

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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Group of Negotiations on Services

NOTE ON THE MEETING OF 22 AND 25 NOVEMBER 1988

1. The Group of Negotiations on Services (GNS) held its nineteenth meeting on 22 and 25 November 1988 under the Chairmanship of Ambassador F. Jaramillo (Colombia).
2. The Chairman said that the purpose of the meeting was to advise the Group of the status of his efforts to prepare the report which he would present to the TNC at Ministerial level in Montreal. He reminded the participants that at the Group's last meeting (15 November 1988) a draft text of the report had been distributed informally and that extensive consultations had followed on the basis of this document. He said that as a result of these consultations important progress had been made, but nevertheless he found it premature to distribute at that stage. The Chairman then adjourned the meeting.
3. Resuming the meeting on 25 November 1988, the Chairman said he was now in a position to put before the Group a draft of the report of the GNS to the Trade Negotiations Committee meeting in Montreal. The text, which had as its starting point the draft distributed to the Group earlier, represented not only the results of his consultations, but also incorporated suggestions by various delegations along with proposals presented during the course of the GNS meetings. He noted that it was clear from the report that a great deal of work had been done in the Group and much ground had been covered. Also, it was evident that many ideas had emerged on the different aspects of the work programme and that these ideas had been articulated with respect to the negotiating objectives of the Punta del Este Declaration. He said that the square-bracketed language represented the divergent positions taken on the specific issues to which the text related. It was his opinion that at that stage of the negotiations, the square-bracketed texts reflected genuine differences in the positions of delegations and that it was not possible, in the context of the process in which the GNS had been engaged, to move further towards a common text on these points. He believed therefore that the draft before the Group gave a full and accurate picture of the situation that existed with respect to the Group's work and recommended it for forwarding to the TNC as a basis for further work in Montreal. Nevertheless, he pointed out that much work would be needed in Montreal if Ministers were to be in a position to give agreed directions for the further conduct of negotiations on trade in services. With these remarks, the Chairman invited comments from the floor.
4. The representative of Canada said that his delegation did not find it surprising that some divergences among participants had surfaced at this stage of the negotiations, since the Group as a whole was still struggling

to come to grips with the new and complex area of trade in services. He stressed that a great effort was needed in terms of summarizing and simplifying the contents of the Chairman's report. The report depicted a group of countries well engaged in detailed negotiations on an important subject while breaking new ground, both conceptually and practically; it reflected a variety of important economic interests from all around the world; and in its multiplicity of brackets, it underscored the fact that the Group was being interrupted in the middle of its negotiations. He said that the report demonstrated that the Group had already gone beyond Montreal to the extent that it had already engaged itself in the detailed negotiations which Ministers supposedly were to ask the Group to undertake.

5. He said that Ministers could be expected to take decisions which gave guidance on major policy matters and on how the work of the Group should proceed. They should also be in a position to welcome the progress made to date while being willing to ensure that the work of the GNS should proceed in a parallel and interrelated fashion and on the understanding that the objectives of growth and development would be appropriately reflected throughout. There could be some ministerial confirmation that the aim of the Group's work was to establish a multilateral framework of principles and rules for trade in services, including provisions dealing inter alia with m.f.n./non-discrimination, national treatment, development compatibility and exceptions, while retaining some flexibility in terms of new concepts and other matters mentioned in the report. Ministers could also endorse the idea that with a view to expanding trade in services, any signatory to the final services agreement would take on specific commitments on transparency. Mechanisms and rules for progressive liberalization should be in place with the aim of the fullest possible liberalization in this and successive rounds of multilateral negotiations. Ministers could agree that this progressive liberalization should take account of national policy objectives, levels of development and the overall balance of rights and obligations among signatories of the eventual agreement.

6. The representative of the European Communities said that his delegation was somewhat disappointed with the outcome, but reminded the Group that these negotiations addressed the most comprehensive and most complex economic agreement since the days of the Bretton Woods Conference. He shared the view expressed by the representative of Canada that the final version of the report reflected the struggle on the part of participants with many complex issues. In his delegation's opinion, the Montreal meeting should provide clear and comprehensive guidance for the future work of the GNS. Considering the magnitude of the Group's task, it should not be possible to fulfil the mandate in the next two years without such guidance. In turn, if the Group's task was not completed in time, the ability to conclude the remainder of the Uruguay Round would be called into question since the Round was conceived as a single political undertaking. Failing to complete any part of it should ultimately jeopardize the whole. Finally, he agreed with the representative of Canada that between now and the Montreal meeting careful thought should be given to the task of briefing ministers

both on the complexities of the subject as well as on the complexities and intricacies of the Chairman's report itself.

7. The representative of Malaysia noted that his delegation was not involved in the consultations leading to the report. He said that Ministers should be aware that the positions of different participants were as diverse as the number of brackets in the draft report. Nevertheless, on the basis of the report, he hoped that in Montreal Ministers could offer guidance as to the future work of the Group.

8. The representative of Japan considered that the report reflected the positions of all participants in the GNS. By way of contribution to the Montreal process, he noted that his delegation had circulated a Japanese position paper on an informal basis to other participants. Referring to paragraph 10 on page 3 of the report to the TNC, he requested the deletion of the words "the coverage should permit a balance of interests being achieved for all participants" but left the decision as to its deletion to the Chairman while reserving the right of his delegation to raise the issue in Montreal.

9. The representative of the United States said that the text submitted for the Group's approval reflected a great deal of diversity on the issues to be addressed by Ministers and some fundamental differences in philosophy. Because of the profound differences between delegations, it was inevitable that Ministers had to provide the Group with guidance if there was to be a successful completion of the negotiations. His delegation did not regard the considerable efforts made during the last few weeks to be in vain; there was greater transparency within the GNS as to the extent of participants' differences and of the possible areas of convergence. While he had hoped for a text with considerably fewer brackets, the document submitted presented the options in a transparent way. All participants would have wanted a "cleaner" text than was reflected in the draft but the services negotiations were perhaps the most complicated issue in the Uruguay Round. This was a new area dealing with many heterogeneous activities and at issue was the sovereignty of regulations that covered critical areas of the world economy. The many differences reflected in the bracketed text were a measure of the challenge before the GNS rather than a failed effort. With a far better understanding of the precise concerns of delegations, his delegation was confident that Ministers could deal successfully with the services issue in Montreal in a way that would give the GNS concrete guidance. He therefore supported the adoption of the Chairman's text for presentation to Ministers. He hoped that the Group would entrust the Secretariat with expanded analytical work in the next two years.

10. The representative of Switzerland noted that the paper which had emerged from the Group's deliberations was in some regards disappointing, particularly as it was not a consensus paper. The text before the Group remained, nonetheless, a significant and useful one and it would show Ministers the scope of the work undertaken so far in the GNS. He added that the work undertaken and completed so far was truly remarkable, insofar as it

involved the participation of numerous delegations and showed the determination to achieve certain results. It also showed the amount of work that remained to be done and usefully outlined those issues to be addressed in the future. He noted that it was for Ministers to take the political decisions which would encourage the follow-up and completion of the Group's work, be it in the form of a calendar or a programme, or on the basis of certain substantive decisions.

11. To a certain degree, the paper showed that the Group had been thinking beyond the Mid-Term Review, as it contained outlines of activities to be undertaken during the next two years. He referred to two such areas for future activity. First, an agreement would have to be reached on the meaning of the framework. This was still a matter that was far from resolved. He noted that for some delegations the framework appeared as an end in itself, while for others it remained a means for achieving certain specific ends. Second, it was perhaps more important still to recognize that services constituted a new area, the dimensions of which differed quite markedly from those relating to goods. For this reason, there was a clear need to develop new trade policy measures and instruments. These would supplement the traditional policy measures and instruments already in place in goods trade. The Montreal meeting constituted one step on the road to implementing the Punta del Este Declaration, one which offered scope for opening bigger and wider doors for negotiation.

12. The representative of India said that the process of discussion and consultation which culminated in the drafting of the Group paper had permitted a fruitful dialogue to take place. He did not see any cause for frustration, for two basic reasons. On the one hand, he recalled that the report had been prepared for the purposes of the Mid-Term Review. As such, its aim was (i) to present to Ministers the state of affairs prevailing in the Group; (ii) to try to capture the progress made so far with a view to making it irreversible to the extent possible; and (iii) to seek guidance from Ministers with regard to the Group's future work. Seen in this light, he felt that the Group's report had certainly not been a vain effort. He said that frustration was a function of over-ambition and that his delegation had not considered the task at this stage to be one of drafting a final report: the Ministerial mandate was to be fulfilled by the target date of 1990. The report before the Group therefore deserved to be adopted in its current form. He stressed that the complexity of both the subject matter and negotiations was reflected in the form and nature of the report. This complexity was in fact the challenge which the Group had to face during the remaining course of the negotiations. The key gain which the recent round of deliberations had produced was the widely recognized need to move forward in a parallel and inter-related way, with the objectives of growth and development permeating all of the Group's work. Although the tasks that remained before the Group were daunting, the experience gained in preparing the report for the Mid-Term Review would help to carry forward, with a greater sense of realism and balance, the Group's work in the remaining two years of negotiations. He concluded by emphasizing those issues which the Group should devote particular attention to after the Montreal meeting.

Group members should agree to treat all concepts and elements with a sense of equality, while making sure that issues would be addressed in an inter-related fashion and that they would move together with a sense of equity. Such equity would be reflected in the elaboration of various measures and modalities aimed at achieving the objectives contained in the Punta del Este Declaration. He recalled that the Ministerial Declaration was not a "thing of the past" but was as valid today as when it was adopted in September 1986. It would, moreover, continue to be valid and guide work in the Group during the last two years of the Uruguay Round.

13. The representative of Brazil agreed with those who had pointed out the usefulness of summarizing in one document the broad spectrum of views prevailing in the Group. Although the ultimate use of the report by Ministers was not yet clear, its content would no doubt prove useful for their discussions in Montreal. For this reason, her delegation supported the adoption of the report in its current form. She expressed the hope that the drafting of the report would represent a significant forward step in understanding the viewpoints of the various delegations in the Group.

14. The representative of Hungary said that while the report before the Group did not reflect a full consensus among participants in the GNS, it clearly reflected the current state of divergences within the Group. He agreed that the significant degree of bracketed/alternative wording contained in the report did not warrant undue pessimism; it enabled participants to acquaint themselves with those concerns which underlied national positions. He hoped that the decisions to be taken by Ministers in Montreal would provide the basis for a common understanding of all the elements to be considered for inclusion in an agreement which should aim to strike a balance of interests among the wide range of countries participating in the negotiations. He expressed puzzlement at the decision of the Japanese authorities to bracket a concept which had appeared to be the object of a wide degree of consensus, i.e. that the coverage should permit a balance of interests to be achieved by all participants. He expressed the hope that Ministers provide some guidance as to the ways of moving forward on this and other important issues. He proposed that the report before the Group be adopted in its current form.

15. The representative of Thailand indicated that her delegation shared the concerns voiced earlier by the Malaysian delegation as to the difficulties that were likely to remain before the Group after the Montreal meeting. She hoped that a greater degree of transparency would in future apply in arriving at a common understanding of what needed to be accomplished in the GNS.

16. The representative of Korea said that although the report before the Group contained numerous brackets, his delegation nonetheless endorsed its adoption. He hoped that the report would provide the basis for the negotiation of a constructive outcome with the broadest possible degree of participation regardless of the participants' level of economic development.

17. The Chairman suggested that the report before the Group be approved for transmission to the Trade Negotiations Committee. His suggestion was endorsed by the Group. Before adjourning, he indicated that the Group's next meeting would take place on 20-24 February 1989.