

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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The following communication is circulated at the request of the delegation of Mexico to the members of the Group of Negotiations on Services.

THE CONCEPT OF ECONOMIC DEVELOPMENT IN THE URUGUAY ROUND
NEGOTIATIONS ON SERVICES

1. Mexico's participation in the negotiations on services in the Uruguay Round has been founded on the premise that these negotiations and their results will promote its economic development. This premise is based on the principal objective of the Punta del Este Declaration, that is to say, that the negotiations are "a means of promoting economic growth of all trading partners and the development of developing countries".
2. In this connection, the delegation of Mexico agrees that the concept of economic development should be an integral part of the framework agreement and of the sectoral agreements that may be negotiated, and not a series of waivers, exceptions or "special treatment", as has so far been the case in GATT, which have not brought tangible benefits for developing countries.
3. To give real content to this objective, it is necessary to establish a number of secondary objectives, such as those mentioned below. The following list is not intended to be exhaustive, but rather should be seen as a preliminary proposal by the Mexican delegation which reserves the right to modify its contents in line with progress in the negotiations in the Group of Negotiations.
4. These objectives are to achieve:
 - (a) Sustained growth of production and productivity of the services sector in developing countries, in particular of the "new" producer services which make it possible to increase the efficiency and productivity of all economic activity, especially manufacturing, and including exports of goods and services.
 - (b) Sustained growth of employment in the services sector in those countries, especially that of the "new" producer services, which provide the highest salaries and have a multiplier effect on incomes and employment in the rest of the economy.

- (c) Improvement of the international competitiveness of raw materials and processed and semi-processed goods as well as services produced by developing countries.
- (d) Sustained growth of exports of developing countries on the world market for services, including the "new" producer services.
- (e) Fair and equitable access to new technologies generated or distributed internationally by the services sector. In this connection, technologies relating to telecommunications and data processing (remote data processing/telematics) are of particular interest as they represent about 80 per cent of the new technologies. Similarly, access to world information networks is also extremely important for developing countries.

5. The above five objectives will never amount to more than a list of good intentions unless concrete measures are adopted in the framework agreement and sectoral agreements that may be negotiated during the Uruguay Round or subsequent rounds of negotiations.

6. In this connection, it is necessary:

- (a) FIRST, to establish the principle of "relative" reciprocity in recognition of the fact that there cannot be equal treatment among unequal parties.
- (b) SECOND, that the services in which, for the time being, developing countries are competitive, in other words labour-intensive services and labour as such, should be the subject of negotiations in the Uruguay Round. The framework agreement that may be adopted should therefore deal not only with regulations having a negative impact on trade in services, but also on labour flows. Labour flows should be included to compensate, albeit marginally, for the fact that developed countries control more than four fifths of international trade in services.
- (c) THIRD, that the negotiations should not include the "right" of establishment or commercial presence of direct foreign investment, taking into account that the Punta del Este Declaration refers only to trade and not to international transactions in services.
- (d) FOURTH, that developed countries should undertake not to impose any further restriction on imports of services from developing countries as from the mid-term review meeting for the Uruguay Round to be held in December 1988.
- (e) FIFTH, that for developing countries the following should not be considered barriers to trade in services:

- (i) Laws and regulations that are already in existence or adopted in future concerning the "new" services or the greater transportability of "traditional" services;
 - (ii) Laws and regulations concerning direct foreign investment;
 - (iii) Equal treatment for services, whether domestic or imported, which does not include direct foreign investment;
 - (iv) Non-discrimination among foreign international suppliers of services, which does not imply the same treatment as for domestic suppliers of the same or like services.
- (f) SIXTH, that developed countries should grant developing countries unconditional and unrestricted most-favoured-nation treatment both in the framework agreement and in the sectoral agreements.
- (g) SEVENTH, that in the negotiation of sectoral agreements preference should be given to the liberalization of services exported by developing countries.
- (h) EIGHTH, that ways and means should be studied to speed up the transfer of technology from developed to developing countries, to which end, inter alia, the GNS should study the code of conduct which has been under negotiation for ten years in UNCTAD. If the conclusion is reached that this code is not sufficient to attain the objective in question, it would be necessary to study further measures.
- (i) NINTH, that the framework agreement and sectoral agreements should suitably reflect the fact that one of the main national policy objectives of developing countries' laws and regulations is precisely their economic development. This partly reflects the infant industry argument and partly the fact that only the countries themselves can determine their own development needs. In this connection, Mexico does not believe in a perpetual infant industry, as it has shown by the broad external liberalization of its markets for goods. But each developing country is the best judge of how to serve its development interests.
- (j) TENTH, that the sectoral agreements that may be established under the framework agreement, at least in the case of developing countries, should be considered as independent both of each other and, obviously, of the results of the negotiations on goods.

7. The delegation of Mexico hopes that the foregoing will make a positive contribution to the discussions in the GNS on a topic which should be of the utmost importance for all countries participating in the Uruguay Round.