

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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Group of Negotiations on Services

NOTE ON THE MEETING OF 14-15 DECEMBER 1987

1. The Group of Negotiations on Services (GNS) held its eleventh meeting on 14 and 15 December 1987 under the Chairmanship of Ambassador F. Jaramillo (Colombia).
2. As indicated in airgram GATT/AIR/2527, the agenda of the meeting contained two items: first, the five elements listed in the programme for the initial phase of negotiations, and second, the stocktaking as agreed in this programme, in order to determine how to carry forward the negotiating programme (MTN.GNS/5).
3. Under the first item, the member who had circulated a discussion paper on a possible conceptual structure for a services agreement (MTN.GNS/W/29) said that his delegation had put a considerable effort into producing a contribution which was hoped to be useful for the negotiating process. Since the paper had only just been circulated, he suggested to come back to it at the first meeting of the GNS in 1988. Then he would also introduce and explain the paper.
4. Another member who had circulated a paper (MTN.GNS/W/30), introducing it, said that the submission did not pretend to give a full text of a multilateral framework. The paper pointed to three essential elements. First, the multilateral framework should not seek to impose a general liberalization or oblige countries to adopt a uniform behaviour. Second, the principles underlying this framework had to be coherent with those of the General Agreement. But, at the same time, the mechanisms to be used in the field of services should not necessarily be those applying to trade in goods. Countries should be ready to innovate in this field. Third, with respect to the operative part, it was important to avoid that national legislations became unilaterally more and more restrictive. The idea was not to impose uniform harmonized legislations but to put in place a number of provisions which would prevent protectionist national legislations. An important dynamic mechanism would be the introduction of the concept of an optional most-favoured-nation clause (OMFN) which did not restrict in any way the full freedom of concluding agreements between participants. This mechanism would allow the insertion of contractual obligations among signatories within a multilateral framework. To achieve this, certain negotiating rules would have to be set up. For example, to avoid protectionist agreements, certain types of agreements should be prohibited and participants would be required to present lists of sectors with respect to which they were ready to negotiate. Existing bilateral, plurilateral and

multilateral agreements could serve as a basis to initiate the whole operation and would be considered as initial agreements in the context of the multilateral framework. Although no Article XXIV provision was suggested in the field of services, certain arrangements in this regard would seem necessary.

5. Under the second item dealing with the stocktaking, the representative of Mexico said that the deliberations and discussions which had been held in the Group in the course of this year had obliged all the countries represented to analyse more deeply the rôle played by services and particularly international trade in services in economic growth and in the development of developing countries. However, this analysis raised more questions than answers, and revealed more problems than solutions. The growing interrelationship in some countries between services and other economic activities showed that the theory of development by stages - from agriculture to manufacturing and from manufacturing to services - was a myth. But the exposure of this myth left countries without any economic theory on services, without any paradigm to replace the previous one in which manufacturing growth alone determined economic growth and development. In fact, more efficient services were giving rise to likewise more efficient manufacturing production, and this might be clearly seen in the developed countries. In addition, the fact that services virtually always had to be produced and consumed in the same place implied that there was a vast difference between trade in goods and trade in services. Thus, in order to have a theory on trade in services it was first necessary to define exactly what was understood by trade in services. Once again this left countries without any theory on such trade and its links with economic growth and the development of the developing countries. Furthermore, even the most ardent advocates of deregulation of services agreed that there had to be at least some regulations to avoid the introduction of distortions in the economy, which would prevent it from operating smoothly. In these circumstances, it should be clear even for those countries that the liberalization of trade in services, regardless of what that was understood to mean, could not in itself be an objective of the Uruguay Round. In any event, the progressive liberalization of trade in services was acceptable provided it was a means for promoting the country's economic development, which was the final objective of the Punta del Este Declaration. Therefore, his delegation had stressed in the GNS that any agreement, whether general or sectoral, had to be fair and equitable for all countries represented. In the view of this delegation, the best means of evaluating the progress made in the GNS would be to analyse each of the five elements of the work programme.

6. With respect to definitional and statistical issues, his delegation considered that, although this was essential for a good outcome of the negotiations, there had been virtually no progress. If the GNS failed to define what was understood by trade in services, it would not be in a position to begin substantive negotiations either on a framework agreement or on sectoral agreements. At the April meeting, his delegation proposed a definition of what should be understood by international trade in services and by foreign investment in services. With reference to the communication

in document MTN.GNS/W/25 and its corrigendum, his delegation proposed now to amend that definition as follows. International trade in services was any service or labour activity across national borders to provide satisfaction to the needs of the recipient or consumer other than the satisfaction provided by physical goods (although they might be incorporated in physical goods), or to furnish an input for a producer of goods and/or services other than physical inputs (although the former might be incorporated in the latter). The importation of producer services and of labour added value to national goods and services in an intangible manner. His delegation did not expect this definition to be discussed at this meeting of the GNS, but it hoped that it would be further discussed at the first meeting in 1988. His delegation reserved the right to amend this preliminary proposal as and when it deemed it desirable. His delegation continued to believe that there was a close link between definitions and statistics. The coverage of the latter would necessarily be different if the negotiations only covered trade in services or if they also covered international movements of one or more factors of production. In this connection, it would be desirable for the GATT secretariat in its statistical work also to take account of data processed by the International Labour Organisation on employment and international labour flows. His delegation also continued to believe that it would be most useful to establish an ad hoc body, which could be a sub-group of the GNS, in which experts from the various countries represented would exchange information and experience regarding statistics. In brief, the delegation of Mexico considered that in 1988 the GNS should devote greater efforts to improving the present state of affairs in this sphere, since the success of these negotiations largely depended on an improvement in the existing statistics.

7. With regard to broad concepts on which principles and rules for trade in services, including possible disciplines for individual sectors, might be based, the representative of Mexico was of the opinion that this was the element that had been most discussed and also the one on which there was least in common among the various delegations. To begin with, some delegations wished to impose their particular viewpoints on the others without considering the latter's interests. This was all the clearer in that there had not even been a serious discussion about the link between trade in services and economic development problems. His delegation considered unacceptable assertions to the effect that economic development was achieved through the supply of cheap services to consumers, which in turn was obtained through the liberalization of international trade in services. Economic development involved more than that. However, it had to be made clear that for the delegation of Mexico the objective of these negotiations was to contribute to the development of the developing countries, to which their access to markets for services and labour as well as improved transfer of technology could make a major contribution. Secondly, some delegations wished to adopt uncritically the GATT principles not only for trade in services but also for foreign investment in services. His delegation had already expressed its preliminary view of some general concepts in the document MTN.GNS/W/25 and its corrigendum, and therefore it would not dwell on this point. At the same time, his delegation considered

that the GNS did not necessarily have to negotiate first the framework agreement and then the sectoral agreements, or vice-versa. There should be a process of interaction between the two. One should avoid a framework agreement and sectoral agreements that would become obsolete or inapplicable a few years after having been signed, or conversely that from the outset, because they were too ambitious, could not be applied by many countries which were barely adjusting their economic structure to the recent, pronounced structural changes in the international economy. In sum, while this year the GNS had discussed concepts such as non-discrimination, national treatment and transparency, his delegation considered that it had been done superficially; that these could not be borrowed from the General Agreement without being adapted to trade in services; and that a more detailed discussion was required of these and other concepts, including their application to labour-intensive services and to international flows of this factor of production. With respect to coverage, his delegation considered that the GNS was faced with a problem in which the definitional and statistical issues were interrelated with the concepts to be applied in the framework agreement and with the sectors to which this agreement was to be applied. The lack of discussions on this subject in the Group was merely a reflection of what his delegation could view as a vicious circle in the treatment of the above-mentioned issues. As the GNS advanced in the treatment and possible agreement of those issues, it should likewise advance in the definition of the coverage of the multilateral framework. Clearly, the framework had to take account of the existing international disciplines and instruments, and the GNS had to analyse the degree to which these disciplines and agreements contributed to the creation of a favourable environment for the promotion of economic growth and development. Unfortunately, such an analysis had not yet been undertaken in the Group. Furthermore, some of these disciplines and instruments might shed some light on the way in which the GNS could proceed with respect to general concepts. In fact, the principles on which a number of disciplines and instruments that already existed or were being negotiated were based were not necessarily the same as those "borrowed" from the General Agreement. Therefore, this element should be analysed more carefully than hitherto in the meetings in 1988.

8. With regard to measures and practices contributing to or limiting the expansion of trade in services, including specifically any barriers perceived by individual participants, to which the conditions of transparency and progressive liberalization might be applicable, the representative of Mexico said that this element was related to the general concepts and to the coverage of the multilateral framework. So far only a few delegations of developed countries had communicated to the GNS a series of barriers perceived by their exporters to the trade in some services. The problem arising here was that the importers did not necessarily consider such measures to be trade barriers, particularly when they concerned direct foreign investment. His delegation had therefore stressed the need for the GNS to discuss what was understood by "barriers" or "obstacles" to international trade in services. In this connection, his delegation had pointed out in document MTN.GNS/W/25 that, inter alia, the following should

not be considered barriers: (1) measures related to direct foreign investment; (2) measures applied in the same way to national and to imported services; and (3) for developing countries only, measures applied for balance-of-payments reasons, those applied to regulate "new" services, and those applied to regulate the enhanced transportability (arising out of new technologies) of "traditional" services. Thus, the progress achieved by the GNS on this subject was very limited. It had to redouble its efforts in 1988 in the exchange of ideas about what constituted an "obstacle" or "barrier" to trade in services. On the basis of all the foregoing considerations, his delegation considered that during 1988 the GNS should analyse in greater depth the five elements of the work programme. In doing so, it should pay priority attention to the way in which these negotiations could contribute to the development of developing countries. This was a fundamental element in the future work. His delegation had participated intensively and constructively in this Group's discussions and intended to continue doing so in future, like all the other delegations. However, for this attitude to be translated into concrete results, it considered it essential that there should be greater understanding of the problems facing the economies of developing countries, particularly in an especially adverse international economic situation. Without such understanding, it would be extremely difficult to attain the objectives embodied in the Punta del Este Declaration.

9. The representative of the European Communities said that in his view considerable progress had been achieved in the GNS. As to statistics and definitions he said that the importance attached by many delegations to the improvement of the available data on trade in services had emerged with great clarity. Some delegations had a short-term need to improve their knowledge and hence their negotiating ability in the GNS and it was hoped that the on-going work of the secretariat, in liaison with other organizations, would help to fill this gap in the near future. Other delegations, including the Community, emphasized the longer-term need for an improved statistical system in order to facilitate the operation of the agreement being negotiated. His delegation encouraged all other delegations to increase their efforts to ensure that the work going on in other organizations to fulfil this need proceeded as rapidly as possible. The definition of what was meant by trade in services had not yet been treated in depth. What had become clear, however, was that the negotiations on these points needed to be oriented to the reality of services trade, to be relevant. Since an important characteristic of trade in many services sectors was that producer and consumer needed to come together at least temporarily in order for the service to be rendered, this would need to be reflected in the discussion and the GNS would need a new approach to ensure that the corresponding forms of trade were covered by the agreement. The definitional question was only one aspect of a more general conclusion which had emerged from the deliberations. The GNS needed to free itself from the shackles of traditional modes of thought in the trade field. Many of the ideas which were embodied in the GATT would serve well in these negotiations on services but the overall structure of the General Agreement - what had been called the "GATT paradigm" - could not appropriately be applied to

trade in services. In the GNS delegations were searching for a new paradigm to provide the bridge between the objectives laid out in the Punta del Este Declaration and the agreement which was the goal. This paradigm could be thought of as the structure of interlinkages between the various concepts which would underlie the articles of the agreement. Discussions had clearly indicated the need to move towards a common view of what this structure might be, to serve as a guide to the subsequent work. Discussions of concepts had also made clear that delegations could not continue to talk primarily in generalities. They had to be prepared to explain the implications of what they said for individual service sectors. In other words, they had to examine whether the general concepts used were relevant for and applicable to particular service sectors. It was partly because this process had hardly begun that the element dealing with coverage had received relatively little attention. But it was also because sectoral coverage was linked both to the definition to be adopted for the content of trade in services and to how delegations wished to deal with existing international agreements in particular sectors, a subject on which most delegations had been happy to reserve their positions. What had become clear was that the issue of coverage would need to be dealt with satisfactorily before a viable agreement could be achieved. What was also clear was that the wider the coverage, the greater the impact of the agreement. And it was because the Community wanted this agreement to have the maximum possible positive impact on the world economy that it was in favour that it covered all tradeable services.

10. With respect to existing international arrangements and disciplines, the representative of the European Communities said that delegations had acquired, thanks largely to the efforts of the Secretariat, a much improved knowledge of what they covered and of their possible relevance to trade. But they had yet to address the delicate question of just how they would fit together with a multilateral services agreement. Finally, with respect to measures and practices affecting trade, the GNS had been concerned almost exclusively with such that inhibit trade. Practices of market participants had been identified as one category, but the emphasis had been on the very many national regulations around the world which inhibited trade. The necessity to examine, in one form or another, these regulations had become evident. His delegation suggested that the GNS needed to move towards a consensus on four essential questions: (1) What types of international transactions were to be included in what was meant by trade in services? (2) How should the agreement reconcile the need to liberalize market access as the motor of trade expansion with the full respect of the policy objectives of national services regulations? (3) How could it be ensured that the expansion of trade induced by liberalization promoted and did not hinder development? (4) What relation should there be between the general provisions of the agreement and the sectoral provisions which would be needed to make it operational? His delegation would regard these as key issues in the next phase of the work, although it did not exclude that others might emerge as time went on. Finally, regarding the assessment of where the GNS was now and where it must go from here, his delegation emphasized the Community's commitment to putting into practice the

equilibrium underlying the Declaration of Punta del Este, exactly as negotiated. The assessment also started from the premise that in these Uruguay Round negotiations balanced progress had to be made leading to a balanced outcome on all negotiating subjects - this is the concept of globality which was in line with the single policy undertaking launched in Punta del Este. And because services was a new subject, the negotiating road would be long. The GNS would need to travel along it rapidly if delegations were to reach the goal in a little under three years' time. His delegation's view was that the GNS had made good progress on this road - good, but insufficient. More focus and more direction to the work was needed, with a view to making substantive progress in the next phase of work towards the negotiating objectives. It was believed that this focus could be given by moving towards a working hypothesis on the conceptual structure of the agreement and by giving increased attention to the sectoral implications. In practical terms, his delegation would expect the work to be increasingly concentrated on written contributions by delegations, including, of course, its own.

11. The representative of Argentina said that, as was to be expected, the discussions had not been easy because the question of services was in itself complex, heterogeneous and above all novel. Its discussion and consideration at international level had hitherto been incomplete. In spite of these difficulties, his delegation considered that the GNS could be reasonably satisfied. In the first place, the negotiating plan, and in particular the elements identified to guide the work, had proved to be correct and had allowed the GNS to advance. The GNS had before it some proposals on the concepts that might be included in a multilateral framework on trade in services. Clearly, those proposals would have to be examined in depth in order to determine whether they were viable and, in particular, what would be the consequence of applying certain principles to international trade in services, such as most-favoured-nation treatment, national treatment, etc. His delegation wished on this occasion to underline three fundamental points resulting from the work and which would have to be taken into account in any agreement that might be achieved: (1) respect for policy and national development objectives, (2) principles and rules agreed on in regard to services could not be the result of an automatic transfer of those applied to goods, because the two areas were obviously different in nature; one needed a new and different model of approach, and (3) the liberalization process had to be conceived as a gradual process in time, following completion of the Uruguay Round and subject to negotiations that took account of the interests of the parties. The question of definition, coverage and existing international disciplines had taken an important place in the work so far. His delegation attached great importance to the last two of these elements, which would have to be examined on a concrete and pragmatic basis, without any generalization, since the scope and coverage of any multilateral framework would have to take account of existing arrangements. It would be necessary to define which sectors to include in the framework, or which ones not to include. This would make it simpler to elaborate such a framework and would clarify discussions. Examples of existing international disciplines were the

agreements on international civil aviation and on maritime transport. The Group would have to consider whether the coverage of the multilateral framework should include those sectors, and others. The question of definitions would become clearer as progress was made on the other two aspects. Another important element for the GNS was the question of statistics. Discussions had been held on this, though without arriving at any fundamental clarification. It was found that there were major shortcomings in regard to the quality of statistics, more in the developing countries than in the developed ones, and that certain international bodies were endeavouring to solve this question. But the GNS had not taken any decisions as to how to contribute to improving the situation. It was noted that proposals had been made to try to co-ordinate action in this direction. There were also some offers of technical co-operation. Both aspects would have to be taken up again with a view to putting them into practice. There was an important link between this question and the assistance that international bodies could give, as envisaged in the negotiating plan. His delegation was not suggesting that the statistical question should be a subject of negotiation, but that practical action was needed that might be parallel to the work being done within the Group.

12. The representative of Argentina went on to say that the GNS should be able to progress toward the objectives of the negotiations by moving ahead on the various elements not only in an independent manner but on the basis of their interrelationships. It was considered that from now on those objectives had to guide the work. His delegation saw no need to fix new stages, but simply to continue the negotiations on the basis of what had been agreed in the Ministerial Declaration of Punta del Este. The various elements made up a major discussion basis for arriving at a multilateral framework. That basis would have to be harmonized with the negotiating objectives, i.e. expansion of trade in services under conditions of transparency and progressive liberalization as a means of promoting economic growth of all trading partners and the development of developing countries. As regards negotiating objectives, his delegation wished to underline the concept of development which was written into them. His delegation was aware that such an objective had to try to avoid any recurrence of certain experiences in regard to trade in goods. This implied in-depth examination of aspects such as transfer of technology, which in the case of services was a key component. Similarly, diversification of exports of services by developing countries would allow a balancing of services flows between them and the developed countries. As regards the process of progressive liberalization, this could have some similarity with what happened in regard to trade in goods. Indeed, as a result of successive rounds of negotiations, a growing process of liberalization had been beneficial to international trade. Even though there were still sectors not fully integrated in the process (agriculture and textiles were relevant examples), in general terms the results for other sectors were appreciable. Nevertheless one had to differentiate between trade in goods and trade in services. The former involved the tariff element as a factor of protection for the domestic producer. In the case of services, such protection took a different form, namely regulations. This was why his delegation considered

it would be inappropriate to transfer onto services the principles applied to goods, without taking into account the specific characteristics. His delegation was ready to collaborate positively as it had done so far in the initial stage, so as to carry on the work in a manner satisfactory for all participants in the negotiations.

13. The representative of India said that when the GNS adopted the programme for the initial phase of negotiations in terms of MTN.GNS/5 on 28 January 1987, participants were aware of the complexity of the task confronting them in this Group. Participants were keenly aware of the fact that they were entering into an uncharted territory. They knew that the subject matter of the negotiations bristled with a number of sensitive issues. The arduous negotiations which culminated in the adoption of MTN.GNS/5 bore testimony not only to the inherent difficulties that were faced but also the patience and understanding with which all the participants approached the task. Above all, the process also represented the vindication of the rule of consensus. That decision provided for a stocktaking at the end of 1987 in order to determine how to carry forward the negotiating programme. Looking back it was a wise decision. This stocktaking gave a timely opportunity to assess the progress of work so far and also to ensure that the negotiating process continued to be in conformity with the mandate of Punta del Este. This stocktaking was not intended to mark the end of the initial phase; it was intended to review the progress of work in 1987. The initial phase of negotiations was conceived not in terms of the year 1987 but in terms of the substantive process of identification and examination of various issues as elaborated in MTN.GNS/5 which incorporated a pragmatic, open and flexible approach to the issues under negotiations. It left the list of issues, their importance and order open. It contained careful formulations of the five elements specifically identified without prejudicing negotiating positions of any participants. It underlined that these elements had to be addressed in conformity with the negotiating objectives as stated in Part II of the Punta del Este Declaration. It recognized the need for periodic overview of progress and it highlighted the question of determination of the technical support to be provided by relevant international organizations. How far did the GNS accomplish the task delegations had enjoined on themselves in this document? While referring to the examination of the five specific elements identified in it, it said that "there would be opportunity to give greater precision to their content in due course". What was the degree of precision reached in the examination of each of them in 1987? In the meeting of this Group held on 28 January 1987 in which MTN.GNS/5 was adopted, the Chairman had occasion to observe as follows: "It was the understanding of all participants that the objectives of growth and development mentioned in Part II of the Ministerial Declaration would permeate through all the elements to be addressed". Could it be said that the discussions held in this group so far and the submissions received had truly reflected this understanding?

14. The representative of India went on to say that his delegation had already referred to the question of determination of technical support to be provided by relevant international organizations. It was worth remembering

that this requirement flowed directly from the Punta del Este mandate which required that the work of relevant international organizations should be taken into account and for that purpose, the GNS had to decide upon the technical support from such organizations. When this question briefly came up for discussion in the meeting of the Group held in February 1987, the Chairman had "hoped that the GNS could also decide at an early date on the question of technical support from other organizations". Although this was an important task to be accomplished in the initial phase, the GNS had not even addressed this question seriously so far. It was a matter of some satisfaction that to date there were many as thirty working papers on the table. If one looked at them from the point of view of the substantive examination of issues identified in MTN.GNS/5, delegations could not escape the conclusion that a large majority of them revealed not only serious inadequacy in terms of the coverage as well as treatment of the elements identified, but also, in some cases, a considerable measure of bias in their approach to such examination. With the exception of the submissions of the developing countries themselves as well as, to some extent, the latest submission received in MTN.GNS/W/29, the central objective of development had not even been touched upon in submissions made by important participants in MTN.GNS/W/2, MTN.GNS/W/8, MTN.GNS/W/12, MTN.GNS/W/13, MTN.GNS/W/14, MTN.GNS/W/18, and MTN.GNS/W/30. While MTN.GNS/W/1 merely flagged the issue, the subsequent paper from that group of countries did not contain any further elaboration. As far as MTN.GNS/W/29 was concerned, it had just been received and, therefore, it had not been possible for this delegation to make a detailed study of how this issue was treated in that paper. As for MTN.GNS/W/24, it could not be said that it did not touch upon this issue; it simply assumed that the availability of cheaper services through the opening of markets would bring about development of developing countries. In the past, when the rules and principles governing international trade in goods were framed, the issue of development was conspicuous by its absence. It appeared only later as an afterthought and an appendix. The unique feature of the Punta del Este mandate on trade in services was to place the issue of development right at the heart of the negotiating mandate. Delegations, therefore, had an historic opportunity in these negotiations to gear the framework of rules and principles on trade in services to the objectives of growth and development right from the start. The stocktaking exercise should, therefore, enable delegations to ensure that deliberations on the five elements in the months to come would be truly in conformity with this task, as indeed the negotiating programme elaborated in MTN.GNS/5 expected them to do.

15. Coming to the specific elements, the representative of India said that it had to be recognized that the question of definition had received very scant attention so far. In the very first substantive meeting of this group held in February 1987, his delegation had drawn attention to the importance of settling the definitional issues. It had pointed out that much of the confusion and the controversy could be avoided if the GNS confined itself to the subject-matter of international trade in services, i.e. trade in services that took place across national frontiers. Unless it arrived at a

clear and common understanding of what was implied by trade in services, delegations would only be talking at cross purposes. Looking back, it was obvious that much of the lack of progress in substance was precisely due to their inability to come to grips with definitional issues so far. On the question of statistics, delegations had devoted some attention and made some progress in understanding the dimensions of the problem. They were, however, far from having even approximate, disaggregated statistical data on trade flows and their direction in specific sectors. It was not possible for them, as practical negotiators, to weigh the costs and benefits of the possible outcome without a reasonably reliable and specific statistical basis. The specific contributions made by participants and other technical organizations in this regard were welcomed. Further work was needed on this element in the year ahead in the light of the conclusions that emerged on the subject in the meetings of the group this year. Next to the issue of definition, his delegation had, in its submission made in the first substantive meeting of the GNS, emphasized the importance of identification of sectoral coverage. It was only through such identification that some assessment could be made regarding the overall balance of advantages that would emerge from these negotiations. The sectors that had been alluded to in the submissions of industrialized countries had a distinct bias in favour of capital and technology intensive services. As had been stated repeatedly, these negotiations would have little meaning for developing countries unless they encompassed free access of skilled and unskilled workers from the developing countries into developed countries' markets for services. The issue of sectoral coverage would need much more specific attention in the negotiations in the year ahead.

16. The representative of India said furthermore, that the deliberations in the Group so far had been deficient insofar as the examination of existing international disciplines and arrangements were concerned. His delegation welcomed the document produced by the Secretariat (MTN.GNS/W/16) summarizing the main features, coverage and objectives of existing international disciplines and arrangements relevant to trade in services and containing some general comments on the nature of these arrangements. The discussions on this issue in the Group, however, had been perfunctory. It was not possible for his delegation to accept a view expressed in those discussions that these arrangements were too technical in nature and were not principally concerned with the trade aspects. Even a cursory examination showed that many of these agreements or arrangements such as those relating to civil aviation, telecommunications and liner conferences had substantive economic and trade dimensions. Indeed some of them appeared to have tackled the development dimension in ways that would suggest useful approaches to consider in this Group. Many delegations in this Group were parties to these arrangements and agreements. That was why the Punta del Este mandate itself required that any framework that might emerge out of these negotiations "shall take into account the work of relevant international organizations". It was neither feasible nor desirable, therefore, to launch on the exercise in this Group on a new framework, in disregard of what already existed in different sectors of services. His delegation did not subscribe to the view that the outcome of these negotiations would

automatically abrogate or supersede these arrangements. On the contrary, the outcome would have to be compatible with obligations in these existing agreements and arrangements. As the discussions in the last meeting of the GNS revealed, it would be useful, in the further work, to evaluate the importance of such arrangements for the promotion of growth and development and to examine the principles and rules in these arrangements with a view to exploring alternative approaches or models which might be more appropriate to the mandate. In this context, it was recalled that in the Final Act of UNCTAD VII held in July-August 1987, it was unanimously decided that UNCTAD should continue its useful work in the field of services and the Secretary-General of UNCTAD was requested, from the point of view of developing countries and in the context of overall development objectives (i) to analyse the implications of the issues raised in the context of trade in services and (ii) to explore appropriate problematics for trade in services, keeping in view the technological changes in the field of services. This work would provide invaluable input to these negotiations. His delegation, therefore, looked forward to expeditious completion of this work by the UNCTAD Secretariat. The examination by his delegation of the work carried out so far in the GNS revealed that much of ground identified in MTN.GNS/5 still remained to be covered. His delegation was also witnessing a growing inclination on the part of some participants to concentrate on the elaboration of elements of the multilateral framework, without having fully addressed the basic issues in themselves, their inter se relationships, and their conformity with the central objective of the Punta del Este mandate. It should be recognized that this approach tended to concentrate on only one element viz. broad concepts and principles to the detriment of a number of other equally or more important issues, identified in MTN.GNS/5. His delegation was afraid that this tendency might prove counter-productive. What was needed was to carry forward the negotiations in accordance with the flexible and comprehensive approach elaborated in MTN.GNS/5 which continued to be valid for the future work. It would be clearly unwise to attempt to ignore, downgrade or jettison MTN.GNS/5.

17. The representative of India went on to say that it would not be out of place to mention here that there had been some talk of early results in the area of trade in services as part of the mid-term review visualized in the Punta del Este Declaration. Section B(ii) of Part I of the Punta del Este Declaration contained the only negotiated basis for early results in the Uruguay Round. This possibility was envisaged only in negotiations on trade in goods and did not apply to Part II of the Declaration relating to negotiations on trade in services. Even in terms of the substantive progress that delegations had been able to achieve so far, as revealed by the stocktaking it would be entirely premature to look for early results in this area. His delegation remained committed to the Punta del Este mandate for the negotiations and the time-frame provided therein.

18. Before concluding, the representative of India touched upon some procedural aspects of the work in the GNS. He believed that delegations should use this stocktaking to draw some practical lessons from this year's experience. Six substantive meetings of this Group had been held in a

period of less than nine working months. This meant virtually a meeting every six weeks. The representative drew attention to the dates of the meeting and the dates on which the record note prepared by the Secretariat was circulated. The preparation of the record note by the Secretariat itself had taken roughly 3-4 weeks. Transmission of the record note to the capital would normally take a week. This practically left the capital with a week or less to examine and react to it. This inevitably led to a situation in which his delegation never could get reaction of the capital to the papers and discussions in time for the following meeting. The situation could have easily been avoided by providing for a gap of at least eight weeks between two successive meetings. Unfortunately, however, too much concern for the "optics" on the part of some participants compelled his delegation to agree to too many meetings at too short intervals, leaving too little time for the substantive process of examination in and inputs from capitals and consequently, more productive deliberations in the Group. One could leave aside for the moment the question of the substantive difficulties involved in negotiations on a complex and new subject like the one this Group was dealing with. One could also leave aside the question of logistic difficulties created by the crowded calendar for the smaller delegations in Geneva. Far more important and disturbing was the fact that the process and the pattern adopted this year for the negotiations would inevitably result in progressive marginalization of developing countries in these negotiations. The Group should seriously consider this implication while addressing the question of the calendar of meetings for the coming year.

19. The representative of the United States said that the GNS had made considerable progress in its first year of negotiations to fulfil the mandate agreed by Trade Ministers at Punta del Este. It had examined a number of issues related to trade in services, as structured in the five elements of the work plan established at the beginning of the year. It was noteworthy that the Group had spent a good deal of time discussing the various concepts that could make up a framework of rules and principles governing services trade. In this respect specific reference was made to the discussion on principles such as national treatment, transparency and non-discrimination, as well as to proposals submitted by several delegations addressing the possible composition of a framework of rules and disciplines. Work on these concepts was by no means complete, but the GNS had addressed this element in a meaningful way. In the judgement of the United States, the potential concepts that made up the understanding were the most important issues before the GNS and were most responsive to the Ministerial mandate. The GNS had succeeded in making headway. One element of the work that had received attention had been the matter of statistics, including the current availability of data as well as the means of improving statistical collection in services. Three points had emerged from the discussions on statistics: (1) that more work could and should be undertaken to assemble available statistics so that the GNS would have as complete a picture as possible; this delegation noted that the secretariat was already undertaking this task; (2) that additional work had to be undertaken at national levels to improve the quality of statistics, particularly the

methodologies for generating those figures; (3) that it was not within the capacity of the GNS or the GATT secretariat to develop the methodologies of statistical collection in the services sectors. This effort had to be made principally by the other international organizations who had addressed the GNS earlier this year on the subject. In the meantime, the GNS had to operate with the realization that any meaningful improvements in the collection of services statistics would not occur until after the completion of the Uruguay Round. There was little question that the objectives of the Ministerial Declaration could be met even in the absence of the improvements in statistics. The GNS also had received, thanks to the work of the secretariat, the summary of objectives, coverage and main features of existing international disciplines and arrangements relevant to trade in services. This was a useful start. However, there would probably not be a thorough discussion of this particular element until the GNS had developed a relationship between the principles and particular services sectors. The potential applicability of principles to sectors would need to be examined in light of the policy guidance and regulation existing for services sectors. While discussions had not been extensive, the document already provided by the secretariat should be useful background when the time arrived to give more precision to the principles through a closer look at some of the disciplines administered by existing international organizations and their respective rôles. Other areas that the Group did not spend a great deal of time on were definition, coverage and the perceived obstacles or barriers to trade in services. With the exception of the paper submitted by Canada, which was quite useful in directing thoughts with respect to the barriers issue, the GNS did not have information as to what other countries would regard to be obstacles. Nonetheless, it could be said that in 1987 the GNS had achieved considerable progress. To summarize that work briefly, the work of the GNS this year had moved participants to a different, more advanced phase of negotiations that would be reflected in the future work.

20. The representative of the United States said furthermore with regard to future work that the inventory of perceived obstacles was valuable not only by giving each country an idea of where its problems lay, but also by providing a better idea as to how the future understanding in fulfilling the Ministerial mandate would be achieved. Countries should devote time and submit proposals concerning sectoral coverage. That area required a great deal of analysis and inevitably some internal political conclusions. There was also the question of development that ran through every aspect of the work. All of the elements had a relationship to development. His delegation had no doubts that the rôle of development as reflected in the Ministerial mandate was one of the essential purposes of the examination. Countries should be encouraged to make submissions that reflected more precisely on some of those issues, particularly as concerned the relevance of liberalization to development. His delegation's submission drew the conclusion that liberalization did indeed help the development process. It was based on the fact that his delegation thought that the provision of services in a market-oriented way was perhaps the best way to generate economic activities beneficial for all countries. Nonetheless, his delegation thought that it was important that countries examined with

precision what their development needs were and how services figured into their economies. The submission made by Mexico at the last meeting could serve as an example in this respect. For the future work the elements agreed at the end of 1986, as well as individual proposals submitted by countries should be the operational guide.

21. In conclusion, the representative of the United States suggested the following order of work. First of all, there should be further discussion and refinement of concepts. His delegation would look forward to other submissions similar to the ones made in the course of this year. The refinement of the concepts would give greater precision to their applicability. His delegation would deal in greater depth, for instance with the concept of non-discrimination. In future discussions on transparency, for instance, delegations should devote greater time to the notion of regulatory due process, which was something in addition to the traditional concept of transparency. These were examples of the kind of refinement process that should occur with respect to the discussion on concepts. In addition, the GNS should test these and other concepts with a view to their relevance to individual sectors. This was not meant to suggest a definitive list determining the coverage of an agreement. In that connection, his delegation thought that the GNS could involve those international organizations who had expertise in some of these areas. Their rôle was important, their expertise was needed and their involvement would be encouraged. Also the problem of technical support would have to be addressed. Finally, there was the question of timing. One had to take into account the fact that however difficult and complex the negotiation on services might be, there were only three years left in the negotiating programme. Thus, the mid-term review by Ministers next December would be made at a time when the negotiations were half way through. The work on services, while politically sensitive, was also complicated in substance. It was important that the work did not lose momentum. It was for this reason that the United States urged that some tangible progress be achieved at the time of the mid-term review. This would enable the GNS to concentrate its work on individual sectors and on the mechanics of an understanding. His delegation hoped that, based on the progress made thus far, and on work to be accomplished during 1988, Ministers would be able to draw conclusions that would enable the GNS to fulfil its task under the Ministerial mandate within the relatively short time frame of end-1990.

22. The representative of Japan noted that in the area of statistics a number of submissions had been circulated, which showed that improvements in services statistics were necessary and that cooperation in this field was important. His delegation could also agree to the establishment of a sub-Group of experts. On the conceptual elements, he noted that various oral and written contributions had been made. Additional contributions would be welcomed. Efforts by the secretariat to summarize the main aspects of existing international disciplines and arrangements were appreciated. On the issue of measures and practices, his delegation welcomed the contribution of Canada which had submitted an inventory in a condensed format. He shared the assessment of Argentina that this Group could be

reasonably satisfied with progress made. When the Group had engaged in the initial phase, it was thought that the major objective was to collect the best available information and this had been done. Efforts were needed to construct a multilateral framework during the course of the remaining negotiating phase. Past contributions should not be forgotten in this process. Regarding concepts, some elements tended to receive only little attention such as safeguards and monopolies. On development aspects, discussions should be concentrated on actual patterns of developmental efforts by international organizations and bilateral institutions. Since the initial phase was over, the Group should introduce more practical exercises, for example, in linking various concepts together and building them up in a possible general agreement for trade in services in pursuance of the Punta del Este Declaration.

23. The representative of Egypt said that the programme of work in document MTN.GNS/5 took account of the fact that delegations were dealing with a whole range of new questions and that a lot of work needed to be done at the conceptual level. On top of the five elements the work programme contained also certain directives, namely that the discussions of those five elements should be related to the negotiating objectives, i.e. how far they could serve the attainment of economic growth and development of developing countries. The work programme also indicated that the list of five elements was not exhaustive and that there would be opportunity to give greater precision to their content in due course. It also contained the idea of having a periodic review of progress and that there would be a determination of the technical support to be provided by relevant international organizations. The line of thought contained in that programme took due account of the serious lack of a factual basis for the negotiations, and envisaged the establishment of such a basis through the discussion of relevant substantive elements. In this stocktaking, delegations should see how far they had served the negotiating mandate contained in the Ministerial Declaration, and how far they had come in executing the work programme in MTN.GNS/5. Over the past year a good amount of work had been done and some real progress had been achieved. Five substantive meetings had been held in which delegations discussed a wide number of papers which could roughly be divided into two kinds. Information papers of a factual nature, and proposals which represented individual views of the participants were submitted on some of the issues before the Group. Definitional and statistical issues were touched upon during the February meeting, then a wider discussion on these questions took place at the following meeting in April, where questions such as "cross-border trade" and "commercial presence" came up, as well as the identification of various types of services transactions, and how internationally traded services could be classified. The main problem was the lack of commonly accepted criteria to define or classify services. Different views had been expressed on how this question should be dealt with. The discussion had been very useful but the dialogue had not carried on any further. Some participants had expressed the view that the GNS did not need to arrive at a conclusion on definitional issues in order to achieve progress in the negotiations. Others had suggested that an indicative list of interests could be drawn up and be used

as a basis for developing a conceptual basis for an accepted definition. Unfortunately such approaches did not help much in developing right answers, and the issue was not re-examined in a detailed discussion. His delegation could never over-emphasize the importance of such a central question as a conceptual basis for the negotiations. It would be unrealistic to devise general principles and rules applicable to trade in services without knowing to what economic activities they would apply. It was also very important that such a definition should emerge from a conceptual basis rather than to be based on the enumeration of interests by some participants. The latter approach could lead to a biased definition and hence result in an unbalanced distribution of benefits in a future framework.

24. The representative of Egypt said furthermore that statistical issues were dealt with in four meetings this year namely the meetings of February, April, June and September. Also a wide number of papers were submitted in this regard. A considerable effort was made by the GATT secretariat in collecting information from other international organizations, e.g. MTN.GNS/W/5, MTN.GNS/W/5/Add.1 and MTN.GNS/W/5/Add.2 containing the answers of fourteen international and regional organizations to five questions concerning the availability of data on services. Also the invitation extended by the GNS to the four international organizations namely UNCTAD, UNSO, UNCTC and the IMF to attend and make their presentations and explain their work on statistics in trade in services was a very useful exercise. National submissions were also welcomed in this regard and were considered to be a valuable contribution to the work of the GNS. During the discussions, some basic and fundamental points were mentioned such as the relationship between statistical issues and questions of definitions. It was said that definitions were an essential basis for classification and measurements, and that existing disparities concerning definitions placed severe constraints on efforts to collect, compare and analyse data on trade in services. Due note was taken of efforts made by international organizations such as the UNSO programme to improve statistics on services which included three priority areas of work, namely (a) the elaboration of activity and product classification within the services industries, (b) the improvement of the quantity and price index computations for services, and (c) the improvement of the measurement of external trade in services. It was generally felt that coordination was needed among relevant organizations as well as among national authorities to maximize the usefulness of such efforts. Improved statistical data on services were considered a necessity for the negotiations providing for better understanding of the economic behaviour of various sectors. It should also give an indication to the trade flows in a way that would facilitate the assessment of the economic impact of any future agreement on trade in services. The importance of achieving progress in this area was widely felt in the Group, and there was an agreement on the four points, namely (a) that it would be useful to have more national submissions of the kind already presented by some participants, (b) that there was a need for further contacts with international organizations covering particular services, (c) that it was necessary to keep abreast of work done in other international organizations to improve statistics on services, and (d) that the GATT secretariat should

be ready to produce or synthesize sectoral statistical information available in different international organizations. It was imperative that the GNS, through continuation of work in this area, should try to influence the on-going work in other organizations on the improvement of statistics on services to make it respond to the negotiating needs of the participants in the GNS. Delegations were aware that solving statistical problems in the area of services was a long-term exercise that this would not be completed by the end of this negotiation, and that the existing data could hardly provide any guidance in the negotiation.

25. On broad concepts on which principles and rules for trade in services, including possible disciplines for individual sectors, might be based, the representative of Egypt said that the working papers submitted by some participants to the Group took the form of proposals, i.e. they represented individual perceptions of those who submitted them. Various concepts were discussed such as transparency, non-discrimination, national treatment and m.f.n. His delegation had commented on each of them extensively on previous occasions. Since discussions on such concepts had taken place so far in the absence of any agreed definition of trade in services, it was extremely difficult to have a clear idea about the possible implications of those concepts, or even judge the feasibility of the application of some of them. Most of the concepts suggested so far and the views expressed by those delegations who had submitted the proposals seemed to have used the GATT as a model for a framework. Such an approach ignored the fundamental differences between merchandise trade and services trade, and therefore had severe limitations. His delegation did not think that a future framework on trade in services would be a stereotype trade agreement. It was generally felt that the submissions so far tended to cite liberalization of trade in services as the objective of the negotiations and that everything else would follow as a by-product of such liberalization. There was a need to lead deliberations in the right direction. The GNS needed to discuss how various concepts as presented would serve the objectives of growth and development. The idea of national sovereignty and the respect of the policy objectives of national laws and regulations did not seem to have found their place in the proposals submitted so far, in particular also as far as transparency was concerned. There was also a noted tendency in the Group to overlook the heterogeneous character of various sectors of services, and thereby under-estimating how widely the implications of one concept could be different from one sector to another. Considerable work had been done with regard to this elements, but progress made so far was one-sided. The element of coverage was not dealt with in all meetings of the Group, although it was of a central importance in any multilateral framework. This was understandable since the question of coverage would have to be dealt with in the light of an agreed definition. In the absence of such definition it would be somewhat difficult to achieve much progress. Coverage should be determined on the basis of an agreed definition and not vice-versa. Further discussion of this element would be helpful in clarifying the various interests. Existing international disciplines and arrangements were discussed briefly in the April and September meetings of the Group. The secretariat had provided a very useful background paper

(MTN.GNS/W/16) which summarized the main features, coverage and objectives of existing international disciplines and arrangements relevant to trade in services. It was essential for the negotiations to examine how such instruments dealt with international transactions in services.

26. On measures and practices, the representative of Egypt said that, at the beginning of this year, when the GNS was discussing the contents of MTN.GNS/5, his delegation was one of those who thought that dealing with the question of perceived barriers to trade in services was not really a practical thing to do until some agreed definition of what constituted trade in services was arrived at. After one year of work, his delegation was even more convinced of this view. This item was discussed briefly in the February, April and June meetings. One working paper was submitted by one delegation on a proposed working method, and another was submitted by another delegation and contained an inventory of barriers to trade in services. The discussion that took place in connection with the latter submission gave a very clear indication of the very close relationship between this item and the questions of definitions and classifications. In his view, the discussion should deal with the different factors affecting trade in services either positively or negatively according to individual perceptions, and whether such factors were measures of governments or practices of economic operators in the market. As final remarks and suggestions, the representative of Egypt noted that one could say that a considerable amount of work had been done during 1987. However, the progress achieved was not balanced. With regard to some crucial questions such as definitions, very limited progress, if any, had been made. The question of definitions was of central importance not only as far as the framework on trade in services was concerned, but also, and equally important, for the sake of active progress in the negotiations themselves. The absence of definitions had resulted in discussions where different participants had different ideas about what exactly was being dealt with as a subject-matter. The Group would also have to deal in more detail with the fourth element concerning existing international disciplines and arrangements, study their limitations and potentials, and see how far they could provide alternative approaches. It would be useful, for example, to examine how some of the concepts discussed over the past year were dealt with in such existing arrangements. There was also a great need to examine how the objective of development, contained in the mandate could be achieved. It was difficult to imagine how this could be possible on the basis of the proposals submitted so far. One other dimension of the work was the interrelationship between the five elements contained in the programme of work. It was clear from the discussions that this was a very important aspect of future work. Finally, he believed that the Group should carry on its work according to the programme in MTN.GNS/5, focusing more on the relationship between the substantive items contained therein and the ultimate objectives of growth and development contained in the negotiating mandate, as well as considering also the interrelationship between those items. The real value of the programme in MTN.GNS/5 was that it represented

a common perception of all participants in the negotiations, or what one could call a common denominator. Therefore it would be of utmost importance to make sure that such an agreed approach was being followed.

27. The representative of Sweden, speaking on behalf of the Nordic countries, said that the first year of negotiations in GNS constituted an important step forward and progress had been made. In the course of negotiations light had been shed on a wide range of issues related to trade in services. What had been achieved was a considerable amount of interesting discussions and constructive work. It would, of course, be presumptuous to suggest that there were no differences of opinion as to the various aspects of negotiations. Nor could it be said that there was now a firm basis for an agreement. But on the other hand, such results were never intended or expected after only one year of negotiations. However, it was expected by the Group to examine the relevant issues outlined in the Ministerial Declaration and specified in the work programme. The Nordic countries believed that this task had been pursued in a constructive manner. The comprehensive work programme had functioned, and functioned well, thereby permitting participants to better understand the very complex issue of trade in services. The many constructive contributions from developed and developing countries alike had certainly helped to broaden the analysis. The Nordic countries looked forward to continued active participation in the negotiations by all parties. It was only by examining the issue jointly that delegations should be able to find common ground for an agreement. The Nordic countries had in accordance with tradition chosen to act together in the GNS. They had found a common platform in the importance they attached to trade in services and in finding a multilateral agreement of rules and principles. If anything, negotiations over the past year had strengthened their belief for the need of a framework agreement for trade in services. The Nordic countries had so far submitted two written contributions. MTN.GNS/W/1 outlined views on the structure and organization of work. MTN.GNS/W/26 gave the Nordics' preliminary view on general objectives and concepts of relevance to a framework agreement on trade in services. They would continue to develop thoughts and proposals based on these two submissions. When taking stock of the work during this past year, the Nordic countries were particularly satisfied with the interesting and constructive discussion on concepts. The negotiations on concepts, which would begin in earnest in 1988, were was the centrepiece of the negotiations around which the other elements revolved. So far the discussion had already helped to deepen the perception of what might be the essential elements of a framework agreement, which was indeed encouraging. At the same time as the picture of such an agreement gradually grew clearer, it would be essential to obtain a better notion as to how such an agreement could be applied to various sectors. The work programme had been comprehensive and far reaching. All five elements in the programme were inter-linked and would to varying degrees bring to bear on the structure of the future framework agreement. It would, therefore, be difficult to fully assess one element before work on the others had been ended. This process would clearly transgress the initial phase. Consequently, it could hardly be suggested that the Group had exhausted work on the five elements and that initially future work would differ much from what had been done so far. Thus, the

Nordic countries believed that it would be useful to pursue negotiations on the basis of proposals by participants and the present work programme. Having concluded a first examination of the elements of the work programme, they felt that the time was now ripe to penetrate deeper into the subject matter. Such a course would best help delegations to achieve the objectives laid down at Punta del Este.

28. The representative of Switzerland said that he took note of the statements made which pointed to the fact that some members were not fully satisfied with the way in which this Group had dealt with some of the elements. He also said that the Group would have to be in a position to identify the problems linked with the issue of technical support before deciding on the modalities for such support. Although statistics were important, the Group should not overvalue their impact on the negotiations, to the extent that the negotiations would bear essentially on measures, the effects of which were not quantifiable. Therefore, the Group had to examine the relation between statistics and the subject-matter for the negotiations. Furthermore, the link between liberalization of trade in services and development had been dealt with by the Group. In the Swiss submission, a number of elements referred to this particular issue. The stocktaking, if it was not fully satisfactory, seemed to be positive on the overall. The Group had many reasons to be satisfied that discussions had taken place, that it had dealt with important issues and had paved the way for further clarifications. Regarding future work, he proposed that individual reflection on the subject-matter should be stimulated and that further discussions be held on the basis of these individual reflections, and of oral and written submissions, in order to review and specify the various elements contained in MTN.GNS/5 which were interdependent. His delegation was open as concerned the procedures as long as they ensured an intensification of the discussions.

29. The representative of Brazil said that his delegation fully supported the wording of the Declaration of Punta del Este. The objectives of the negotiations had to be fulfilled with a view to establishing a framework of rules for trade in services conducive to expansion of trade in that sector and, primarily, to attaining the ultimate objective of promoting the economic growth of all participants, and in particular of the developing countries. Having regard to those objectives, it did not seem realistic to engage in discussions of highly complex technical and legal problems with a view to observing requirements or time-limits that were not helpful in the absence of experience or full knowledge of the topics under discussion. More detailed exchanges of opinion were needed on the conceptual basis of this work. Some progress had been made in regard to statistics and definitions. Following the discussions with UNSO, UNCTC, UNCTAD and IMF, it was well known that the data available were insufficient. The question of coverage had hardly been examined in the Group. His delegation believed that this element could not be examined in depth until such time as the "definitions" aspect had progressed further. While there had already been an information document on existing international disciplines on which general remarks had been made, nevertheless the Group should make a more

detailed analysis. As regards broad concepts and measures and practices, a rapid examination of proposals already made showed that much remained to be done. With respect to the concept of transparency, for instance, not much was known about trade in services whether from the aspect of logic and concepts or from the empirical aspect, so that there was a need for better knowledge of existing laws and regulations. The supposed barriers already cited by the delegation of the United States and more recently by Canada contained many uncertainties regarding Brazil. One had to make a differentiation between transparency, notification and dispute settlement. It was not acceptable that in the name of supposed transparency attempts should be made to establish a body that would interfere in the internal legislative process of each country, as seemed to be the case in the Canadian document. Leaving aside the proposals put forward in the past few days, which his delegation had not had time to examine, some of the proposals made did not seem to take account of the fact that the Declaration of Punta del Este was based on the idea that growth and development were objectives and that progressive liberalization was a means. In this sense the proposals were incomplete. They did not follow any logical sequence and did not cover all topics. In fact they reflected the difficulties of this initial phase and the depth of the topic. Although the proposals before the Group were of course welcomed, they were not sufficient. They spoke of trade in services on the basis of parallels with trade in goods, without recognizing the specific characteristics of services. Similarly, those proposals sought to broaden concepts of the General Agreement or of the Tokyo Round whose application to services was not feasible having regard to the specific characteristics of this area.

30. Accordingly, his delegation considered it essential that in examining these texts further one should bear in mind that they were not substitutes for the mandate of Punta del Este nor for the elements set forth in document MTN.GNS/5. One could not speak of a balance between proposals and those documents, nor was it appropriate to change the order of priorities and place those proposals at an equal or higher level in relation to those documents. Proposals were individual points of view put forward in the conceptual debate. His delegation would not repeat all the positions already expressed to the Group since those positions were reflected in documents MTN.GNS/W/3, 20, 21 and 27. Above all, it seemed important at this time when the Group was preparing the continuation of its work for 1988 to make it clear that his delegation did not accept that the objective of the negotiation was liberalization of trade in services. Liberalization was a means, not an end. Furthermore, he believed that so long as there was no agreement on the definition of services and of trade in services, one could not begin to negotiate any framework of specific rules on the matter. Transparency could not inhibit the sovereign right of each State to legislate on this subject. Above all, the question of development should not be forgotten. These points seemed essential for the continuation of the work in 1988. Perhaps at the beginning of the year, the Group could discuss the desirability of inviting representatives from the organizations concerned with services such as air transport, shipping, communications, etc., to present their experience in their respective areas of

responsibility. The Group could have discussions with them and clarify any points in doubt. Lastly, his Government had noted that various agencies of the United Nations, under the leadership of UNSO, had drawn up a proposed programme for developing and maintaining statistics on services. He commended them on this initiative, and said that the Central Bank of Brazil and the Brazilian Institute for Geography and Statistics would be interested in such a programme.

31. The representative of the People's Republic of China said that the year of 1987 had seen progress of work in various aspects. Constructive discussions had been held on all the five elements identified in the programme. The discussions were not conclusive, but useful for the participants to identify the possibilities and difficulties in the establishment of a multilateral framework of principles and rules for trade in services. It seemed that the GNS was now in a situation similar to that forty years ago when the founding members were formulating the General Agreement. During the discussions participants had been constantly reminded of the negotiating objectives, the mandate, their varying interest and developing levels. As a result, the work had proceeded in a prudent and yet a healthy way. Participants knew they were exploring a new area with no precedent but with a lot of unknown factors. They had no choice but to be guided by the above mentioned considerations. About thirty papers had been presented to the participants, including the submissions from the delegations and the background documents from the Secretariat. His delegation expressed its appreciation for these useful contributions. Relevant international organizations had been invited to the exercise. Their contributions, particularly on the statistical issues, were commendable. At its meeting of 23 February, his delegation stressed the importance to lay down a solid ground before the start of substantive negotiations. However, after a year's work, the ground still needed to be cemented to build the skyscraper. Statistics on the status of trade in services, aggregate or sectoral, on a world-basis or on a country-basis, were still not sufficiently available. Discussions on definitional and statistical issues and on the coverage of the multilateral framework had not been adequate enough to allow participants to make more in-depth discussions on other elements. Broad concepts were discussed at length. At certain stages, delegations had not found themselves in a position to make comments in view of the sensitivity of the subjects. Delegations were engaged in a negotiating process to expand trade in services, to promote economic growth of all trading partners and to enhance the development of the developing countries. Work in the coming year would have to be closely guided by these three objectives. To make sure that the multilateral framework could serve the purpose of enhancing the development of the developing countries, two aspects would have to be taken into account. First, imbalance in trade in services did exist among nations, especially between industrialized countries and developing countries. To reverse the imbalance, more favourable treatment should be accorded to less developed countries in the future framework. Although this treatment had been established as a principle in the General Agreement, it had never been written into specific GATT provisions. In drawing the lesson, the future framework should

integrate the right of the developing countries to enjoy more favourable treatment into its articles. The framework should be conducive to the growth of services in developing countries and the increase of their capability in trade in services. Those labour-intensive service sectors where developing countries had acquired a certain extent of development should be included in the framework. The establishment of a multilateral framework in the new area of trade in services was a big event. Work should proceed prudently and progressively. Only those concepts that would contribute to the attainment of the objectives could be translated into rules of the framework. To make the framework functional, appropriate safeguard and dispute settlement mechanisms had to be included in the framework.

32. The representative of Yugoslavia said that the work on the five elements agreed in the GNS was not yet completed and should be pursued in 1988. A further phase would require clarification of many outstanding issues. It was quite unrealistic to expect "an early harvest" in this area, given the fact that liberalization was viewed as a long-term objective and that progress would be gradual. But in order that such a progress could be achieved, it would be necessary to create an appropriate climate and confidence in multilateral action. At the time of multilateral negotiation bilateral solutions proved ineffective in creating such a climate and confidence. Just as ineffective in this respect were threats of unilateral measures to retaliate on market access for the goods on account of an assumption that conditions to the market of the service of the given country were not liberal. Work on statistics had shown that the existing statistical data base was insufficient for measurement in the field of services, in particular in respect to the structure of services trade. It was even less adequate for predicting effects of a prospective multilateral regulation on the development of local services and the rôle of services in economic development. In this context, it would be desirable if the GATT secretariat, in cooperation with other relevant organizations, could prepare a list of relevant statistical indicators on services that would be useful to the participating countries wishing to establish a minimum of statistics in the period to come and to facilitate international comparisons. In regard to the activities of other international organizations in the field of services, she considered that the documentation of the GATT Secretariat gave a good account of the activities of these organizations. On their part, some organizations had already undertaken action to draw attention to the danger of taking away from them the competences in their jurisdiction. On the so-called general framework and concept of regulation in the field of services, there were a lot of problems and unresolved questions which prevented an urgent agreement on the general framework. One of the key issues was the coverage of trade in services. Reciprocity was another serious obstacle of particular concern to her country. The developing countries were not able to accept reciprocity unless they gave up their own services development and economic development in general. Therefore she would favour a previous understanding that reciprocity would not be expected from developing countries. This principle should be worked out from the very beginning through different concepts. Exceptions to developing countries should not be contemplated after the rules had been adopted.

Developing countries did not advocate an autarkic development in the services field and they pledged themselves to the search for such solutions as would favour the progressive opening up of service markets in conformity with the development, trade and financial possibilities of individual countries with a view to promoting the transfer of technology based on principles of equity and fostering the development of the domestic service sector and sectors using these services, i.e. the overall economic development.

33. The representative of Yugoslavia went on by saying that consequently, she understood the Punta del Este Declaration as setting out as its prime objective the promotion of growth of all participating countries and of the development of developing countries. Her country, as a developing one, was interested only in a liberalization that could boost its economic development. Every liberalization concept could not achieve this of its own accord and in every circumstances, in particular not in circumstances of an inequitable treatment of unequal partners. Liberalization in services, because of their heterogeneity and specific nature, could not be achieved by insistence on prompt acceptance of binding principles for all services. This could be detrimental to the national sovereignty, security and ability of countries to carry out their own development strategies and policies. Thus, for example, it was difficult to imagine liberalization in the fields of telecommunication and banking on the basis of general concepts. Serious difficulties also arose due to the fact that services, owing to their character, were not primarily regulated by measures at the frontier, but by measures of national economic and development policies, the deregulation of which would prevent the sovereign conduct of these policies. This fact also pointed to the great problems relating to the concept of national treatment. If measures at the frontier were not applicable to services, then national treatment could not ensure protection to the local producers of services. That would represent a much greater degree of liberalization than that achieved in trade in goods in the forty years of GATT. Hence, she deemed unrealistic all attempts to introduce national treatment in the general framework applicable to services. Even the principle of transparency, which was acceptable in principle, demanded in this specific sector clearer definition of the principles required for its implementation. The notification of all measures and policies relevant for services was, in her view, out of the question, as it would involve unbearable administrative and financial costs, particularly for countries that would have to translate these regulations into GATT's language.

34. The representative of Cuba said that the stocktaking did not in itself imply that a phase had been completed. But this meeting would afford guidelines for carrying forward the work, and in this sense one must bear in mind document MTN.GNS/5 which set forth a number of considerations on which the GNS must continue to work. In the view of his delegation, one should bear in mind the following issues. In any negotiating process, imbalances existed between developed and developing countries, particularly in the field of technology, as well as due to the absence of regulations in non-traditional sectors. Any rules that might be agreed on had to take account of this reality. In this context, it had to be borne in mind that one of the objectives of these negotiations was to promote the economic

growth of all participants and the development of developing countries. Likewise one should underline the importance of ensuring that negotiations in this area respected the policy objectives of national legislations. Since there was no clear and common concept of what was meant by trade in services and of the very numerous activities that could be included, it was necessary to reach agreement on a definition and determine which sectors would be subject to an eventual multilateral framework of principles and rules. Taking into account everything that had been stated, Cuba considered that the Group had not concluded its work, since inter alia there was still no defined concept of trade in services. This was a fundamental aspect for carrying forward the work. His delegation considered that technical support from other international bodies would be very useful for the Group's work. His delegation also considered it appropriate to underline what had been achieved during UNCTAD VII in regard to services, which would undoubtedly be a valuable contribution to the work in GATT. Lastly, it considered that in 1988 the Group should continue to examine the five elements in detail, bearing in mind the objectives of development.

35. The representative of Poland said that the assessment of the initial phase of negotiations was positive and his delegation associated itself with those delegations that had spoken of considerable progress made in the course of the negotiations. However, past discussions in the GNS had considerably enriched the knowledge on trade in services and properly pointed out some basic problems still facing the negotiations. There were still some of the elements identified in document MTN/GNS/5, which needed more discussions and clarifications. In particular it related to such issues as definition of trade in services, coverage and barriers to international transactions in services. With regard to definition, his delegation agreed with one delegate who had stressed that this issue had not been treated in-depth so far and that the GNS needed to adopt a qualitatively new approach to adopt a commonly agreed definition. The way of defining trade in services was crucial for the negotiating process, and agreement on definition determined coverage of the future agreement. Among statistical problems still to be clarified, one would include the disaggregation of statistics in particular services sectors, the measurement of costs and benefits from applying particular concepts in specific sectors and the links between trade in services and trade in goods. The last issue, that is the impact of progressive liberalization in services trade on changes in comparative advantage in trade in goods should not escape the attention, as it formed an element of potential costs and benefits. A proposal had been made that each party of these negotiations should submit its proposals concerning the sectoral coverage and perceived barriers to trade in services. His delegation associated itself with this suggestion. However, still more attention should be focussed on the attempt to assess existing international agreements and arrangements from the point of view of their contribution to the promotion of economic growth. To some extent, it might help to elaborate on the last of the five elements, that is measures and practices contributing to the expansion of trade in services, as opposed to the barriers. His delegation strongly believed that the goal of these negotiations might be achieved in due time if one could focus in future work

on some core issues which were the fundamental elements of the negotiating process. In 1988 one should base discussions on both written and oral contributions in the area of these fundamental concepts of the future agreement and on some problem-oriented issues related to the elements of the initial phase of negotiations as identified in MTN/GNS/5.

36. The representative of Canada said that over the course of the meetings devoted to a substantive discussion on the elements, members had contributed both in the form of papers and through an exchange of views which Canada had found helpful. In addition, the GATT secretariat had provided an extensive review of existing international disciplines and arrangements which had provided all members with useful background on several existing international service régimes. In the area of statistics, representatives of other multilateral organizations who had been attending the GNS at its invitation had made written submissions on this and the topic had been discussed thoroughly in the GNS. It had also been the subject of nine written submissions by delegations. Two full days of discussion in June were devoted to the question of statistics, at which time representatives from UNSO, IMF, UNCTC and UNCTAD were available to respond to questions. Her delegation was of the view that there was now a good understanding among members of the work under way in other fora to improve collection and exchange of data on service transactions, but that it was clear this would be a long-term undertaking. The most recent meeting of the ad-hoc group on service industry statistics in Stockholm in November had reached a similar conclusion and was committed to accelerating as much as possible work on classifying services. Her delegation was satisfied that the statistical issues had been thoroughly reviewed in the GNS. It would be important to continue monitoring the work being carried out in other groups. In the second area of broad concepts on which principles and rules might be based, her delegation noted that significant progress had been made, thanks to the contributions of a number of delegations. In addition to the listing of overall concepts provided by the Japanese delegation, the GNS had had the opportunity to discuss in more detail such concepts as non-discrimination, transparency and national treatment over the course of several meetings. Her delegation had noted a general consensus that some appropriately formulated transparency provisions were essential and should be embodied in any eventual framework. Differing views had been noted on the extensiveness of transparency that was desirable and practical. Reasonable transparency provisions within the GNS would help to elucidate restrictions on services trade and facilitate negotiations. With respect to non-discrimination, the discussions arising from the tabling of the Australian paper had assisted the GNS to appreciate the central importance of this principle and the need to consider it in conjunction with other issues, such as the balance of rights and obligations. Her delegation gratefully acknowledged the contribution of the Japanese delegation in tackling the difficult, but crucial concept of national treatment, which the GNS had been able to discuss at the September and November meetings. There was now a better understanding of the different definitions which this concept had been given in different fora. National treatment was a sine qua non in building a framework for services trade. This question had been given high priority in

the thinking of her delegation. Her delegation noted with satisfaction that discussions in the GNS had progressed from an earlier analytical "stand alone"-view on concepts to a more recent approach of integration and synthesis. This was a welcome evolution and her delegation therefore appreciated the contributions of the USA, Jamaica, the EC, Mexico and Switzerland in assisting to move the discussion forward. Although her delegation had not had time to review the EC and Swiss paper in depth, it had noted that the approach presented went beyond a static description of concepts and began to address operational issues which affected the negotiating process. The EC proposal included the idea of appropriate regulation and review of regulations by committee. Her delegation was concerned about the concept of "appropriate regulation". Indeed it was not sure how the GNS could agree on the illustrative list of inappropriate types of regulation which the paper suggested delegations should consider. Her delegation would prefer an approach which focused on the situations and rationale where foreign supplies did not receive national treatment. Generally her delegation was pleased with the accelerating rate of work on concepts during this first year and was confident that the future work would build on an understanding of the concepts and focus increasingly on integrating the concepts.

37. The representative of Canada went on to say that, although coverage had not received much attention in this work, she had noted the views of several developing countries that an agreement could not serve only the interests of developed countries. Her delegation believed that the interests of developing countries had to be recognized and that if the agreement was to find broad support, the coverage had to balance the interests of developed and developing countries. In her opening statement, she had noted that trade in services negotiations would require delegations to look at the issues which lay somewhere between full investment rights and full labour mobility rights. This issue still remained to be addressed. The question of coverage would continue to require GNS attention and should proceed to be addressed in parallel with work on other elements, in particular, concepts and principles. Her delegation had also mentioned earlier the contribution of the GATT secretariat to the work on existing disciplines and arrangements. It had been observed that trade concepts were not currently embodied in these arrangements. The GNS should refer to this paper in discussing services trade in those areas now under such arrangements. The last element, measures and practices, to which conditions of transparency and progressive liberalization might be applicable, had received relatively little attention. As witnessed by the Canadian contribution last June, as an exploration of this topic, her delegation believed this was an important area requiring work. Further contributions from other delegations would be welcomed. An exchange of information on perceived barriers was valuable for illuminating problems which the GNS was attempting to address and other contributions of this kind would assist by making abstract concepts more concrete. In this regard, her delegation was pleased that the EC paper included the notification of perceived obstacles as part of the negotiation process. Within the past few days, American and Canadian negotiators had initialled a wide-ranging and ambitious trade agreement which included for

the first time ever chapters outlining binding obligations with respect to trade in services and temporary entry of business persons. In addition to the chapter on services, there were several annexes which elaborated upon the obligations for a number of different sectors - tourism, architecture, computer services and enhanced telecoms services. Her delegation believed that this example would be of interest to other delegations and would provide a useful example which should enable delegations to proceed with the work in the GNS. The stocktaking was not limited to looking backward only. The GNS had to determine how to carry forward the negotiating programme that was laid down by Ministers at Punta del Este. The objectives were clear and the task in the time allotted to countries by Ministers at Punta, i.e. until 1990, was to work toward the establishment of a multilateral framework of principles and rules for trade in services. Her delegation believed that the GNS would need to continue its discussions on the five elements while at the same time moving on to discussions of more concrete proposals for negotiations. Her delegation welcomed the recent integrative papers that had been presented to the GNS. Canada intended to provide such a paper and was looking forward to the GNS receiving such papers from a wide number of participants.

38. The representative of Hong Kong said that the Group had started work towards the achievement of the negotiating objectives on the basis of a general debate structured around the five elements and then proceeded into a specific discussion of each of these elements in a number of meetings. The discussions clearly reflected the fact that thought and work had been stimulated in capitals on the issues and that constructive discussions had taken place. It was true that there had been not much evidence of convergence of views during this exchange, but this should not be confused with lack of progress. It was essential to any negotiating process to have an initial stage where views were exchanged on the issues, to identify where the differences lay and map out the negotiating landscape. Some progress had been made in this direction. The possibilities for discussion had not been exhausted under the five elements, but one should not lose sight of the fact that they were a means to an end. There was no purpose at this stage in trying to reorder the elements or to identify priorities amongst them. All participants had different ideas as to what the main issues should be. These five elements were put together to cover everyone's approaches, everyone's points of view and to enable participants to get into substantive discussions on the issues of the negotiating objectives and, to that extent, they had succeeded. It was also clear that discussions under the five elements had to be a factor in the continuation of the Group's work. From the perspective of his delegation, the core questions were perhaps what should be the content of the framework in terms of principles, what should be the coverage in terms of sectors, what should be the relationship between the overall broad framework and the existing disciplines and any new disciplines that might be developed in the sectors, what should be the overall parameters of the framework of principles and disciplines, what should be the distinctions between transactions which were internal to an economy and those which were external internationally traded transactions. These are all issues the Group had to address. His delegation was not

saying that these had to be addressed in any way that was exclusive of other approaches. Everything covered by the five elements was still on the table and should be addressed if delegations so wished. What the Group should aim to do was to achieve the negotiating objectives within the time-frame of the Uruguay Round. It should not exclude any possible approaches which would enable the participants to deal with this task. A number of proposals had already been tabled, which would move in the direction of concentrating the focus of the work on what the delegations had in mind. A more comprehensive picture on the basis of the views of participants should begin to emerge. Therefore, the answer to the question of how the Group should carry forward its work was that it should be done on the basis of the negotiating objectives, bearing in mind the five elements and the understandings relating to them. At the same time, the Group ought to be flexible and open to the receipt of proposals from delegations and examinations of these proposals. If more of those proposals came and were developed as the process went on, this perhaps would become more the emphasis in the coming year.

39. The representative of New Zealand said that her delegation had been greatly encouraged by the progress which had been made in 1987. Almost against the odds, the Group had engaged in substantive debate on a wide range of issues. The five elements agreed in the negotiating plan for the initial phase had proved their worth in providing a focus for discussions, and in outlining the principal issues that would need to be addressed in the course of the negotiations. As far as definitional and statistical issues were concerned, there had been a good opportunity for full discussion, with several papers prepared by participants, the direct participation of the relevant international Secretariats - IMF, UNCTAD, UNSO and UNCTC. From this it had been possible to draw some clear conclusions. The data that was available was not always adequate, nor was it entirely suited to the purposes in this Group. It would not, however, be possible to achieve a comprehensive overhaul of the data collection and analysis systems within the time-frame of the Uruguay Round. Nevertheless, this debate had highlighted the gaps in information. The secretariat had undertaken to make a compilation of existing information and a number of countries were already looking at ways they could improve the quality and quantity of data they supply, since this was where the process must begin to achieve long-term improvements. It was also clear that the gaps in knowledge were not so great that they would impede the work in the GNS. Lines of communication had been established, and the GNS would be able, as the need arose, to draw on existing expertise to provide answers to specific questions. The question of definition had been touched upon, and it was clear that it would need to be addressed more fully as the negotiations were pursued, but so far some of the issues to be resolved had been usefully highlighted. Secondly, the element of "broad concepts on which principles and rules might be based" had been the focus of the discussions. This was as it should be. The only way to approach the task of drawing up a framework of trade rules was to look at the sort of trading environment delegations wanted to see that would best be able to promote progressive expansion and liberalization of trade. In this, delegations had been greatly assisted by the numerous solid and

thought-provoking papers that had been tabled by various participants during the year. While there were certainly differences of opinion on how the different concepts under discussion should be put into operation, the fact that several papers had addressed the same basic trade principles suggested a good degree of convergence. There had been full discussion of non-discrimination (Australian paper), transparency (Canada) and national treatment (Japan). Nobody had questioned the validity of these concepts in themselves. Furthermore, it had become clear that individual concepts could not just be addressed in isolation. The submission of a paper by the US, examining the interlinkages between concepts, and looking at a possible structure for the framework of rules, had stimulated an important debate, and allowed a number of delegations (including Mexico, Hungary, Jamaica, Australia, Canada and New Zealand) to develop their own thoughts. Her delegation had been very pleased to receive copies of further papers dealing with the element of concepts only in the last few days, from the EC and Switzerland. The fact that these had been tabled now would ensure that delegations would be in a position to begin the meetings next year with a thorough examination of the issues raised in both submissions. Thirdly, on the element of coverage, there had been the opportunity to begin the debate, and many delegations had aired their views. Of course, nobody could claim that the issues were settled, far from it, but all participants had declared their readiness to at least address the concerns of others. The question of where to draw the line on coverage between the two extremes of capital and labour factors of production would be a thorny one, but the issue of coverage would necessarily be one of the last to be finally settled in these negotiations, since, to a large extent, it would depend on the nature and extent of the rules and disciplines included in a framework agreement. This did not need to slow progress now, however, and it clearly had not done so to date. Coverage would be an issue that would naturally be addressed by the Group as it continued to discuss the nature and scope of a framework agreement. Fourthly, there had also been progress on the element of "existing international disciplines and arrangements", with the preparation of a most useful secretariat background document which had given a good summary of the number and nature of arrangements already in existence. It had allowed delegations to be guided in their assessment of what might be already covered and/or where there were deficiencies. As with the question of coverage more generally, however, a fuller debate of the implications of existing arrangements for the work of the GNS, and vice versa, would only become relevant further down the track. As a general comment, however, her delegation would not wish to see the framework agreement limited in either coverage or scope by the parameters of existing disciplines.

40. The representative of New Zealand went on to say that a number of delegations had contributed or had indicated their intentions to contribute to the discussion of the fifth element on the list, the identification of barriers to the expansion of trade in services, by preparing comprehensive papers outlining the barriers perceived by their industries (US, Canada, and Japan). While other participants might not have agreed with individual items within the inventories or had comments on methodology, their preparation had helped along the process of identifying the types of trade

barriers which existed, and from there would assist in the task of defining trade in services itself. Her delegation was pleased that other participants were in the process of developing their own inventories. This was an on-going process, and one that would continue to be useful throughout the negotiations. In summary, there had been good progress across the broad front of the negotiating programme in 1987. Several clear conclusions could be drawn at this point. The focus of debate had emerged naturally as the issue of the scope and structure of a framework agreement. The major, concrete objective of the negotiating mandate was to formulate a framework of rules and principles to govern trade in services. To achieve this, delegations had to consider what they wanted to have in it. The other questions which had of course to be answered eventually would emerge and be addressed naturally in the process of dealing with the fundamental task. To approach it in any other way would result in a chicken and egg situation. Like the shipwrecked sailor in A. A. Milne's poem, delegations would spend all their time worrying about where to start, and end up doing nothing. As other members of this group had pointed out, though, these negotiations went through a change of gear. That did not mean that the way was getting easier but there was no doubt that delegations were moving beyond intellectual discussion to look at specific approaches and possibilities. Nobody was suggesting that the five elements identified at the outset of the work had been exhausted. The fact was that they would not be exhausted until the end of the negotiating round was reached (if then, in the case of statistics, for example). In the meantime, they would remain as essential negotiating tools. But they would not and could not drive the negotiating process. That had to be driven by the mandate given by Ministers at Punta del Este. The deliberations to date had allowed delegations to begin to develop a clearer picture of the possible structure and content of an agreement on services. The work programme for the subsequent phases of the negotiations would begin with the task of refining the thinking further to reach agreement on the broad outlines of a framework as soon as possible. That process would include ongoing work on such issues as inventories of perceived obstacles to trade and testing of concepts against specific trade sectors.

41. The representative of New Zealand said furthermore that what had become clear in the course of the discussions held during the year was that by far the best approach to achieving the basic objective would be to take what had been tried and found true. Forty years of experience had proven that the fundamental principles enshrined in the GATT provided the best basis on which to expand and liberalize trade multilaterally. Delegations would be foolish to reject what had succeeded. In New Zealand's view, trade was substantially trade. Her delegation was not willing to believe in the "special characteristics" of any sector, and therefore it considered that what was good for goods had to guide delegations in services. On the other hand, her delegation did not believe that countries should be entirely bound by the past. There was a golden opportunity to get things right at the outset and to exploit that opportunity to the full. Delegations had to adopt what was good in the GATT, and adapt where appropriate or necessary to improve on the existing raw material. It was clear from the papers which

had been tabled to date that other participants largely shared these views. Her delegation had been concerned, however, that several views put forward during the course of the year had apparently advocated a somewhat narrower approach, compromising these basic principles, presumably in response to perceived sensitivities in their own legislation or economies. It was New Zealand's firm view that to start by considering exceptions to general principles was an unacceptable and self-defeating way to proceed. If such considerations were allowed to direct the course of negotiations, the results could only be minimal and would be in nobody's interest. To effectively achieve progressive, multilateral liberalization of trade, and to contribute to the economic development of all countries - in accordance with the mandate - delegations had to set their sights on the longer term, and pitch the framework agreement at the highest possible level. This would ensure that there was the potential for real progress beyond what countries felt they could sign up to today without any trade policy adjustments. If these sort of considerations had governed countries forty years ago, what shape would the GATT have taken? No country would be required to change overnight. But delegations had to set themselves something worthwhile as a target. The programme for 1988 and beyond had to ensure that delegations could make steady and substantial progress towards the early achievement of the central negotiating objective - that is, to develop a framework of principles and rules to govern trade in services. This could only be achieved by the submission and examination of proposals by participants. This had already begun and more proposals were planned. The focus of submissions would inevitably be the concepts for inclusion in the framework agreement and the interlinkages between them. In addressing the structure of the framework, however, those other elements which had been identified would also be relevant. Once delegations had begun to agree on the basic shape of the agreement they were attempting to formulate, it would be necessary to illustrate how things would work in the real world by looking at concrete examples. Delegations had worked well in 1987, but the bulk of the work was still ahead of them. They had to move beyond circular and theoretical discussions by examining how the concepts that had been (or might yet be) identified might be incorporated, and how an agreement on services could be structured to effectively promote the expansion and liberalization of trade in services.

42. The representative of the Republic of Korea said that although services were a novel and complicated area, delegations were now in a better position to have a clearer picture of issues relating to trade in services. This was particularly true of statistics, thanks to the contributions made by delegations, international organizations and above all, the GATT secretariat. It could thus be said that there had been a progress. The problem areas and differences in opinions had been identified. Such an identification had laid a good starting point for future negotiations. His delegation suggested the following three points for further consideration. Firstly, on carrying forward the negotiating programme, his delegation was of the view that this question should be tackled in broader terms. Any approach towards this issue in the subsequent stage should strike a balance between provider services and consumer services as well as capital,

technology intensive services and manpower-related services. Secondly, the question of definition and coverage should be dealt with in depth. Any attempt to clarify these concepts only from the market access aspect would undoubtedly lead delegations to focus only on one element of the Punta del Este Declaration. However, there were three elements in the Declaration: (a) expansion of trade in services under conditions of progressive liberalization and transparency, (b) promotion of economic growth of all trading partners, and (c) promotion of development of developing countries. Thirdly, on the question of examining and developing all concepts which might constitute an integral part of a forthcoming multilateral compact, efforts had to take into account associate factors such as degree of development in countries and related national policies. For instance, liberalization of trade in services might result in the right to establish commercial presence as well as manpower mobility. Such a balanced consideration should be given a good deal of attention.

43. The representative of Australia said that her assessment was that progress in the GNS this year had been reasonably satisfactory, especially in the consideration of key principles to be included in the framework agreement on services. The papers tabled by delegations on transparency, national treatment and non-discrimination had supported considerable progress towards fulfilling the Punta del Este mandate. The submission of broader, ambitious, more general papers from Jamaica, Mexico, the Nordic countries, the United States and the European Communities and Switzerland had demonstrated the complexities of the issues before the GNS. These papers had shown that more a detailed discussion of key principles such as transparency and non-discrimination was needed. Of equal importance was the considerable amount of work required on matters which had not yet been addressed. For instance, the European Communities paper contained a list of additional concepts on which the GNS would have to devote future efforts and endeavour to achieve precision. Delegations would also have to establish the relationship of these concepts to others being discussed and to the terms of the objectives for the negotiations. During the course of this year it had become evident that even though delegations had a substantial task ahead, solutions to the problems before them would be possible. What was required was strong commitment by all participants to achieving progress. This needed to be supported by contributions, both written and oral to help realisation of this progress. It was somewhat disappointing that more delegations had not taken the opportunity at the early stages of these negotiations to table papers on key concepts. Her delegation appreciated the importance that many delegations placed on the problems of classification and statistics. This importance had been reflected in the debate. Considerable time had been spent assessing the current situation, both nationally, through submissions, and internationally, through excellent work by the secretariat and technical support provided by expert organizations in the field. Conclusions reached on this issue in the 29 June to 2 July meeting contained in paragraph 24 of MTN.GNS/9 provided a satisfactory framework for the GNS to influence as far as possible the process of achieving the improvements to the statistical base on trade in services over the short and long term. It seemed clear now that significant

improvements in the collection of national statistics would not have shown their effect by the time the framework agreement was finalised. However, there was evidence that although the availability of better statistics would benefit the work of the GNS, in her view, they were not crucial to the development of the framework agreement and should not be seen as an impediment to progress towards the fulfilment of the Punta del Este mandate. On the second element, the past year had given delegations more confidence that it would be possible to agree on a set of relevant principles and rules governing trade in services that could be encompassed in a framework agreement with broad membership. The principles emerged so far seemed to be broadly similar to those contained in the GATT which on the whole had served well. It was evident, however, that new rules or mechanisms would be needed to give effect to these principles. In addition to the elaboration of framework principles, work now needed to begin on the application of possible principles that could apply to particular sectors. Her delegation had come to the conclusion that thought would also have to be given to testing the coverage of the framework agreement principles against conditions prevailing in various services sectors. This could also be opportunity for weaving in a consideration of the relationship of existing international disciplines and the sectoral arrangements to the services framework agreement. Such an exercise should be an early means of exploring the relationship between the five elements in MTN.GNS/5 and the way in which they related to the objective of a framework. Much more work was needed to tie together elements in submissions brought forward and to discuss concepts at a more pragmatic and practical level. The GNS would have to tackle in a similar way several additional potentially relevant concepts, e.g. the grandfathering of legislation inconsistent with the framework agreement, "appropriate regulation" and regional arrangements.

44. The representative of Australia said furthermore that she would not wish to see continued concentration on abstract principles to the neglect of fundamentals, one which was liberalization. Although non-discrimination, national treatment, transparency, etc. were the key underpinnings of an agreement which would contribute to liberalization, they did not automatically lead to more open markets. She would like to see more discussion of the link between the operative principles and the fundamental objectives. This discussion could be characterized as being part of a broader one about rules or mechanisms. One example was to examine the concept of non-discrimination and how implementation of such a concept in a services agreement would contribute to the process of development and trade expansion. It could also focus on questions such as "how the transparency obligation would contribute to liberalization". In this case it would not be satisfactory to answer that liberal regulatory régimes tended to be transparent. Rather, the transparency obligation needed to be framed in such a way that compliance assisted to achieve liberalization. One of the more attractive aspects of the United States' paper was that it gave weight to 'progressive liberalization'. It was noted, however, that it contained no proposals on the mechanisms. As was clear from the nature of the European Communities' paper, this was something the GNS could usefully spend time addressing next year. Mechanisms which might be appropriate in the

context of a strong commitment to the liberalization of services markets included rules which had not yet been discussed, such as dispute settlement, the grandfathering of existing restrictive legislation, the use of exceptions, and the application of subsidies and other non-restrictive measures causing distortions. Although each of these notions might require further specific treatment in sectoral arrangements, her view was that the framework should contain general provisions for services as a whole. In addition to consideration of mechanisms, the GNS would have to address itself to any need for some firm commitment on standstill and eventual rollback. It was still unclear, however, to what extent such commitments would be matters for a framework agreement rather than sectoral agreements. Future work also had to acknowledge that one distinctive feature of trade in services was that it often depended on contact between the producer and consumer. In order to ensure that liberalization was possible, the GNS therefore had to address the framing of rules covering the temporary mobility of factors, including the movement of people necessary to deliver a service. There were also two more general notes. First, her delegation did not think that sufficient attention had been given in the GNS discussions this year to barriers to trade in services, apart from the very welcome contribution by the Canadian delegation. An examination of barriers was the reverse of the liberalization coin, and it established the factual basis on which liberalization might occur. Barriers to trade in services came under many guises, and delegations should not assume that all or even the majority of them were based solely on protectionist sentiments. It was a fact, however, that there were many barriers to services trade that were based on motivations that could no longer be justified. It was important, therefore, that the GNS did examine the motivation for barriers as part of the consideration of liberalization. Second, the view had been expressed on an earlier occasion that the creation of a framework for the progressive liberalization and expansion of services trade would itself contribute to the development of developing countries. Other countries had suggested that more specific development provisions would be needed. Her delegation was ready to consider any specific proposal consistent with the other objectives (transparency, liberalization, expansion of trade) which would help to further this goal. In summary, her delegation's view was that a reasonably firm foundation had been built for future work in the GNS which should enable it in 1988 to achieve tangible progress. In this respect her delegation was in full agreement with those other participants who saw the GNS from now on at a different and more advanced stage of the negotiations. This had to be reflected in the future work. At this point it was also necessary to emphasize the agreement with those seeking an acceptable package of results for the mid-term review of Uruguay Round progress at the end of 1988. Australia had already indicated its objectives for this review. It would firmly set the direction of the final outcome from the Round. Such a result in the mid-term review for services meant agreement on a general framework. It was hoped that others shared this goal of using every opportunity available to maintain momentum towards the achievement of the mandate within the comparatively short time available. Australia was firmly of the view that the principles and rules ultimately embodied in the framework agreement had to be firm and unambiguous. These principles and

rules had to go beyond the legitimization of existing practices. They had to result in the non-discriminatory liberalization of trade in services to the common benefit of all participants.

45. The representative of Jamaica said that discussions over the past year had been particularly useful with regard to the five elements. They had helped to recognize that more analysis still needed to be done. Nevertheless, the Group could be cautiously optimistic over the progress of its work. Jamaica's views on the issues before the Group at this stage of its deliberations and on some aspects to be addressed were presented in document MTN.GNS/W/28 which had been introduced at the last meeting of the GNS. The definitional and statistical issue was an important one, to the extent that theory and empirical analysis were both inadequate. The Group had to make every effort to fill the gaps on trade in services, by drawing more effectively upon the work being undertaken by various international organizations, and through the monitoring and reporting rôle of the GATT secretariat as an input to the GNS. There seemed to be general acknowledgement that the element of coverage had not been sufficiently addressed. The Group would need to identify and establish criteria for selecting services transactions and sectors to be covered. This element would have to be discussed more comprehensively. The work of the Group would be assisted also by increased focus on international disciplines and arrangements as contained in existing international agreements. The secretariat document MTN.GNS/W/16 was useful in this regard. The principles, rules and disciplines in these arrangements should now be examined in the light of the broad concepts on which principles and rules for the multilateral framework might be based. There had been thought provoking exchanges on broad concepts and principles such as m.f.n. treatment, national treatment and transparency. It would be necessary to define more precisely these concepts in order to allow for a more systematic discussion of the principles and rules which might form the multilateral framework. It should also be recalled that the framework to be established should achieve the three main objectives contained in the Ministerial Declaration. As the GNS sought to determine the scope and structure of any possible framework agreement, it had to bear fully in mind that any such framework agreement had to be designed so as to facilitate the promotion of economic growth and the development of developing countries.

46. The representative of Pakistan said that during the past year, delegations had had useful discussions in the Group. These discussions had been extensive, but not exhaustive on some of the elements while it had been possible to have only preliminary discussions on others. Therefore, in the view of this delegation, the Group was as yet far from a common perception of, or even a common approach to, the five elements elaborated for the work early this year. The focus of discussions had indeed been stolen by the second of the five elements, namely broad concepts on which principles and rules for trade in services might be based. On this element, some interesting proposals had been made by a number of participants for a framework agreement containing elements such as transparency, national treatment, non-discrimination, m.f.n., etc. Familiar though these might be,

his delegation had yet not pronounced itself on these proposed elements. His authorities were in the process of examining all the proposals and would come back to them in future meetings. His delegation was of the view that the mechanics that might be developed to replicate these concepts to trade in services remained yet to be seen, given, in particular, that no agreed definition of trade in services had yet evolved, nor had there been a sufficient or satisfactory consideration of the coverage that a framework for trade in services might encompass. His delegation wanted to emphasize, as was done by its Minister in the recent meeting of the CONTRACTING PARTIES, that any agreement on trade in services had to include also the transfer of labour services from the developing countries. Furthermore, it was evident for his delegation that an adequate discussion had not yet taken place as to the essential requirement in any agreement on trade in services of protecting the growth of services in the developing world from instant competition. His delegation insisted on the essential need for initial protection for infant services in the developing countries. Regarding the existing international disciplines and arrangements, some preliminary discussions had taken place during the year. The inventory of disciplines and arrangements compiled by the secretariat could serve as a useful guide for further work. However, the nature, scope and any amplifications of the existing disciplines would have to be discussed and debated in depth. An approach for the incorporation, or otherwise, of such amplifications in a new framework under the GATT, or elsewhere, could be agreed only after such essential debate had taken place. To conclude, discussions in the GNS during the outgoing year had been useful. Further work should proceed next year with a more solid and concrete consideration of the five elements to enable participants to agree on a common approach for a final package in fulfilment of the Punta del Este Declaration on services. His delegation remained ready to engage in a constructive dialogue for achievement of early results from these joint endeavours.

47. The Chairman concluding the discussion on stocktaking stated the following: "The Group has made progress during 1987 in pursuance of the programme of the initial phase of negotiations as elaborated in MTN.GNS/5. It was recognized that, subsequent to the stocktaking, the negotiating programme will have to be carried forward further on the basis of the examination of the five elements in MTN.GNS/5, as well as other issues arising therefrom. In this process, submissions and statements by delegations will be addressed with a view to achieving concrete progress in the negotiations in accordance with the negotiating objectives in the Punta del Este Declaration on trade in services. The Group appreciated the contributions made by participants in the shape of papers, proposals and statements. Participants are encouraged to make further contributions."

48. The Group agreed on a calendar of meetings for the first half of 1988 as follows:

27-29 January
22-25 March
17-20 May
18-21 July.

49. It was agreed that the Chairman would make a report on his own responsibility to the Trade Negotiations Committee.

50. The Chairman also said that the secretariat would, as usual, prepare a note on this meeting summarizing the discussion on the elements and reporting on the statements made in the course of the stocktaking exercise. It appeared to him from the informal consultations he had had that there was the wish that the part of the report on the stocktaking exercise would identify countries in association with their interventions. It was so agreed.