

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

MTN.GNS/W/27

5 November 1987

Special Distribution

Group of Negotiations on Services

Original: English

COMMUNICATION FROM BRAZIL

The attached statement, made by the delegation of Brazil at the meeting of the Group of Negotiations on Services on 4 November 1987, is circulated at the request of that delegation to the members of the Group.

Yesterday one delegation referred to the reluctance of developing countries to accept the idea of multilateral negotiations on trade in services. In the past, the Brazilian delegation has also made references to this reluctance and specifically has explained the reasons for it, in the meeting of the GNS held on 25 February, this year, that is the first meeting after the adoption of the programme for the Initial Phase of Negotiations.

The Brazilian delegation then explained that this reluctance was a natural reaction of less powerful countries whose structural weaknesses in terms of negotiating strength are compounded, in the case of trade in services, by a very limited knowledge of the issues proposed for discussion and by a lack of negotiating experience in this complex new field. Given these facts and the particular circumstance that the "demandeurs" have already in place a much more developed service industry, as well as a substantial amount of national regulations in all areas of services, there should have been no surprise at the fact that developing countries, which do not find themselves in that privileged position, should have felt reluctant or even hostile to endorsing the proposed negotiations on trade in services. This was all the more justified as one could foresee that we would probably be faced in such a process with questions of a very delicate nature. These questions could have profound political and legal implications, affecting, in some instances, constitutional principles of our internal organization as sovereign States.

The Brazilian delegation recognized that this reluctance has been partially overcome in Punta del Este, when developing countries, represented at very high political level, gave their assent to a beginning of this process, in a demonstration of good will, by accepting to explore the possibility of arriving at a "set of multilateral rules on trade in services".

At the same GNS meeting, the Brazilian delegation stated that the political commitment to explore the possibility of establishing a "set of multilateral rules on trade in services" had been accepted taking into account that this aim is to be accomplished only to the extent that it can serve the intermediate aim of promoting expansion of trade in services and, in particular, the ultimate aim of promoting the economic growth of all participants and the development of developing countries. And we pointed out that, as a consequence, it would be incorrect to assume that this process is an exercise to liberalize trade in services at any cost, that trade liberalization is an end in itself. The Ministerial mandate establishes liberalization and transparency as conditions under which the objective of expansion of trade in services could be attained, provided that it does not conflict with the paramount objective of promoting economic growth and development of participants individually considered.

It was also mentioned, in that context, that the starting point of the negotiations in the GNS would have to be the establishment of a solid factual basis, which will permit the clear identification of the problems to be solved and the appropriate negotiating techniques to arrive at such solutions. In fact, Brazil considers the elements listed in the Programme as the first step to establish the factual basis.

Already in that meeting, Mr. Chairman, the Brazilian delegation pointed out some of the major difficulties - definitions, concepts, statistics. And we have been referring to these problems ever since and have not yet had an answer. We also stressed that it would be quite difficult to proceed to agree on a possible framework of rules without a previous agreement on the question of definition of what services and trade in services actually consist of.

Mr. Chairman, before making some very preliminary remarks on the concepts for a framework agreement in services presented by the United States in document MTN.GNS/W/24, the Brazilian delegation had to restate some of the basic points of its position, as there has been no change in this position and as, in reading the said document one could easily have the impression that much had been achieved as far as the factual basis, we consider so important, is concerned. One could even jump to the optimistic conclusion that there had been a common understanding in the way some concepts like transparency, non-discrimination and national treatment have been dealt with in documents MTN.GNS/W/12, 13 and 18. However, although we had long and interesting discussions about these documents in the meetings of the GNS since they have been presented, they did not lead to a consensual view as can be easily read in the notes prepared by the secretariat: paragraphs 25 to 30 of document MTN.GNS/9 and paragraphs 22 to 32 of MTN.GNS/10.

Therefore the Brazilian delegation wants to thank the delegation of the United States for its effort in preparing document MTN.GNS/W/24, but must notice from the outset that, as far as the discussions which took place in the GNS on several concepts are concerned, in reading the document unfortunately we had the impression that only one side of the views

expressed in the GNS have been taken into account. Secondly, as far as the Ministerial Declaration mentioned in the very first line of document MTN.GNS/W/24 is concerned, the Brazilian delegation is of the view that it has been carefully worded and one should not just take one of its elements apart, like "negotiations shall aim to establish a multilateral framework of principles and rules for trade in services"; as it goes on "with a view to expansion of such trade under conditions of transparency and progressive liberalization and as a means of promoting economic growth of all trading partners and the development of developing countries. Such framework shall respect the policy objectives of national laws and regulations applying to services and shall take into account the work of relevant international organizations."

We have stated before that the expansion of such trade and its progressive liberalization are not the ultimate aims of this framework, but a means of promoting economic growth of all trading partners and the development of developing countries. We have read the document MTN.GNS/W/24, carefully, several times, without finding this objective reflected. But we noticed something else, to which we cannot see any reference in the Ministerial Declaration: that is a long description of all possible aspects of market access, which of course can apply only to those countries which are competitive in trade in services and know what it is all about. In this point the present document goes even further than MTN.GNS/W/18, as the participant who had circulated it stated that market access was not dealt with in that paper (MTN.GNS/10, para. 11). As far as "transparency" is concerned, for the moment being, we would like to point out again only that an advance review for national laws or regulations by private parties and interested governments seems to be somewhat in conflict with the Ministerial Declaration.

Much has been said yesterday about the other points of document MTN.GNS/W/24 and we would prefer to reserve our remarks on them for a future meeting. But we noticed with regret that the discussions we have had and specially the concerns put forward by developing countries have not at all been taken into account in this document and the Brazilian delegation therefore cannot at all accept its conclusions. Besides the impossibility to direct the focus of the works in the GNS towards the elaboration of a framework at this stage, we do not at all consider this document a solid basis for the elaboration of a framework, as such a basis should take into account the interests of all participants.