and also of obscuring the analysis of an activity where non-economic factors, such as the quality of services, famous trademarks, the supplier's renown or reputation, a better organized and more powerful distribution and technical assistance network, organizational technology and so forth, guide comparative advantage at the international level and thus orient competitiveness in economic and commercial relations.

6. These initial questions which we have raised here are not purely theoretical ones: they have a real impact on the possibility of negotiating a legal framework for trade in services, and above all as regards the possible creation of such a framework in international relations.

7. A second element of reflection concerns the economic aspects related to service activities and trade in services, namely, the question of liberalization of this trade in relation to the national development process.

8. These negotiations on trade in services are set under the aegis of development. The terms of reference established by the Punta del Este declaration emphasized that the economic development and growth of all trading partners was the central objective of the negotiations. The aim of the multilateral framework of principles and rules which could be established is the growth of trade, as a possible means, however, of promoting the growth of all participating States and principally, and this is what we would like to stress, to promote the economic development of the less-developed countries.

9. In so doing, the exercise of liberalization of trade in services cannot be an end in itself during the negotiations. The progressive liberalization of trade in services under conditions of transparency can only be established in so far as it does not conflict with the objective of promoting the economic growth and development of the negotiating countries.

10. Two questions arise here: the first is that of the self-sustained development of nations. For the great challenge which many developing countries have taken up is that of maintaining and improving their levels of efficiency and also of increasing the competitiveness of their products through the use of modern technologies, while at the same time using their domestic, regional and intra-regional markets in order to be able to promote the self-sustained development of their technological and industrial capacity. This is not a new challenge, since in the past many countries that have now reached an advanced state of development have successfully faced up to it.

11. If one accepts the statistical information available, above all that of the balance of payments, international trade in services is especially controlled by the developed market-economy countries. On the other hand, even if the quality of the statistical data is poor and therefore prevents more thorough analysis, the partial information available indicates that it is in the developing countries that there is a considerable growth in the demand for some specific sectors, such as engineering and know-how services linked with the various traditional sectors of economic activity.

12. The industrialized countries have a dominant position in trade in services. In 1980, their imports represented nearly 70 per cent of total world imports of services, and their exports more than 80 per cent. As regards the degree of coverage, if one accepts the statistics of the International Monetary Fund, the data indicate that they have swung from a deficit to a surplus position, reaching a surplus of some US\$10 billion in 1980.

13. Now, the Punta del Este mandate clearly expresses the evolution that has occurred in economic thinking and in multilateral economic fora in recent decades, in the direction of setting the question of economic development as the ultimate objective of negotiations, as well as the central reference point for drawing up rules. Naturally, it is not a question of finding exceptions to general principles in order to accommodate a specific and transitional situation of developing countries, but of designing a legal framework that is fully compatible with economic growth and development.

14. Thus, the objective of the negotiations cannot be to maintain a trade in services that is concentrated in a small number of countries, but rather the growing participation of developing countries in this type of trade.

15. It is likewise out of the question that the objective of the rules which could possibly be established for trade in services should be to open up the markets of developing countries in conditions which would mean that the latter's domestic economy in the services sphere was no longer viable.

16. Here the second question arises. Unlike activities of a tangible nature, the production and marketing of services have special features, which means that national policies in this sphere make use of mechanisms and instruments that are quite different from those relating to activities for the production and marketing of physical or tangible goods. It is impossible to imagine, for example, tariff barriers for service activities in trade. National policies concerning service activities are of another nature, and thus original. How then can it be possible to reason on the basis of the GATT rules with regard to these activities, without giving rise to interference in the internal development policies of nations. It should also be recalled that in many cases these activities embrace the social and cultural values of societies. In this case, then, the question of national sovereignty nations arises.

17. These are the preliminary thoughts which the Brazilian delegation wished to contribute for the time being to the discussions on this highly complex issue which is, I repeat, of such importance for national economies.