

**MULTILATERAL TRADE  
NEGOTIATIONS  
THE URUGUAY ROUND**

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Group of Negotiations on Services

**NOTE ON THE MEETING OF 31 OCTOBER - 3 NOVEMBER 1988**

1. The Group of Negotiations on Services (GNS) held its seventeenth meeting from 31 October to 3 November 1988 under the Chairmanship of Ambassador F. Jaramillo (Colombia).
2. As indicated in airgram GATT/AIR/2699, the agenda contained the five elements listed in the programme for the initial phase of the negotiations. The Chairman suggested that a major part of the meeting would have to be devoted to the preparation of the GNS report to the Ministerial meeting in Montreal. He had informally distributed to delegations the first part of the report and he intended to discuss it informally during the course of the week. Turning to the present meeting, the Chairman suggested that the formal session commence with a presentation of the two new proposals circulated by Brazil and Peru respectively since the last meeting.

**Discussion of submissions before the Group circulated since the last meeting**

3. In introducing the proposal contained in document MTN.GNS/W/49, "Basic concept, objectives and rules for promoting economic development in the context of a framework agreement on trade in services", the representative of Peru noted that the central idea was that a framework agreement on services should cover the fundamental element of economic development as an integral part of the agreement and not as an exception. The proposal aimed at establishing a general framework based on the notion of asymmetry in the field of services, which should be taken into account by means of three practical considerations: first, protection of the balance of payments of developing countries from the effects of trade in services; second, relative reciprocity for developing countries in respect of concessions; and third, international cooperation in the services sector designed to improve the international competitiveness of developing countries. On the basis of these considerations, the proposal defined specific standards on exceptions and safeguards, preferential opportunities, optional most-favoured-nation treatment, equitable national treatment, progressive liberalization, restrictive trade practices, preferential arrangements on services among developing countries and transfer of technology. The framework agreement should constitute a set of generally applicable principles and rules that would serve as a model for sectoral agreements on specific obligations between various groups of countries.
4. In introducing the communication "Elements for a possible framework agreement on trade in services" contained in document MTN.GNS/W/48, the

representative of Brazil noted that his delegation had set out early in the work of the GNS in MTN.GNS/W/3 its concerns regarding a possible framework on trade in services. This statement remained valid as an important theoretical basis to guide Brazil's participation in the GNS. Subsequently, Brazil had attempted to encourage more in-depth discussion on a number of issues, and documents MTN.GNS/W/19-21 contained his delegation's thoughts on definitions, statistics and other concepts included in the GNS work programme. Late in 1987, however, before the Group had concluded its analysis of the elements of the work programme, some developed countries had submitted proposals on a framework. Since then, the debates in the GNS had taken on a negotiating character as delegations started to express their positions on the contents of a framework. MTN.GNS/W/48 addressed the main elements which should be part of a possible framework agreement on trade in services. The document relayed the views of a country where services had not yet developed into a major industry; this explained the cautious approach chosen. His delegation was convinced that agreement on definitions would be a sine qua non for a common understanding on the scope of the framework. It would be unwise to proceed with negotiations which could result in obligations for the participants without establishing from the outset in precise terms the subject of the Group's work. The proposal elaborated some concepts such as transparency, liberalization, international competition, development, standstill, and expressed views on national laws and regulations and on existing international arrangements. The proposal should be seen together with other views put forward by Brazil in particular in documents MTN.GNS/W/3, MTN.GNS/W/20 and MTN.GNS/W/34. It attempted to ensure that every concept reflected the paramount objectives of growth and development in order to produce better results for all participants in the GNS.

5. The representative of Yugoslavia said that the submissions by Brazil (MTN.GNS/W/48) and Peru (MTN.GNS/W/49) showed a very balanced approach to the elements contained in the Punta del Este Ministerial Declaration. In particular, she agreed with the idea in paragraph 4 that an agreement based exclusively on liberalization could lead to a greater concentration of international trade in services than was already the case. She supported also the view that there was a need for rules at the international level to guarantee competition. She reminded the Group that developing countries were, for the most part, importers of services and that an excessive dependence on foreign suppliers could cause balance of payments problems.

6. The representative of Japan said that both submissions were indicative of some areas of convergence in the work of the Group. The Brazilian paper, for example, included the concept of progressive liberalization whereas the Peruvian contribution put forth national treatment as a central concept. His delegation would have a considerable problem with a narrow definition of trade in services including only transactions between residents and non-residents - as set out in paragraph 5 of MTN.GNS/W/48. One problem in formulating a workable definition was the fact that for services it was often difficult to differentiate between consumption and production and that often consumers and producers, irrespective of their residence status,

needed to be in the same place for a transaction to occur. He disagreed with the categorization in the paper that local establishment of foreign services companies was to be considered an internal transaction whereas the temporary movement of foreign labour to perform services activities was to be considered trade in services.

7. On transparency, he pointed out that at times national policy objectives might generate an impact on trade through the way in which they were implemented. For that reason, certain national laws and regulations should be notified even if they reflected certain national policy objectives. The impact on trade should be the determining factor. Regarding the transparency of the activities of private enterprises, he doubted that enough incentive would be created for private investment if the secrecy of certain practices by private enterprises was challenged in a framework. Regarding progressive liberalization, he failed to understand the meaning of the "balanced participation" which, according to the paper, was supposed to be accomplished through progressiveness. Also, the preferential opportunities for developing countries would be better discussed under a heading other than progressive liberalization (e.g. development compatibility) where national treatment and m.f.n. were much more relevant concepts. He also said that it was not logical to infer that the liberalization of trade in services would necessarily imply lesser competition. As to provisions to restrictive business practices, it was not clear to him that they would be suitable for a framework on trade in services.

8. Commenting on the submission by Peru (MTN.GNS/W/49), the representative of Japan warned against relying on the pre-conceived notion that developing countries were all importers, whereas developed countries were all exporters of services. Japan itself was a net importer of services. He said that the idea of linking the contribution of participants to their respective levels of development would imply changing status for participants as they attained higher levels of development. This would run counter to the suggestion made in the paper that the framework should provide for permanent exceptions which participants judged vital for their development. Also, he wondered how permanent exceptions could be made compatible with progressive liberalization. Referring to the nature of the framework agreement, he noted that the Peruvian approach seemed to be similar to the Nordic approach in that it envisaged a framework agreement as a model, with binding commitments occurring only at the sectoral level.

9. The representative of Romania, considering both MTN.GNS/W/48 and MTN.GNS/W/49 very useful contributions, found of special relevance the attempt in the Peruvian paper to provide a means to reduce and eliminate the asymmetry which existed in trade in services between developed and developing countries. He said that his delegation would subscribe to an unconditional m.f.n. treatment. As regards reciprocity, developing countries should be granted the right not to fully reciprocate but to do so in accordance with their level of development. On national treatment, he agreed that commitments should reflect the asymmetry which existed currently

in trade in services. Developing countries should not be expected to grant national treatment in areas which were incompatible with their development plans, such as infant industry policies. He warned that the word "equitable" could lead to confusion in a services trade régime and in the application of national treatment to developing countries. Regarding the Brazilian submission, it was balanced effort to achieve progress in the negotiations. He said his delegation shared many of the concerns put forth in the paper.

10. The representative of the European Communities welcomed the submissions of Brazil (MTN.GNS/W/48) and Peru (MTN.GNS/W/49). On the Peruvian submission, he said that his delegation did not exclude the possibility of including in an eventual framework provisions to protect the balance of payments of participants. Some doubt remained, however, as to what extent such provisions should be general or should apply only to developing countries. Regarding relative reciprocity, he said his delegation could consider the idea that the contributions of participants should be proportionate to their level of development, as long as this approach would apply throughout the lifetime of the agreement and not just at the moment when it was signed. As concerned exceptions, he endorsed the view expressed by the representative of Japan that permanent exceptions would be incompatible with the dynamic concept of progressive liberalization. Also, his delegation would object to any unilateral exclusion of sectors from the obligations of the agreement. At most, such exclusions could be unilaterally proposed but would have to be multilaterally accepted. With respect to optional m.f.n. treatment, he said that the idea that participants could agree to or disagree with obligations whenever they pleased during the lifetime of the agreement was unacceptable to his delegation, since such an approach would ultimately not yield an effective multilateral agreement as set out in the Punta del Este Ministerial Declaration. On national treatment, he said the view of his delegation was that national treatment was by itself equitable. He drew a distinction between national treatment as applied to different countries and national treatment as applied to different services suppliers - i.e. services firms. It was his understanding that the Peruvian delegation intended to treat the former case in its submission. On progressive liberalization, the idea that liberalization should take place in a manner consistent with the specific conditions of sectors in developing countries was one way of expressing the concept of development compatibility previously proposed by his delegation. Further clarification was requested on how progressive liberalization was to take place in such a way that access to the international network of services would be granted to developing countries.

11. Commenting on the Brazilian submission, the representative of the European Communities called attention to the second paragraph of the paper where a re-drafting of the Punta del Este Declaration seemed to have been attempted. He agreed with the Brazilian delegation that a simple definition could help the Group's work. Also, he was glad to see that the definition adopted included transactions between residents and non-residents which he considered to be better than a narrow definition including only transactions

where the services crossed the border. However, he would prefer a formulation which would also include the possibility of permanent commercial presence where this presence was necessary for the provision of services to take place. On transparency, it would be his delegation's preference that only laws and regulations which had an effect on trade should be subject to notification. Similarly, he would not go as far as the Brazilian delegation in interpreting progressive liberalization to involve the gradual elimination of unnecessary restrictions to trade in services. For his delegation, it should suffice to gradually eliminate restrictions which had a direct effect on trade. He was glad to see in the paper that progressive liberalization should take into account the possibility of faster liberalization of trade in services inside customs unions and free trade zones. He agreed also that states should have the right to establish monopolies, but this right should be carefully circumscribed by description of the conditions under which it could be exercised. He welcomed the emphasis placed on development compatibility and was glad to see that Brazil did not equate control of the domestic economy's basic infrastructure with self-sufficiency in all services. He asked for some clarification on what specific rules and mechanisms the Brazilian delegation had in mind when it mentioned the need to facilitate the participation of competitive services suppliers from developing countries. He stressed that a reasonable enforcement of intellectual property rights was a very good way of encouraging the creation of technology. Finally, he said that the statement that national regulations designed to strengthen services capacities of developing countries should be respected was not tenable vis-à-vis the Punta del Este Declaration, since such regulations clearly affected trade and should therefore be subject to negotiation.

12. The representative of Mexico said that while the Brazilian submission (MTN.GNS/W/48) contained various ideas which his own delegation had advanced no mention had been made of labour mobility or relative reciprocity. While relative reciprocity was implicit in a great deal of what had been covered, an explicit mention of the concept could further enrich the debate. Regarding the Peruvian submission (MTN.GNS/W/49), he requested some further clarification as to what was meant in practical terms by preferential opportunities and equitable national treatment for developing countries.

13. The representative of Tanzania, referring to the Brazilian submission (MTN.GNS/W/49), found the emphasis placed upon a simple definition of trade in services including only transactions between residents and non-residents to be congruous with the mandate of the Group. He stressed that the concept of national treatment should reflect the fact that the Group's main concern was with the trade aspect of services transactions. A formulation of national treatment could borrow from the formulation of national treatment which applied to imports of goods and should take into account that, as was already the case with goods, developing countries had adopted and would continue to adopt selective import policies for services in accordance with their development objectives. He emphasized that the discussion on national treatment should not involve the consideration of national investment policies.

14. The representative of the United States welcomed both submissions as clarifying contributions to the Group's discussions. Regarding the Peruvian submission, he said that provisions relating to balance of payments difficulties would necessarily have to be of a temporary nature and requested clarification on what was meant by policies which were vital for development and national security. On optional m.f.n. treatment, he restated his delegation's position that such a concept did not constitute an acceptable instrument for multilateral negotiations and was not consistent with the Punta del Este Declaration. As concerned equitable national treatment, he said that much depended on what was meant by "equitable". If the meaning was equivalent treatment to foreign providers of services, his delegation would subscribe to it. However, if the meaning implied different levels of treatment to different countries, it would be unacceptable to his delegation. He asked for clarification on the emphasis by Peru and many other developing countries on preferential arrangements for trade in services among developing countries. Finally, he restated his delegation's position that restrictive business practices and technology transfer were concerns which should not be included, in any form, in an eventual framework. These could not become enforceable in a future understanding nor would their inclusion facilitate development.

15. Regarding the Brazilian submission, he disagreed that most of the proposals made by developed country participants advocated a move to deregulation. He said that emphasis had been placed on progressive liberalization rather than deregulation. On definition, he found the Brazilian definition to be particularly narrow, only dealing with one aspect of trade in services and stressed that whatever definition was finally adopted it would have to include services transactions by foreign firms which were locally established. On transparency, he supported the view expressed in the submission that laws and decrees related to international trade in services should be published. He said that parameters could be established within which notification could take place. If the traditional GATT notification procedures were adopted, one could also envisage the possibility of cross-notifying a particular regulation. Also, he hoped that provision would be made for a period within which interested parties could comment on relevant regulations. Regarding the relationship between a transnational corporation and an affiliate enterprise, he said that while in some cases distorting effects on international trade may originate from intra-firm transactions, a balance needed to be struck between that kind of concern and the fact that the ability to generate expertise locally to provide competitive services depended to a large extent on a close relationship between firms and their foreign affiliates. He objected to the idea that countries should have a unilateral right to establish monopolies and suggested that rules be put in place which governed the behaviour as well as the establishment of monopolies. He fully subscribed to the statement made in the paper that the control of a country's basic infrastructure was not the same as that country having self-sufficiency in all services.

16. The representative of Malaysia, commenting on the Brazilian submission (MTN.GNS/W/48), supported the statement that the expansion of trade in services should not be construed to be sufficient for the fulfilment of the objectives of economic growth, development and respect of the policy objectives of national laws and regulations. He agreed with the emphasis placed on the need to provide for transparency of both government as well as private enterprise activities related to trade in services. A central question was the achievement of fair competition and he wondered to what extent that could be achieved considering that two thirds of world service exports were concentrated in a few developed countries. On development compatibility, the question remained unanswered as to how the concerns for an improved services infrastructure, an improved technology transfer, and the development of the services export capacity of developing countries could be addressed in an eventual framework. Such concerns had been expressed by many delegations.

17. The representative of India welcomed both submissions as very timely contributions carrying forward the process started by Argentina and Mexico. Regarding the Brazilian submission, he agreed with the view expressed by the representative of Tanzania that the general approach adopted in the paper was consistent with the negotiating objectives of the Punta del Este Declaration. He found the approach to definitions, for example, to be very attractive even though it could still be refined. He suggested that one could consider adding the aspects of specificity and discreteness of traded services, thus in effect ruling out those transactions which did not have the basic characteristics of trade transactions. On transparency, he agreed that any such obligation should take into account two things: first, many of the services regulations in developing countries did not have trade as their objective and in such cases transparency could be redundant in the context of an eventual trade in services agreement; second, that transparency obligations should not only apply to governments but also to private operators in the market. With regard to this second point, he said that more would be needed than guidelines for the control of the practices of private enterprises since, as experience had shown, the prescription of such guidelines had not produced many positive results. As concerned progressive liberalization, he found the Brazilian approach progressive, as opposed to many of the proposals by industrialized countries that had emphasized an approach to liberalization which could in effect result in a digressive process for the developing countries i.e. an increase in services imports followed by a possible reduction in services exports. On preserving international competition, he stressed the relevance of knowing the exact level of concentration of suppliers of services, particularly when formulating rules regarding transparency, the behaviour of operators and the effect of such behaviour in the international market for services. He restated that his delegation would prefer the term "development promotion" to "development compatibility" since the former would reflect more clearly the objective of the Punta del Este Declaration without implying any constraint as was the case with the term "compatibility". He also found that the maintenance of a national productive capacity was a legitimate

objective but added that the developing countries themselves should be the sole judges of the ways and means of accomplishing such an objective.

18. He said that in the multilateral framework, the need for developing countries to increase their services export capacities, the need for financial rules and mechanisms to facilitate the participation of services suppliers from developing countries in international tenders, and the need to foster the diffusion of modern technologies should be recognized. One of the most convincing indications of an improvement in a developing country's productive capacity in services sectors was an increasing share in services exports. Therefore, a quantitative measure such as the share of developing country exports of services should be relevant to the work of the Group. Also, the asymmetry in the regulation of services between developing and developed countries should be recognized, not only in the context of a standstill but also in the context of the general framework. Some submissions had implied that the requirements of developing countries could be addressed through the possibility of longer time frames for phase-in commitments, both in terms of the overall framework as well as in terms of specific disciplines. He found this to be insufficient.

19. He welcomed the Peruvian submission, as a good attempt to deal with the question of development through different concepts, some of which were presented for the first time. If the Group was to consider a multilateral framework in terms of the expansion of trade of all participants and not only a few, it should start with the basic assumption that the existing asymmetry had to be redressed. The asymmetry was due to various reasons in different areas such as technology, finance and labour movement or labour intensive services. Each of these aspects had an implication both in terms of specific provisions for developing countries as well as in terms of the coverage. Regarding exceptions and safeguards, he wondered whether the Peruvian delegation would consider extending the proposal for unilateral exclusions of rules to exclusions of sectors.

20. The representative of Jamaica welcomed the submissions by Brazil and Peru. He said that these submissions covered many points of interest for developing countries. Specifically, in the Peruvian paper he found of special relevance the emphasis placed on the asymmetry which existed in trade in services between developing and developed countries and on the implications for the balance of payments of developing countries. He agreed with the representative of Malaysia that provisions relating to the improvement of the competitiveness of developing countries in services trade through transfer of technology, etc. should be included in a agreement. He subscribed to the distinction drawn in the paper between national treatment and market access. As concerned optional m.f.n., he said that his delegation would prefer an approach consisting of multilaterally agreed sectoral coverage.

21. He said the Brazilian submission reminded participants of the importance of definition as a way to lend clarity to the work of the Group. He supported the general approach adopted in the submission and some of its

specific points such as the preservation of international competition and progressive liberalization. With respect to the latter, he agreed with the emphasis placed on progressiveness as a means towards a balanced participation of all countries in international trade in services. As examples of effective actions that might be taken in that context, he cited: initial liberalization of markets of developed countries, preferential opportunities for developing countries, preferential access to developed country markets for services of special interest to developing countries such as labour services, unconditional extension to developing countries of the benefits resulting from the agreement, and non extension of concessions agreed only among developing countries. Finally, he said he shared with the Brazilian delegation the concern about standstill commitments, because of the unequal situation that existed in terms of services regulations between developing and developed countries.

22. The representative of Switzerland said that both the Brazilian and the Peruvian submissions clarified some points and also showed some points of convergence and divergence. He said his delegation could accept, for example, the Peruvian suggestion for protection of the balance of payments of developing countries, provided that the provision for protection was of a temporary nature. On optional m.f.n., a concept which had been first introduced by his delegation, his own proposal differed from the Peruvian formulation in that it was accompanied by negotiating rights. Another indication of convergence was the view that the agreement should be envisaged as a set of guidelines which would pave the way for future sectoral agreements. As to divergences, he said that he could not understand why permanent exceptions would be necessary if the possibility of optional m.f.n. were made available. He objected to the contention that an asymmetry existed only between developing and developed countries with respect to trade in services; such asymmetries existed also among developed countries and among developing countries themselves. He shared the view of many participants that development should have a special place in the deliberations of the Group and should not be dealt with in isolation. He warned, however, against an approach that allowed for too much flexibility by granting participants the right to choose which commitments they would like to undertake. According to the Punta del Este Declaration, the Group should strive towards the progressive implementation of liberalization measures, in effect providing for a stage-by-stage process, while obliging participants to accept certain rules and principles. One of these could be the optional m.f.n. principle, especially considering that there should be nothing in an eventual framework agreement which would preclude the possibility of participants engaging in bilateral agreements among themselves. Regarding the nature of an eventual agreement, he re-emphasized his delegation's position that the framework to be agreed upon should in no way replace sectoral agreements.

23. The representative of Argentina pointed out that four Latin American participants had now presented contributions to specific elements of relevance to the work of the Group. Regarding the Brazilian submission, he noted that the overall emphasis of the paper coincided in many respects with

his delegation's previous submission (MTN.GNS/W/33), and in particular, the approach to progressive liberalization. He agreed with some of the specific concerns mentioned under progressive liberalization (e.g. preferential opportunities for developing countries). He agreed with the Brazilian approach to the preservation of international competition. His delegation also supported the diffusion of modern technologies and the avoidance of monopolies resulting from the restrictive enforcement of intellectual property rights. Finally, he agreed that standstill commitments should take into account the asymmetry between developing and developed countries in the regulatory systems for services activities.

24. Commenting on the Peruvian submission, he emphasized the need to include the concept of relative reciprocity in the future framework. On optional m.f.n. treatment, he said that this could constitute a viable means to overcome some of the divergences of the Group. He suggested that further consideration be given to the concept of equitable national treatment and how this concept related to other formulations of national treatment presented by other participants. In the view of his delegation, equitable national treatment bore a close relationship to the concept of progressive liberalization.

25. The representative of Canada noted that the Peruvian submission emphasized the asymmetry between developing and developed countries. He objected to this since asymmetries existed not only in North-South terms but also among developed and among developing countries themselves. He noted that while the paper gave the impression that it advocated special and differential treatment for developing countries, it failed to give any indication of obligations which developing countries might be willing to undertake. On the question of balance of payments protection, he pointed out that not much discussion had taken place on that subject and warned against extending the discussions into matters which were dealt with more effectively in other international organizations. On optional m.f.n. treatment, he shared the view expressed by other participants that this concept deviated from the original intention of the Group to put in place a truly multilateral agreement where participants were encouraged to take obligations and were granted rights across the widest possible range of items.

26. Commenting on the question of competition raised in the Brazilian submission, he said that liberalization would help to create a competitive environment in a particular economy, including the positive effect deriving from the provision of efficient services on the production of goods. On definition, he said that trade in services would have to include the notion of establishment of services firms in foreign markets. On the right of states to regulate the conditions of temporary presence of the producer or the consumer inside national boundaries, he asked whether this could be taken to mean that Brazil was willing to negotiate on the degree of national treatment that could be accorded to temporary presence. As concerned transparency, he was glad to see that Brazil subscribed to the idea of publishing laws and decrees related to international trade in services but

wondered whether regulations were also intended to be included. He drew attention to the points brought out in a previous Canadian submission on transparency. He noted that regarding the relationship between parent and foreign affiliate companies of particular concern to his government had been the extent of extra-territoriality of Canadian laws abroad and foreign laws in Canada. On progressive liberalization, he favoured a balanced participation be considered undesirable that liberalization commitments would affect only one set of participants. He recognized that areas of interest to developing countries should be included in an eventual agreement but considered it important that the granting of rights should be accompanied by appropriate obligations. He agreed on the need to provide for some guidelines relating to the behaviour of monopolies in an eventual framework. He stressed that it was clear that a standstill should be a part of the agreement, even though much thought still needed to be given to the form it might ultimately take. Clearly, there should be no blanket exemptions. Regarding the rôle of other international disciplines and agreements, he said further consideration should be given to exactly how an eventual agreement would relate to other existing agreements in the area of services.

27. Commenting on the Peruvian submission, the representative of New Zealand agreed with other participants that the asymmetry in the field of services did not restrict itself to a North and South context. She pointed out that her country also had a net deficit in the invisibles account but that did not keep her delegation from considering the benefits deriving from an increased level of services imports. She could conceivably accept the idea that the contribution of developing countries should be proportionate to their respective levels of development, but this would depend on how the agreement would ultimately be implemented. Caution should be exerted against a too strict balance of concessions within the same services sectors. Benefits to smaller trading partners could be enhanced if the exchange of concessions was across services sectors as well as within services sectors. It was also for that reason that she considered a code approach to different sectors inferior to an approach which subscribed to a strong framework of rules and principles of wide sectoral application. She stressed that permanent exceptions would be unacceptable to her delegation and that temporary exceptions should be agreed upon multilaterally and subject to clear guidelines. On equitable national treatment, her delegation was in a position to accept only the interpretation suggested by the United States where "equitable" would mean equivalent treatment to foreign service providers. She shared the views expressed by the representative of the United States on the issue of restrictive business practices.

28. Regarding the Brazilian submission, she disagreed that liberalization would lead to further concentration in trade in services. In fact, liberalization should contribute to a general expansion of trade, while improving efficiency and encouraging the transfer of technology. She endorsed the view that liberalization was not the same as deregulation. Regulations could remain in place after liberalization so long as they were

applied in a non-discriminatory manner. On definition, she said that her delegation did not consider agreeing on a single definition of trade in services to be indispensable or even desirable for determining the final scope of an agreement. She agreed with the view expressed in the paper that states should have the right to regulate the presence of foreign providers within their borders but stressed that this right should be consistent with the provisions of the future framework agreement. For her delegation this would imply that once in the market, foreign providers should be granted treatment no less favourable than that accorded to national providers. She subscribed to the idea that liberalization could not be automatic and immediate but gradual. Wide participation should be sought through clear guidelines which would ensure that there was a balance of rights and obligations. On development compatibility, she pointed out that certain policies could be detrimental to development, particularly if they prescribed measures which constituted long-term barriers to trade. She stressed that the treatment of development should not affect the overall shape and content of an eventual framework agreement. There should be general provisions applicable to all signatories and to all sectors encompassed by the agreement, except where temporary reservations had been agreed. Commenting on standstill, she strongly disagreed with the idea implied that a future agreement would permit a signatory to unilaterally introduce regulations and increase restrictions to trade in services. This would be directly counter to the aims and objectives of a multilateral framework.

29. The representative of Nigeria said that the Peruvian submission identified the existing inequality between developed and developing countries in the context of trade in services and attempted, within limits, to come up with ways to correct this situation. The approach to safeguards which suggested the need for both temporary as well as permanent exceptions reflected the very precarious balance of payments positions of developing countries. He fully agreed with the approach to national treatment which did not imply unconditional access to national markets, but simply an equitable treatment in regard to national laws, regulations and practices. Regarding progressive liberalization, he noted that primarily those developing country services industries which involved labour-intensive activities could benefit from improved access to developed countries. He shared the view that developing countries should be permitted in an eventual framework to select the sectors in which they wished to participate and to select the countries with which they wished to be associated. Finally, he subscribed to the suggestion that the GNS should take into account the existing codes on transnational corporations, technology transfer and others, in an effort to examine how these had fallen short of expectations and how the concerns addressed by such codes could be improved in the context of the services negotiations.

30. The representative of the Nordic countries welcomed document MTN.GNS/W/48 and stated that he had consistently advocated the broadest possible coverage and participation with no a priori exclusions from the sectoral coverage of a framework agreement. The approach proposed by Brazil

excluded "from the outset permanent presence of services enterprises inside national borders". His delegation agreed that there was no such thing as an absolute right of establishment but the Brazilian approach precluded the possibility that a framework also take account of commercial presence inside borders. While no participant in the GNS would argue that the framework should be incompatible with development, the question was how to find a solution to this fundamental problem. Concerning the rôle of the state in the provision of services, the proposal went far in proposing to "reinforce the state's rôle" in an international agreement. He welcomed the fact that the paper recognized the need for transparency in respect of at least the publication of government regulations. Turning to the Peruvian submission in MTN.GNS/W/49, he noted that there would be a need for safeguards in the agreement, the reasons of which, such as national security, were quite clear and should be rightly labelled as permanent exceptions. Although there could be others such as the protection of public morals, he believed that permanent exceptions should be limited and well-defined. As a general rule of thumb, the principles and rules of the agreement should apply equally to all signatories. Nevertheless, some signatories for reasons of their low level of development could be permitted to make in some cases substantially lower market access undertakings. He supported the view in both papers that there was a need for regional preferential trading arrangements although his delegation preferred the terminology "regional economic integration".

31. The representative of Australia, welcoming the submissions in MTN.GNS/W/48 and MTN.GNS/W/49, said that some explicit development provisions might be necessary although it was more important to ensure development compatibility in the framework as a whole. The Brazilian submission examined the concept of development compatibility against the background of the need to strike a balance between respect for national policy objectives and the liberalization of markets. This balance was necessary because in a number of developing countries national policy objectives were sometimes reflected in policies of market reservation, national self-sufficiency, infant industry policy and the use of state monopolies. His delegation's own submission addressed this question and stated that a framework agreement should have the effect of bringing all laws and policies and regulations within its legal ambit. This however did not mean the loss by any country of its sovereign right to regulate. His country's submission suggested that there could be a schedule of temporary reservations which would be negotiated by each country in cases where laws, regulations and policies conflicted with the liberalizing principles of the framework. It was expected that different countries would have different numbers of reservations and that overall a balance would be achieved between signatories. This would take into account the development policies and needs of developing countries according to guidelines agreed in advance. The balance however should not be struck by adopting an approach which would weaken the horizontal principles and rules in the framework. Special and differential treatment in the GATT had not responded to the significant economic and trading concerns of developing countries which would, in retrospect, have been better served by reinforcement and extension of the horizontal principles of trade liberalization contained in the GATT.

32. Turning to the question of definition in the Brazilian submission in MTN.GNS/W/48, the same member drew attention to the statement in paragraph 6 that "when a service is produced by subsidiaries of foreign companies and sold in the domestic market of a country, that operation is considered a domestic transaction". He considered that this definition of services trade was far too restrictive even for developing countries. For example, in many countries it was a requirement of agencies selling tourism services that they should be maintained by residents of that country. He imagined that Varig, like most other airlines, had agencies established in European countries. Transactions between residents of these countries were properly counted as trade in services. Other examples extended to the financial markets and to business services. Although his delegation defined services trade transactions much more broadly, which was also in the interest of developing countries, this did not mean that he disagreed with the Brazilian view that signatories of a framework agreement would retain the right to regulate the conditions applying to both residents and non-residents.

33. His delegation took the opposite view to that argued in paragraph 3 of the Brazilian paper, that liberalization would lead to greater concentration of international trade in services. Based on Australia's experience, infant industries tended to be high cost, labour-shedding industries which after a while were the least competitive in increasing trade and trade opportunities and expanding into international markets. Far from leading to greater concentration, liberalization had tended to lead to reinforcement of national production capacity through the introduction of competition into the market either across the border or by establishment. Competition had led to higher and more stable levels of investment, to significant transfers of technology and to greater export capacity. He did not agree with paragraph 10 of the Brazilian paper where it was argued that progressive liberalization should be managed in such a way as to result in liberalization first by the developed countries. He noted that several of the submissions to the Group had made provision for progressive application, for temporary reservations and for the possibility of developing countries taking longer to implement their obligations under an agreement. To the extent that Brazil could agree that the liberalization approach was compatible with development, he thought that a basis existed for negotiating a framework agreement which had liberalization as the central mechanism. He regretted that Brazil had submitted this substantial proposal so late in the Group's work because after two years of discussing these fundamental concepts it was time to move on to a consideration of how these concepts and mechanisms could be applied in a framework agreement.

34. Turning to the submission MTN.GNS/W/49 by Peru, the representative of Australia noted that section 2 on relative reciprocity gave a broad definition of the action required by developing countries to comply with the agreement. He said that the balancing of concessions and benefits in individual sectors would be less appealing than the balance of obligations and benefits across all sectors. His delegation had earlier stated its opposition to optional m.f.n. as this would lead either to a multitude of unrelated agreements, or to no appreciable trade liberalization because too

few countries would be able to reach agreement on what constituted equivalence of concessions. He agreed that the concept of national treatment mentioned in the paper would not inevitably imply unconditional access to national markets but "equitable treatment that took account of differences between levels of development".

35. The representative of Egypt welcomed the two submissions and noted common concerns such as transfer of technology, preferential market access opportunities for developing countries, restrictive business practices and progressive liberalization. Turning to the Brazilian submission in MTN.GNS/W/48, he considered the approach to definition went in the same direction as his delegation's approach which was based on the examination of three objective criteria: the time limit of the commercial presence, the time limit of the transfer of payment and the specificity of purpose. On general concepts, he considered that transparency would have operational value if the obligation was not confined to government measures but also covered the practices of market operators. This was not a novel idea and existed already in some OECD instruments. He said that although progressive liberalization could contribute to the process of development, it did not by itself provide a sufficient basis to ensure the attainment of development objectives. There had always been a relationship between the ability to liberalize and the level of competitiveness whether applied to trade in goods or services, so the obligation to liberalize would have to be commensurate with the level of development. There was also a need to agree on principles and rules for the control of restrictive business practices (paragraph 12) although the general behaviour or even the size of enterprises - and not only restrictive practices employed by them - could have considerable effects on the process of economic development. In this respect, he drew attention to the potential conflict of interest between private enterprises and national policy objectives. Regarding the problem of increasing services export capacity, he pointed out that the permanent relationship between supplier and consumer that existed in many service sectors represented a natural barrier to entry of new developing country participants into developed country markets. A related question was the transfer of technology which would have to be included both at the general and the sectoral level in a services agreement. Furthermore, he agreed with the paper's viewpoint on standstill (paragraph 20) that the levels of regulations in developed and developing countries were not the same and that this asymmetry would have to be taken into account in the relevant framework provisions.

36. Turning to the proposal by Peru (MTN.GNS/W/49), the same member noted that in developing countries, the balance of payments situation would be exacerbated if the agreement achieved only the kind of liberalization of trade in services which would result in higher levels of dependence on services imports by developing countries. It was only through the development of domestic service sectors that developing countries would be able to overcome balance of payments problems. He shared the paper's view that the concept of relative reciprocity was of central importance in any framework. The question of preferential opportunities (section III.B) was

related to the mechanism of exchange of concessions that would be later agreed upon in the negotiations and, in particular, to the issue of optional m.f.n. treatment. He requested clarification of the term "equitable national treatment".

37. The representative of Zaire noted the importance of paragraph 22 in the Brazilian proposal that any framework agreement should include a clause which "explicitly recognizes that it will be applied in a way compatible with existing international instruments". While developed countries stressed the problem of liberalization as the central question of the negotiations, the Group should not limit itself merely to questions of opening up markets as there was an asymmetry in trade in services. The framework agreement had to stipulate special treatment for the developing countries which would allow them as far as possible to eliminate the asymmetry. He agreed with the Brazilian proposal when it stressed the rôle of the state because in his country the major investor - in banking, shipping, telecommunications and other sectors - was the government; the private sector was only just starting to develop. This should be taken account of in the framework agreement.

38. The representative of Cuba welcomed both submissions and supported the view in the Brazilian proposal that the respect of the policy objectives of national legislation had to be ensured in an agreement. He also agreed with the view that "an agreement based exclusively on liberalization could lead to an even greater concentration of international trade in services". This problem of asymmetry needed further study and had to be constantly borne in mind in the work of the Group. He agreed that it was important in the formulation of a framework agreement to take full account of a number of international instruments as listed in section IV of the Peruvian submission.

39. The representative of Hungary welcomed the two proposals. Concerning paragraph 6 of the Brazilian submission, he agreed that the negotiations should determine whether the definition of services should include the concept of temporary presence of producer or consumers of the service within national borders. For a number of services, particularly labour-intensive services, his delegation considered that the producer should be present although this did not exclude the right of governments to regulate the conditions of such a presence. On general concepts, he was concerned by the absence of any reference to non-discrimination or m.f.n. These should be basic principles in any framework agreement and he wondered whether the omission was in the interest of developing countries themselves. His delegation agreed with the idea of progressive liberalization but had major problems with selective liberalization as outlined in the paper. He agreed with the notion of transparency and stressed the need to clarify during the negotiations whether and what type of notification requirements would be part of the agreement; a minimum obligation would be to publish laws and regulations related to services trade. The paper mentioned that in the course of the progressive liberalization process, it was important to ensure a balanced participation which could be achieved by various means. First,

suitable coverage to make sure that sectors of export interest to countries with lower levels of development were included in the liberalization process or even given priority treatment; second, that countries with lower levels of development could undertake, at least at the beginning, lower levels of commitment. He further agreed that infant industry considerations had to be taken into account.

40. Turning to the Peruvian submission, he said that he was not in favour of optional m.f.n. treatment. From the wording in section C, it seemed that optional m.f.n. would be something given in exchange for preferential concessions given by industrialized countries. The viability of such an approach, however, was questionable. For example, if the preferential concessions provided by various countries were quite different, how would optional m.f.n. reflect these differences? His delegation agreed that balance of payments considerations were important for developing countries and should be addressed. Concerning safeguards and exceptions, he agreed that development considerations were important in providing for certain exceptions, but he hoped that in the future it would not be necessary to make such a differentiation between developed and developing countries.

41. The representative of Morocco, pointing to the similarity of the two submissions which stressed the importance of economic development, considered it natural that the framework agreement should contain specific provisions to take account of existing imbalances. The concept of relative reciprocity as presented in the paper seemed to be confused with that of special and differential treatment. He agreed with the objective of international cooperation in the services sector designed to improve the international competitiveness of developing countries. Concerning the nature of the framework agreement, his delegation had always held the view that it should be flexible and "should constitute a set of generally applicable principles and rules that would serve as a model for sectoral agreements". This would guarantee broad participation and make it possible to set up a genuinely multilateral agreement. Turning to the Brazilian paper, he shared the idea of a simple definition of services and agreed that it was not possible to undertake commitments for obligations without knowing their scope. Regarding progressive liberalization, the approach suggested by Brazil was compatible with the Punta del Este Declaration i.e. progressive liberalization should fully respect national policies. His delegation also supported the view, expressed in paragraph 16, on the strengthening of the rôle of the state as a provider of infrastructural services.

42. In response to the various statements made, the representative of Peru stated that his delegation felt that if from the outset developing countries could make contributions to the services negotiations, then the end product would be legitimate and effective. If a framework agreement was to work, it had to be both progressive and flexible. The asymmetry in services trade referred to in the Peruvian proposal prevailed not only between the developing but also between developed countries; it was more than a North-South asymmetry. This overall asymmetry could be redressed by

protecting and preserving the rights of all parties concerned, and by protecting those services which were of major interest to them. This had to be done progressively as it was not possible to compel all to enter the agreement with the same level of commitment. Optional m.f.n. treatment, for example, gave flexibility to all countries and enabled them to assess the benefits accruing to them in a particular service sector. This was an innovative approach. Regarding equitable national treatment, he said that once access to a service market was acquired, national treatment had to be applied progressively, i.e. national laws would have to be adapted gradually as liberalization proceeded. Another type of flexibility was to have certain minimum safeguard clauses for balance of payments reasons. Exceptions could also relate to policies or rules affecting certain highly labour-intensive sectors which could not be fully liberalized because of the political implications involved. Regarding preferential arrangements, he pointed out that in Latin America there were certain economic integration agreements and it had been the practice under Article XXIV to respect these agreements.

43. The representative of Brazil responded to comments on his delegation's proposal and noted that in general, Brazil was not against liberalization per se. It was however important that liberalization be implemented in a progressive and cautious way so as to avoid the risk of an even greater concentration of trade in services. This would be to the detriment of developing countries' participation in world services exports. Paragraph 2 did not attempt to redraft the Punta de Este mandate but simply to order the objectives and the means to achieve those objectives. The use of the term "inter alia" meant that the list appearing after it was not exhaustive and that development could be achieved by other means. Paragraph 4 attempted to convey a note of caution against conceiving liberalization simply as deregulation. For Brazil, agreement on a definition of trade in services would decide many of the features of the framework. The proposal attempted to define the type of trade that would better suit the development of developing countries. He supported the Indian proposal that the definition should include the notion of specificity and discreteness. He stated that the movement of labour was subsumed in the definition which included the concept of "temporary presence" for one specific transaction. On transparency, he noted that all laws, decrees or regulations related to international trade in services should be published so as to provide information to all operators in the services sector. Regarding notification requirements (paragraph 7), he said that most regulations affecting services had both trade and other implications so it would be difficult to examine them in a purely trade context. He stated that enterprises, and in particular the relationship between parent companies and affiliates, should also be subject to the transparency obligation so that governments could be informed about their activities in the field of trade in services. Concerning progressive liberalization, he said he did not see a contradiction between paragraphs 9 and 5 as had been pointed out by another delegate: if trade in services was defined as transactions between residents and non-residents, unnecessary restrictions could also be eliminated in this type of transaction. Generally, liberalization per se could not lead to

development and therefore special provisions should be made to ensure that the concept of development permeated the framework on trade in services. Progressiveness should ensure balanced participation of all countries in international trade in services by increasing the participation of developing countries through preferential opportunities and other means (paragraph 10). Furthermore, he considered that progressive liberalization would be easier and faster to implement inside free trade zones, the possible benefits then being extended to developing countries. Concerning the section on preserving international competition, he noted that the statement that "more than two thirds of world service exports are concentrated in a few developed countries" was based on a number of sources, including the UNCTAD Trade and Development Report of 1988, and a publication from the U.S. Congress Office of Technology Assessment. He agreed with India that the concept of concentration should be further elaborated and asked whether the Secretariat could provide relevant inputs. The term "restrictive business practices" had a wider meaning than that used in UNCTAD, and should be understood in the context of the behaviour of enterprises. It was important to agree on the need to have principles and rules to control such behaviour so that governments could maintain a degree of liberalization and at the same time prevent dominant market positions. Finally, conditions which would limit the right of states to establish monopolies or exclusive concessions would not be acceptable since the development policies of developing countries provided often for monopolies in certain service sectors. Furthermore, if rules were not devised to control monopolies resulting from the restrictive enforcement of intellectual property rights, much of the potential access to modern technologies would not be realized. Regarding development compatibility, he agreed that the word "promotion" conveyed better the ideas contained in the proposal. Concerning the respect for the policy objectives of national legislation, he stressed that regulations in developing countries designed to strengthen their services capacity would have to be respected (paragraph 19). With regard to standstill, the disadvantage of developing vis-à-vis developed countries should be recognized. Finally, concerning paragraph 22, he agreed with India that the framework should not interfere with existing international disciplines.

44. The Chairman turned to item 2.2 of the agenda and opened the discussion on the five elements. In this context, he drew attention to an up-dated and amended Secretariat paper entitled "Overview of references to certain topics in government submissions and the summary records according to the five elements" (MTN.GNS/W/44/Rev.2). He noted that in accordance with a suggestion made at the last GNS meeting, the paper had been expanded by the inclusion of references to the summary records the Group's meetings. It also now included references to the latest submissions from Brazil and Peru. He recalled that, as agreed before, the paper was intended purely as a reference document to assist discussions in the Group. Moreover, in accordance with a request of the Group, the Secretariat had also revised and expanded the "Glossary of terms/Inventory of concepts and points in discussion" (MTN.GNS/W/43/Rev.2). As agreed, the paper was designed to

serve as a background document and provide for a fuller discussion of the elements than might otherwise be the case.

45. The Chairman opened the floor to comments on definitional and statistical issues.

46. The representative of Yugoslavia recalled the importance of achieving progress on the issue of definition. She said that the proposed definition contained in the recent Brazilian submission (MTN.GNS/W/48), which was perceived by some Group members as being too narrow, could in fact be seen as broadening the scope of the negotiations. This was true, for instance, in paragraph 6 of MTN.GNS/W/48, where the issue of the need for a temporary presence of both providers and users of services was addressed. She disagreed with those who tended to down-play the importance of definitional issues in the GNS, recalling the problems which the lack of a proper definition of subsidies had created for the international trading system in goods. While a framework agreement on trade in services might in the end not contain a definition of trade in services, each of its sectoral provisions would clearly need to define and specify what the framework agreement applied to. She recalled that progress on definitional issues was slow in coming, precisely because the issue of coverage had not been properly addressed.

On the subject of statistics, the representative of Yugoslavia felt that both the Brazilian and the Peruvian submissions had highlighted the importance of statistical issues for the GNS. Given the observed asymmetries between developed and developing countries in world services transactions, it was essential that the negotiations rest on more solid empirical grounds than at present. For this reason, she supported suggestions for the GATT Secretariat to provide available and relevant data to the Group for the purposes of negotiations which should ultimately redress the current asymmetries.

47. Recalling the importance which her delegation attached to definitional issues in the GNS, the representative of Brazil asked whether in the light of her country's recent submission (MTN.GNS/W/48) the Secretariat would consider revising its Definitions paper (MTN.GNS/W/38) so as to reflect the approaches and concepts contained in it.

48. The Chairman invited comments on concepts.

49. The representative of Egypt said that it was essential that the right of governments to maintain controls over sectors of their national economies be fully recognized in a multilateral framework on trade in services. This should be the starting point and governing principle of any elaboration of rules and disciplines in this area. This was especially important since, unlike in trade in goods, in the case of trade in services national boundaries were more or less absent. This meant that international services transactions, if liberalized, could in a number of cases be likened to intrusions into the national economic space of sovereign states which needed

to be disciplined in one way or another. Given, moreover, the confining nature of this governing principle, its inclusion in a framework agreement could prove useful in dealing with the issue of factor mobility. A second concept of particular importance to developing countries was relative reciprocity. He noted that developing countries, in the context of a framework agreement on trade in services, should not be required to make any concessions or contributions which were inconsistent with their trade, development and financial needs. This concept, which was certainly not new in the area of trade negotiations and had long been recognized in the case of trade in goods, was perhaps even more relevant in the case of trade in services in view of the existing asymmetries characterizing the world market in services transactions. He noted that a third concept, that of preferential market access opportunity, was somewhat related to that of relative reciprocity. A framework agreement should contain specific provisions aimed at facilitating the access of developing country services exports to developed country markets. This could be achieved, inter alia, through the extension of unconditional m.f.n. treatment in those sectors covered by the framework agreement, through access to distribution channels and information networks in developed country markets, or through the liberalization - on a priori basis - of those sectors of particular interest to developing countries. A fourth concept of particular importance from the point of view of development was related to the transfer of - and better access to - modern technology. It was essential that any agreed-upon framework on trade in services include provisions geared towards ensuring adequate levels and forms of technology transfers. Moreover, since the process of transferring technology would most likely vary widely across services sectors, specific provisions governing such transfers would have to be envisaged within the realm of the sectoral agreements entered into under the framework. At the same time, governments in developed countries should undertake to refrain from imposing regulations which restricted the access of developing countries to modern technologies. A fifth concept related to the need to condition the behaviour of enterprises. He recalled the importance of ensuring that the behaviour of market operators was compatible with the national policy objectives of developing countries. Any multilateral framework governing trade in services would thus have to preserve the right of governments to ensure such compatibility, control anti-competitive/market-distorting practices and, more generally, maintain national control over domestic services sectors. A sixth concept was infant industry protection. He noted that a framework agreement should acknowledge the right of developing countries to take measures affecting their imports of services to assist or protect their domestic services industries. Such assistance or protection would be afforded so as to enable import-competing services industries to reach a stage of development that was both consistent with national policy objectives and sufficient to consider undertaking liberalizing commitments. A seventh concept related to preferential arrangements among developing countries in services trade. Any framework should allow developing countries to conclude arrangements among themselves in which concessions exchanged would not be extended to developed country signatories of the framework agreement. Such arrangements would help promote the services exports of developing countries and consequently

facilitate the attainment of the ultimate objectives of growth and development. Increasing the participation of developing countries in world services exports was an essential condition for attaining these objectives. For this reason, the eighth concept - that of market shares - should be considered as an objective criterion on which to base the calibration of progressive liberalization in the negotiations. Indeed, given that countries usually show a readiness to liberalize trade in those sectors in which they feel the most competitive, the best criterion with which to measure such competitiveness should be seen as the export performance of a given developing country in a given service sector. Appropriate mechanisms would have to be elaborated in the framework so as to ensure the proper use of this criterion. A ninth concept called for any future framework agreement on trade in services to respect the autonomy of the macro-economic policies of developing countries. This concept was felt to be of particular relevance in the financial services sector where, for instance, a given macro economic policy decision could conflict with the interests of a private market operator.

50. The representative of Brazil said that her delegation shared entirely the concerns which had just been expressed by the Egyptian representative and noted that all of them had been reflected in Brazil's most recent submission. For instance, the concept of sovereignty of national economic space was mentioned at the end of paragraph 6 of MTN.GNS/W/48, while the concepts of relative reciprocity, preferential market access opportunities, preferential arrangements among developing countries and infant industry protection were addressed under the heading of "Progressive liberalization" in the submission. Similarly, the issues of technology transfers and of conditioning the behaviour of market operators had been discussed in paragraphs 8 and 12 of MTN.GNS/W/48. All these concepts were of great relevance to the work of the GNS and deserved more attention by members of the Group.

51. The representative of India also congratulated the representative of Egypt for a succinct collation of concepts which his delegation fully endorsed. He hoped that the Secretariat would integrate and elaborate on these concepts further in a revised version of its "Glossary of terms/Inventory of concepts and points in discussion". He commented briefly on two of these concepts. Firstly, the concept of sovereignty of national economic space was of fundamental importance to developed and developing countries alike. The concept had a parallel in the ICAO agreement which recognized the sovereignty of air space above national territories. While not going so far as claiming the non-existence of national boundaries in the case of trade in services, he nonetheless felt that borders remained conceptually more difficult to identify in services transactions. For this reason, it was important to explicitly recognize the sovereignty of national economic space and make this concept not merely the starting point of deliberations in the GNS but a governing principle for the elaboration of a multilateral framework on trade in services. Secondly, he recalled that the issue of the increasing participation of developing countries in world exports of services, which the Egyptian delegate had linked to the notion of

market shares, was one which his delegation had made numerous references to in the context of discussions on both statistical and development issues. He added that just as progressive liberalization had been put forward as the means to achieve the objective of growth, one should consider the increasing participation of developing countries in world services transactions as the means to achieve the development objective. Unless the framework attempted to ensure that this process took place, the current asymmetry in world services transactions would only widen as a result of liberalization. Moreover, should this condition form an integral part of the multilateral framework, Group members would have to start focusing their attention more squarely on the measures and modalities with which this condition could be fulfilled.

52. The representative of Yugoslavia thanked the representative of Egypt for putting forward a highly relevant list of concepts. She recalled that her delegation had addressed the concept of relative reciprocity at the time of last year's stocktaking exercise. She also fully agreed with the notion that these concepts put forward by the Egyptian delegation should be treated equally with those discussed so far in the GNS.

53. The representative of Mexico noted that several of the ideas developed by the Egyptian representative were contained in one form or another in his own country's submissions to the GNS. Supporting such ideas therefore posed little problem to this delegation. He recalled that his government was participating in the negotiations with the understanding that the sovereignty of its national economic space could not be impaired by the outcome of the negotiations. Similarly, as regarded the concepts of relative reciprocity and of preferential access to developed country markets, it was worth recalling that they were included, in some form or another, in Part IV of the General Agreement. Although his delegation had subsumed both concepts under that of relative reciprocity, it had no objection to seeing them treated separately in a framework agreement. He noted, however, that relative reciprocity should be understood to mean more than simply paying less as a function of financial, development or economic requirements, but be seen as a means of addressing the need to provide greater opportunities for accessing developed country markets and transferring technology. His delegation also agreed with - and had often addressed - the need for a multilateral framework to contain provisions dealing with infant industry protection, preferential trading arrangements, controls on business practices and the increasing participation of developing countries in world exports of services. He observed, finally, that his government took the view that the current negotiations should not exercise negative effects on the autonomy of national macro-economic policies and authorities.

54. There were no comments on the element of coverage. On existing international disciplines and arrangements, the representative of Yugoslavia noted that in MTN.GNS/W/49, the Peruvian delegation had drawn attention to four sets of multilaterally agreed disciplines which bore some relevance for the work of the GNS, namely the Code of Conduct on Transnational

Corporations, the Code of Conduct on Transfer of Technology, the Multilaterally agreed rules on restrictive business practices and the Code of Conduct for Liner Conferences. Among the relevant agreements, only one - that relating to Liner Conferences - had been discussed so far in the GNS. Similarly, several Group members had at some point in the deliberations referred to provisions contained in Codes negotiated under the aegis of the OECD. She suggested that the Group keep in mind the need to include in its future agenda a closer examination of such existing disciplines, the contents of which might prove highly relevant to its work.

55. Under agenda item 2.3, other business, the representative of India expressed his appreciation for the promptness and accuracy demonstrated by the Secretariat in preparing MTN.GNS/16. Turning to MTN.GNS/17, he suggested that in paragraph 39, on page 15, the word "admonished" be replaced by "recognized" and noted that his delegation was of the opinion that the explicit recognition of regional and inter-regional preferential arrangements among developing countries should form an integral part of a multilateral agreement. Similarly, in paragraph 54, on page 25, in bringing out the full implications of the national treatment principle in the context of trade in services, it was necessary to work out the implications in terms of both factor endowments and transport costs. In this context, the concept of the sovereignty of national economic space had been introduced to show that the application of national treatment could in some instances infringe upon the national economic space. Finally, as regarded the last sentence of paragraph 54, which appeared on page 26, he said that its ending should read as follows: "... the same status as the objective of development and the instrumentalities of trade expansion."

56. The Chairman proposed that the next meeting of the GNS take place on the afternoon of 15 November 1988 with a view to studying the contents of the report to be submitted to the TNC at Ministerial level at the Mid-Term Review in Montreal. He proposed, moreover, that the GNS hold its first formal meeting of 1989 during the month of February. The precise dates of this meeting would be determined at a later stage.