

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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INCREASING PARTICIPATION OF DEVELOPING COUNTRIES

Note by the Secretariat

This background note has been prepared in accordance with a suggestion made at the GNS meeting of 18-22 September 1989 (See MTN.GNS/25, paragraph 209). It comprises statements made in the GNS since the Mid-Term Review, as well as extracts from secretariat background notes and national submissions prepared for the sectoral testing exercise which relate to the increasing participation of developing countries in world trade in services.

The relevant parts of the Montreal and Punta del Este Ministerial Declarations have been used as a means to organize the various extracts. The extracts are grouped according to the following five-fold breakdown. Section I contains extracts relating to the liberalization of trade under conditions of transparency to promote the economic growth of all trading partners and the development of the developing countries. Section II contains texts focusing specifically on measures to enhance the export performance of developing countries. Section III relates to those extracts which focus on measures to enhance the import performance of developing countries, and Section IV to those suggesting specific measures to strengthen domestic services capacities of developing countries. Each of these four categories responds in turn to at least one part of the Punta del Este or Montreal Ministerial Declarations. Finally, Section V contains extracts pertaining to safeguards and exceptions, the treatment of least developed countries and other provisions that may be relevant to the concept of increasing participation.

Under each heading, the extracts are organized as follows. There is first a summary explanation of what the focus of the various texts has been. These are followed by a presentation of the selected statements from the GNS of a general nature. These in turn are followed by sector-specific statements and then the relevant parts of national submissions. Finally, the relevant parts of the secretariat document on the respective sectors is presented.

While the GNS statements and other texts reported in this note are not exhaustive, an attempt has been made to present a selection of extracts that are representative of the discussions that have taken place under each of the headings indicated. In accordance with the request to prepare this document, the secretariat has not tried "to develop its own ideas or compile ideas from elsewhere" (MTN.GNS/25, paragraph 209). The secretariat stands ready to adjust the text on the basis of suggestions for additions, deletions or amendments.

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SECTION I

NEGOTIATIONS IN THIS AREA SHALL AIM AT EXPANSION OF SUCH TRADE UNDER CONDITIONS OF TRANSPARENCY AND PROGRESSIVE LIBERALIZATION AND AS A MEANS OF PROMOTING ECONOMIC GROWTH OF ALL TRADING PARTNERS AND THE DEVELOPMENT OF DEVELOPING COUNTRIES (Punta del Este Ministerial Declaration, MIN.DEC, 20 September 1986)

The following extracts focus on the links between progressive liberalization per se and economic development.

General statements

1. Liberalization of the trading environment for services would lead to expanded world trade, and that expansion per se, would benefit service providers from developing countries along with their developed counterparts. (MTN.GNS/25, paragraph 200, Sweden)
2. Both services exports and imports are relevant in the consideration of how to provide for an increasing participation of developing countries in services trade. On the import side, a process of progressive liberalization could gradually increase the flux of necessary services inputs from abroad, the only limitation being the possible adverse effects on the balance of payments which could result from such a process. (MTN.GNS/25, paragraph 205, Argentina)
3. The process of progressive liberalization constitutes the most adequate approach, especially if it were sufficiently flexible to vary according to the specificities of each services sector. (MTN.GNS/25, paragraph 206, Japan)
4. Developing countries already provide for a more liberal environment for services imports than their developed counterparts. Increasing the level of services imports therefore does not constitute a high priority for these countries. (MTN.GNS/25, paragraph 190, Brazil)

Statements made in the discussion of specific sectors

5. Infant industry protection in the construction sector could be counter-productive since much knowledge and expertise is often obtained from foreign providers. (MTN.GNS/23, paragraph 205, United States, Construction Services)
6. Exposure of domestic firms to the competitive forces of foreign service providers could help in transferring the necessary technological and human resource know-how which developing countries need to build competitive financial sectors. (MTN.GNS/25, paragraph 52, Egypt, Financial Services)
7. Competition in the financial sector, including the participation of foreign financial institutions, help in promoting lower costs

and more efficient financial intermediation. In addition, foreign financial institutions generate domestic savings and facilitate the process of capital formation, both of which are crucial ingredients in the development process. Foreign participation in domestic financial markets also contributes to spreading technical expertise which could improve the functioning of domestic capital markets and increase the ability of domestic institutions to compete in international markets. (MTN.GNS/25, paragraph 58, United States, Financial Services)

8. As there are many discriminatory practices which either prevent or restrict the ability to provide professional services, such provisions based on m.f.n. and non-discriminatory treatment could do much to increase participation and would be a major improvement on the existing situation. (MTN.GNS/25, paragraph 165, India, Professional Services)
9. Developing countries would be able to increase their participation in the provision of transportation services if the markets for such services were liberalized. (MTN.GNS/24, paragraph 57, Sweden, Transport Services)
10. The process of liberalization should start domestically before being extended to the international front. (MTN.GNS/25, paragraph 55, Thailand, Financial Services)

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11. Developing countries could benefit from the availability of highly educated and competitively priced practitioners (notably lawyers, doctors, consultants, and software programmers), and familiarity with the particular concerns of developing country consumers of professional services. (MTN.GNS/W/67, paragraph 37, Professional Services)

SECTION II

- A. FACILITATION OF EFFECTIVE MARKET ACCESS FOR SERVICES EXPORTS OF DEVELOPING COUNTRIES (MTN.TNC/11, paragraph 7(f))

AUTONOMOUS LIBERALIZATION OF MARKET ACCESS FOR SERVICES EXPORTS (MTN.TNC/11, paragraph 7(f))

FACILITATING LIBERALIZATION OF MARKET ACCESS IN SECTORS OF EXPORT INTEREST TO DEVELOPING COUNTRIES (MTN.TNC/11, paragraph 7(f))

The following extracts focus primarily on improving the export performance of developing countries by way of preferential access to both developed and developing country markets.

General statements

1. The framework agreement should contain provisions permitting complementarity and integration agreements for developing countries in various sectors of services. (MTN.GNS/25, paragraph 193, Peru)
2. The Peruvian delegation's reference to regional integration among developing countries should be carefully studied and, as a concept, should be part of the future framework. (MTN.GNS/25, paragraph 13, Switzerland)
3. A proportionately greater number of concessions made among developed countries should be granted to developing countries. (MTN.GNS/25, paragraph 196, Mexico)
4. The unrestricted and unconditional extension to developing countries of the benefits resulting from agreements to liberalize trade in services concluded among developed countries is relevant in this context. (MTN.GNS/25, paragraph 192, Brazil)
5. The idea of contact points is useful and should serve the purpose of facilitating procedures related to market access e.g. procedures related to the accreditation of professionals. (MTN.GNS/25, paragraph 208, Egypt)
6. There are a number of discriminatory measures already incorporated in market structures in terms of national regulatory measures and legislations. This would be an obvious area of further work for the Group. (MTN.GNS/25, paragraph 210, India)
7. A preferential regime for accessing the imports from developing countries is required. (MTN.GNS/25, paragraph 210, India)
8. Informal measures such as voluntary export restrictions, orderly marketing arrangements, market sharing agreements, bilateral arrangements, and industry to industry arrangements and restrictive business practices could represent significant barriers to entry into various sectors. (MTN.GNS/25, paragraph 210, India)
9. As had become evident in the sectoral testing exercise, the autonomous liberalization of market access in favour of services exports of developing countries was possible in many fronts. (MTN.GNS/25, paragraph 198, Mexico)

Statements made in discussion of specific sectors

10. Preferential arrangements and access to developed country markets are means for achieving increased participation of developing country financial institutions and would involve benefits being granted to developing countries on a non-reciprocal basis. (MTN.GNS/25, paragraph 51, Brazil, Financial Services)

11. It would be most difficult to endorse preferential market access provisions if these involved a weakening of prudential financial rules. (MTN.GNS/25, paragraph 60, Canada, Financial Services)
12. There is a need to look at alternative measures which could affect the competitive conditions prevailing in markets without restricting market access in quantitative terms. Tariff-like measures could be usefully applied in the financial sector. Such measures could allow a greater degree of foreign participation in domestic market while offering some degree of protection to local firms. Such measures could also encourage the necessary interaction between foreign and domestic institutions, thereby resulting in transfers of both technology and know-how. Recourse to tariff-like measures could also prove useful for extending preferential market access opportunities to developing countries. (MTN.GNS/25, paragraph 66, Egypt, Financial Services)
13. Developed countries should begin to reduce the rules and regulations governing professional service activities. (MTN.GNS/25, paragraph 157, Mexico, Professional Services)
14. One idea to promote increasing participation would be to eliminate discrimination for professional service providers from developing countries in terms of entry conditions, visa and work permit requirements, recognition of qualifications and accreditation requirements. Service providers from developing countries might be highly qualified but not be able to gain access to the necessary technology to sell their services. (MTN.GNS/25, paragraph 158, Brazil, Professional Services)
15. A provision could be made for developing countries to acquire such internationally recognized standards and qualifications on a preferential basis. One way of providing preferences to developing countries would be to encourage professionals from developing countries to acquire those technical qualifications in industrialized countries, perhaps in some specialised short programmes. (MTN.GNS/25, paragraph 165, India, Professional Services)
16. The services framework should envisage the possibility of preferential arrangements among developing countries in order to promote services exports not only to developed country markets but also to developing country markets. (MTN.GNS/25, paragraph 168, Egypt, Professional Services)
17. The idea put forward by the representative of Yugoslavia of enlarging fifth and sixth freedom rights on a preferential basis for developing country airlines is an idea worthy of further consideration. (MTN.GNS/24, paragraph 60, India, Air Transport Services)
18. Regional pooling efforts would appear at first sight to be a fairly logical way for developing country airlines to increase

their share of world markets and overcome some of the handicaps described in paragraph 44 of MTN.GNS/W/60. (MTN.GNS/24, paragraph 61, European Communities, Air Transport Services)

19. All airlines have access to computer reservation systems by paying for it and it is unclear whether there is any basis for substantiating different access charges for developing country airlines. There is not so much a problem of access per se, but rather one of cost of access. (MTN.GNS/24, paragraph 62, United States, Air Transport Services)
20. Unilateral liberalization in favour of carriers from developing countries should be both desirable and feasible. (MTN.GNS/24, paragraph 85, Brazil, Maritime Transport Services)
21. Providing for an increasing participation of developing countries in maritime transport services trade would have to be accomplished through a reduction of anti-competitive practices in the sector. (MTN.GNS/24, paragraph 86, India, Maritime Transport Services)
22. The framework agreement and a possible sectoral agreement on tourism should contain suitable provisions to expedite the transfer of the new "soft" technologies to developing countries. The best way to do this is to contract various types of labour from developing countries for tourist activities in developed countries. (MTN.GNS/24, paragraph 161, Mexico, Tourism Services)
23. It was quite possible for developed countries to engage in autonomous liberalization so as to provide developing countries with more time to develop their competitive abilities in the sector. (MTN.GNS/23, paragraph 109, Mexico, Telecommunication Services)
24. If developing countries are to participate more actively in the world market for services, particularly telecommunications services, it is obvious that there would be a need for an intensive stage of technological improvement making possible a consolidation of local services capabilities. Coordination or integration agreements among developing countries could be a useful avenue to pursue in regard to such a consolidation process. This might involve the provision of an exception to the general rules of the framework. (MTN.GNS/23, paragraph 113, Argentina, Telecommunication Services)
25. The granting of visas or of work permits could in some instances constitute discriminatory barriers for services providers from developing countries. (MTN.GNS/23, paragraph 123, Egypt, Telecommunication Services)
26. Provisions should be included in a future agreement that would accord financial support, access to preferential financial arrangements, or favourable conditions for participation in

tenders, to suppliers from developing countries. (MTN.GNS/23, paragraph 203, Brazil, Construction Services)

National submissions

27. The trend observed in projects funded by regional and international finance agencies towards granting a growing number of such projects to domestic firms of such countries could be stepped up. (MTN.GNS/W/57, page 10, Mexico)
28. Developed countries should cease to subsidize their construction service exports, so that developing countries may be in a position to compete with the financial packages offered by developed countries. (MTN.GNS/W/57, page 11, Mexico)
29. Some regional and international finance agencies grant preferential margins to domestic firms of developing countries in which a specific project is to be implemented. Developed countries could do the same for developing country firms in the case of public competition, at least for certain activities. (MTN.GNS/W/57, page 11, Mexico)
30. With regard to the possibility of autonomous liberalization in favour of developing countries in tourism, this could take the form, for example, of a bigger duty-free allowance for goods which returning residents take back from developing countries. (MTN.GNS/W/62, page 12, Mexico)
31. The suggestion by Mexico in MTN.GNS/W/57 - that preferential treatment should be granted on the amount of performance bonds required of suppliers for a particular project - exemplified well the type of preferences developing countries could receive in the CES sector. (MTN.GNS/23, paragraph 218, Romania, Construction Services)

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32. Strategies to increase the participation of developing countries could relate to looking for competitive opportunities by diversifying the supply of services and constructing new tourist packages. The capacity to market such packages from developing countries would depend on having access to appropriate electronic information networks. A further possibility could relate to development of inter-regional tourism between developing countries in order to retain a larger share of the tourism value added in developing countries. (MTN.GNS/W/61, paragraph 39, Tourism Services)
33. Because developing countries are for the most part destination points rather than sources of international airline traffic, they may on average stand to gain significantly from the progressive liberalization of fifth freedom rights in developed country markets, as well as from an enhanced access to the computer

reservation systems which the world's major airlines own and operate. (MTN.GNS/W/60, paragraph 45, Air Transport Services)

34. To facilitate market access for maritime services of developing countries, the following considerations could be relevant: barriers to cargo access in other markets, technological absorption and adaptation, training of shipboard and land-based personnel, and ship financing. (MTN.GNS/W/60, paragraph 91, Maritime Transport Services)
35. Information on market possibilities could also be enhanced to facilitate effective market access for developing country exports of CES. (MTN.GNS/W/53, paragraph 41, Construction and Engineering Services)
36. An important consideration in respect of the ability of developing country professionals to gain access to developed country markets relates to qualification requirements and the recognition of educational and/or professional competence. Regarding export growth, one important consideration relates to wider recognition that the temporary movement of practitioners is essential for performing the service in question. Second, at the enterprise level, some developing country advertising agencies are seeking affiliations with multinational advertising firms to gain access to the professional expertise and name awareness that is required to win the global clients doing business or investing in their countries. (MTN.GNS/W/67, paragraph 37, Professional Services)

B. IMPROVED ACCESS TO DISTRIBUTION CHANNELS AND INFORMATION NETWORKS
(MTN.TNC/11, paragraph 7(f))

The following extracts emphasize the need for greater access to distribution and information networks so as to increase the export performance of developing countries.

General statements

1. The possibility of improving developing countries' means of obtaining market information could be pursued both at the national and the international levels. At the national level, it could be envisaged that signatories to a multilateral service agreement (both developed and developing) would need to establish national "focal points" to which service providers from individual developing countries could address themselves with requests for market information. At the international level, certain projects of a similar kind were already being undertaken, primarily by the International Trade Centre. These programmes and projects, which were market oriented and in many cases operated at the enterprise level, could probably be expanded and made more comprehensive. (MTN.GNS/25, paragraph 202, Sweden)

2. The suggestion of enquiry points serving the purpose of making commercial information available to developing country exporters was an important one. (MTN.GNS/25, paragraph 208, Egypt)
3. The lack of transparency which existed on global trade and the market situation, and on business opportunities was a barrier. The Nordic idea about presenting information to developing countries about market opportunities is useful if it could be made into a concrete element. (MTN.GNS/25, paragraph 210, India)
4. The idea of utilizing the International Trade Centre to help promote developing country service exports was noted with interest. (MTN.GNS/25, paragraph 211, Canada)
5. In the medium or short term market access could be increased by disseminating more information to developing countries, on the lines for example suggested by Sweden and other delegations. (MTN.GNS/25, paragraph 213, Switzerland)

Statements made in the discussion of specific sectors

6. There should be appropriate provisions to accelerate transfer of technology to developing countries as well as to facilitate access of those countries to data banks and information networks. (MTN.GNS/25, paragraph 157, Mexico, Professional Services)
7. The establishment of favourable marketing conditions or facilities should be considered. This could be achieved either by means of preferences or through the promotion of developing country services in developed country markets. There is also a need to create favourable conditions for the access to public sector procurement markets in developed country markets. (MTN.GNS/25, paragraph 158, Brazil, Professional Services)
8. Better access by developing country airlines to computer reservation systems could allow them to more fully utilize their predetermined share (usually fifty percent) of a market. (MTN.GNS/24, paragraph 56, Egypt, Air Transport Services)
9. Developed countries should commit themselves in a services agreement not to impose restrictions on developing country access to modern technology and know-how and also to provide special arrangements to enhance such access on behalf of developing countries. (MTN.GNS/24, paragraph 58, Brazil, Air Transport Services)
10. Access to networks (cargo handling facilities, check-in counters, etc.) is a very important feature of an open airline regime and improvements in such access is in the interests of airlines from all countries, irrespective of their levels of development. (MTN.GNS/24, paragraph 62, United States, Air Transport Services)

11. Countries should contemplate the possibility to supply commercially relevant information to individual developing countries. There should thus be some kind of body which, upon request, could be able to provide concrete information on the market, access conditions, etc., i.e. supply commercial information which would facilitate developing countries exports. In the air transport field, for instance, this could take the form of establishing contact with travel agencies, tour operators, etc. (MTN.GNS/24, paragraph 57, Sweden, Transport Services)
12. Concerning information networks, the suggestion of preferential terms of access should be explored. However, many information networks are run by private companies, which raises the question of how to translate the idea so as to have practical effect. (MTN.GNS/24, paragraph 168, European Communities, Tourism Services)
13. A multilateral framework should contain some provisions that would aim at ensuring the access of developing countries to the latest technologies. (MTN.GNS/23, paragraph 107, Brazil, Telecommunication Services)
14. While most developing countries subscribe to international standards, the use by private operators of different standards could affect the competitiveness of developing countries' telecommunications systems. (MTN.GNS/23, paragraph 111, India, Telecommunication Services)
15. Access both to information and distribution channels is crucial to developing country firms who, without such an access, cannot even participate as sub-contractors in activities where they are competitive. (MTN.GNS/23, paragraph 204, Mexico, Construction Services)

C. SECTORS OF EXPORT INTEREST TO DEVELOPING COUNTRIES SHOULD BE INCLUDED
(MTN.TNC/11, paragraph 5)

In the context of improving export performances, the following extracts focus on the need to include service sectors that are of potential export interest to developing countries.

General statements

16. The most important factor contributing to the increasing participation of developing countries would be the inclusion from the outset of sectors of export interest to these countries, including the possibility of allowing labour from these countries to move across borders to provide services temporarily and/or for indefinite periods of time in developed country markets. (MTN.GNS/25, paragraph 195, Mexico)

17. The inclusion of manpower in the coverage of the agreement would be beneficial to both developing and developed countries. (MTN.GNS/25, paragraph 195, Mexico)
18. It is necessary for developing countries to enjoy some flexibility regarding the selection of sectors for liberalization. Producer services deserve special consideration in this regard. (MTN.GNS/25, paragraph 208, Egypt)

Statements made in the discussion of specific sectors

19. Market access should be both maintained for developing countries and should be increased. (MTN.GNS/25, paragraph 213, Switzerland, Professional Services)

SECTION III

- A. PROGRESSIVELY HIGHER LEVEL OF LIBERALIZATION TAKING DUE ACCOUNT OF THE LEVEL OF DEVELOPMENT OF INDIVIDUAL SIGNATORIES (MTN.TNC/11, paragraph 7(b))

PROGRESSIVELY EXTENDING MARKET ACCESS IN LINE WITH DEVELOPMENT SITUATION (MTN.TNC/11, paragraph 7(b))

The following extracts focus on the extent to which developing countries may implement the provisions of an agreement at a slower pace than developed countries.

General statements

1. Developing countries were not expected to make contributions which were inconsistent with their individual development, financial and trade needs. (MTN.GNS/25, paragraph 193, Peru)
2. The time-span for phasing in market access undertakings could vary with the level of development of countries. (MTN.GNS/25, paragraph 202, Sweden)
3. It is necessary to consider different speeds in the liberalization process to achieve a balanced global liberalization for all countries. (MTN.GNS/23, paragraph 272, Brazil)
4. The notion of surcharges on foreign service suppliers could prove instrumental in the adaptation of markets to the process of progressive liberalization. A distinction should be drawn, however, with respect to whether the restrictions on the number of foreign service suppliers was contemplated in terms of firms or individuals. (MTN.GNS/26, paragraph ..., Egypt)

Statements made in the discussion of specific sectors

5. The concept of relative reciprocity was somewhat strange to apply in the banking and securities industry. It would be most unfortunate if financial market liberalization came to be regarded as something worth pursuing only in developed countries. (MTN.GNS/25, paragraph 58, United States, Financial Services)
6. As called for in MTN.GNS/W/48, liberalized access to developed country markets should be granted to developing countries on a non-reciprocal basis. In this process, developed countries would go ahead with their liberalization while developing countries prepared themselves for the liberalization of their own service sectors as and when they saw fit. (MTN.GNS/23, paragraph 57, Brazil, Telecommunication Services)
7. With regard to the domestic market, developing countries should be permitted to liberalize a smaller number of transactions and to open their markets less rapidly than developed countries. (MTN.GNS/23, paragraph 204, Mexico, Construction Services)
8. Access to the markets of developing countries would have to be secured by relative reciprocity aimed at increasing participation of developing countries. This could take various forms: flexibility as regards the timing, forms and regulations for carrying out progressive liberalization and granting national treatment; an opening of the developed countries' markets for financial services of developing countries without expecting similar concessions in return; access to information and data processing networks; transfers of technology allowing foreign institutions to be majority shareholders for a reasonable period at the end of which they would become minority shareholders; and personnel training, through the recruiting of skilled and specialized manpower in developing countries by financial institutions in developed countries. (MTN.GNS/25, paragraph 50, Mexico, Financial Services)

E. CERTAIN SECTORS COULD BE EXCLUDED IN WHOLE OR IN PART FOR CERTAIN OVERRIDING CONSIDERATIONS (MTN.TNC/11, paragraph 5)

FLEXIBILITY FOR INDIVIDUAL DEVELOPING COUNTRIES FOR OPENING FEWER SECTORS OR LIBERALIZING FEWER TYPES OF TRANSACTIONS (MTN.TNC/11, paragraph 7(b))

These extracts focus on the possibility that developing countries could apply the provisions of an agreement to fewer sectors and transactions than developed countries.

General statements

1. The question of the phasing of the implementation of commitments might have sectoral specificity and, on the part of developing countries, there might be a need to maintain or introduce some transparent domestic preferences for certain sectors and individual countries. (MTN.GNS/23, paragraph 281, Egypt)
2. If there was an obligation to consolidate restrictions at a given level, there should be some sort of exclusion or exception included for developing countries. (MTN.GNS/23, paragraph 288, Argentina)
3. Whatever measures, reservations or flexible application are introduced, they should not represent an exception to the rule of progressive liberalization which would commit all countries to have periodical reviews. (MTN.GNS/25, paragraph 206, Japan)
4. For strengthening the domestic services capacity it is imperative that the developing countries are able, either to exclude sectors - where they can develop their domestic services capacity - temporarily, or for a reasonable period of time. To say that developing country participation can be ensured by having a multilateral framework which applies the same rules and disciplines for everyone, but use time-limited derogation of five, ten or fifteen years alone would be sufficient will not be a valid proposition in the case of developing countries. (MTN.GNS/26, paragraph ..., India)
5. One way of respecting national policy objectives would be the establishment of priorities for the import and export of services. Countries would have the right to negotiate only the sectors and transactions that constitute a priority for the promotion of growth and development in general, or for the strengthening of specific segments of the domestic economy. (MTN.GNS/26, paragraph ..., Brazil)

Statements made in the discussion of specific sectors

6. Developing countries should be able to employ various support measures in the banking sector with a view to ensuring that overriding - and sometimes unprofitable - objectives, such as financing rural development - are met. (MTN.GNS/25, paragraph 52, Egypt, Financial Services)
7. The transfer of telecommunications technology to developing countries is crucially important. The free movement of all factors of production - capital, labour and technology - should be harmonized at a proper rate taking into account the proper level of telecommunications development of individual countries. (MTN.GNS/23, paragraph 118, Korea, Telecommunication Services)

8. Special provisions relating to government procurement would appear to be more acceptable if they would imply a non-reciprocal commitment by developed countries to liberalize their practices towards developing country firms. (MTN.GNS/23, paragraph 202, Brazil, Construction Services)

C. IMPROVED ACCESS TO DISTRIBUTION CHANNELS AND INFORMATION NETWORKS
(MTN.TNC/11, paragraph 7(f))

The following extracts focus on the importance of improved access to distribution and information systems in terms of improving the import performance of developing countries.

Statements made in the discussion of specific sectors

1. Intellectual property rights can be viewed as a problem in relation to the diffusion of technology and to the ability of developing countries to participate more actively in world services trade, particularly as the use of proprietary technology could greatly restrict the ability of all countries to share in a fair manner in such trade. (MTN.GNS/23, paragraph 120, Brazil, Telecommunication Services)
2. The potentially restrictive practices of firms in dominant positions through non-compliance with existing standards or other practices in the telecommunications area is a matter for concern. (MTN.GNS/23, paragraph 123, Egypt, Telecommunication Services)

National submission

3. The fact that airlines, hotels, travel agencies, car hire firms, etc., have increasingly large common interests in the world tourism market is a good illustration of the fact that it would be desirable for the framework agreement to include appropriate provisions to forestall the possibility of dominant market operators being able to use their monopolistic or oligopolistic power in such a way as to jeopardize the policy objectives of countries, and not only developing countries, in the field of services. (MTN.GNS/W/62, page 12, Mexico)

SECTION IV

STRENGTHENING DOMESTIC SERVICES' CAPACITY AND ITS EFFICIENCY AND COMPETITIVENESS (MTN.TNC/11, paragraph 7(f))

The following extracts emphasize the need to improve the supply capacity in developing countries. A number of specific measures are suggested that may be embodied in an agreement, including technology transfer, training, financial aid, regional cooperation and domestic preferences.

General statements

1. As much financial support might be necessary to improve services' infrastructures, mechanisms should be envisaged in the agreement through which this support might be provided. (MTN.GNS/25, paragraph 191, Brazil)
2. In some developing countries certain service sectors are particularly weak or even non-existent. Those situations require traditional longer-term development measures such as expanded basic education, improved facilities for academic and technical education, various forms of specialized training, and others. This is especially true for those service sectors that were knowledge-intensive. In order to bridge some of the gap in the short-term and as a complement to longer-term developmental efforts, many developing country governments could make better use of international trade to promote access to information, skills, knowledge and technology. That would, however, require policies that facilitated rather than restricted trade in services. (MTN.GNS/25, paragraph 200, Sweden)
3. Specific mechanisms should be designed in order to deal with the transfer of technology, the prohibition of measures and practices restricting the access to technology and networks of services. It should be recognized that governments have the freedom to adopt rules and disciplines to avoid that an excessive protection of intellectual property rights restricted the access to modern technology. Equally important is to avoid monopolies resulting from the restrictive enforcement of those rights. (MTN.GNS/25, paragraph 192, Brazil)
4. The framework agreement should include provisions which stimulated the transfer of such technologies to developing countries without interfering with the commercial decisions of firms. (MTN.GNS/25, paragraph 197, Mexico)
5. To achieve an increased participation, developing countries themselves should have policies in place which aimed at improving their services export capacities and at upgrading the competitiveness and efficiency of domestic firms. In that regard, the development of adequate infrastructures and the training of personnel are especially relevant and could be achieved through the technical and financial assistance of developed country firms, including technology transfer. (MTN.GNS/25, paragraph 199, Romania)
6. Clear and transparent domestic preferences might constitute another means of strengthening the domestic services capacity and its competitiveness. (MTN.GNS/25, paragraph 202, Sweden)
7. Competitiveness is very closely related to the flow of capital and technology. Investing firms could, for example, provide valuable training to local professionals and/or labour while transferring

modern technology to the economy. Clearly, this process is facilitated if the services are provided locally and not from a base abroad. Similarly, by training local staff foreign firms present within a developing country market might attenuate the problem of "brain drain" from that particular country. (MTN.GNS/25, paragraph 205, Argentina)

8. Concerning the financing implications, the GNS forum should not deal with this directly but could exhort others to concentrate on the development of infrastructure and the technological base of developing countries. The GNS cannot mandate the transfer of technology in this framework but could provide an environment which would facilitate such transfer as, in the end, the transfer of know-how comes down to the microeconomic decisions of individual operators. (MTN.GNS/25, paragraph 209, European Communities)
9. As far as the acquisition of skills, qualifications and technology by developing countries is concerned, encouraging training programmes, the development of professional service sectors to international standards, and promoting joint ventures were positive forms of cooperation and participation in the area of services. (MTN.GNS/25, paragraph 210, India)
10. Developing countries themselves should be strengthening their domestic economic and development policies and programmes to foster the contribution of services to their economies. (MTN.GNS/25, paragraph 211, Canada)
11. Concerning technology, such ideas as the use of joint ventures are important. Establishment as a means of delivering services could be significant in facilitating know-how and training. (MTN.GNS/25, paragraph 211, Canada)
12. There can be no question of setting down a legal requirement for developed country governments to force their firms to transfer technology in another country. (MTN.GNS/25, paragraph 211, Canada)
13. The commitment to engage in negotiations for the progressive liberalization of trade in services includes the right to maintain, implement or adapt internal mechanisms and policies aiming at securing the development process. Embodied in this principle are the notions of "development security" and "technological security", which represent a minimum guarantee for developing countries that the liberalization process will not provoke a retrocession in terms of development and technological advancements. (MTN.GNS/26, paragraph ..., Brazil)
14. In order to enthuse greatest confidence in the developing countries, the framework must provide for their giving preferences and other forms of support for domestic service providers

vis-à-vis the foreign service providers. (MTN.GNS/26, paragraph ..., India)

Statements made in the discussion of sectors

15. Mechanisms need to be envisaged for inclusion in a multilateral framework which would enhance the development of human resources in the financial field and lead to a greater access to the appropriate technological infrastructures which underpin the financial sector. (MTN.GNS/25, paragraph 52, Egypt, Financial Services)
16. The objective of enhancing financial market efficiency could be best attained if corporations are allowed to exchange capital and know-how, thereby leading to cross-fertilization between developed and developing country financial institutions. This process could be progressively extended depending on the maturity of domestic financial markets and on the achievement of growth and development objectives. Measures to ensure such cross-fertilization could include autonomous liberalization undertakings within national markets as well as multilateral negotiations. (MTN.GNS/25, paragraph 57, Switzerland, Financial Services)
17. As developing countries introduce new financial instruments into their domestic markets, the need might arise for new forms of financial regulations. For this reason, the notion of entering into binding commitments on the basis of existing regulatory regimes might not be of immediate relevance for developing countries. Rather, liberalization might have to wait until an optimum regulatory situation had been attained and sufficiently tested and strengthened. (MTN.GNS/25, paragraph 59, Pakistan, Financial Services)
18. It is quite possible for an agreement to provide for training opportunities in developed country banks for developing country personnel. This would result in the transfer of technology - in this case in the form of knowledge - which is a crucial ingredient for development. (MTN.GNS/25, paragraph 64, Mexico, Financial Services)
19. An increased share of developing countries in international trade in professional services depends on their own efforts to train their nationals. (MTN.GNS/25, paragraph 161, Romania, Professional Services)
20. Training requirements are a tricky area and it might not be fruitful to look for formal commitments in this respect even if there was a clear recognition that training by service firms was very important and a valuable implication of the commercial presence of a firm in a foreign market. (MTN.GNS/25, paragraph 164, European Communities, Professional Services)

21. The mechanisms that are likely to promote training and transfer of know-how are expansion of trade as recommended in the Montreal and Punta del Este texts. There appears to be a direct correlation between the volume of the trade and the amount of training that goes on because the proportion of training is directly related to the number of contracts that takes place. (MTN.GNS/25, paragraph 166, Australia, Professional Services)
22. Developmental benefits can be derived from increased imports, given the host of upward and downward linkages which exist in the sector. (MTN.GNS/24, paragraph 58, Brazil, Air Transport Services)
23. One of the basic issues conditioning the participation of developing countries in the sector relate to the efficiency of infrastructures. Another important issue for discussion under this heading is financial support. Financial constraints have become increasingly binding for developing countries, with serious implications for the upgrading of both rural and urban infrastructural projects. (MTN.GNS/23, paragraph 104, Egypt, Telecommunication Services)
24. Deficiencies in network infrastructures can affect foreign service providers by limiting the degree of market access that could be achieved. (MTN.GNS/23, paragraph 104, Egypt, Telecommunication Services)
25. Developing countries need to have greater access to modern technology. This is evidenced by the inability of some countries to sell their services simply because they could not meet international quality and/or technical standards. (MTN.GNS/23, paragraph 107, Brazil, Telecommunication Services)
26. Some form of technical assistance on the part of developed countries is essential both to help in determining which areas of telecommunications contribute most to the development process and to move the negotiating process forward in the sector. (MTN.GNS/23, paragraph 119, Yugoslavia, Telecommunication Services)
27. The ability of monopoly providers to engage in cross-subsidization needs to be retained. (MTN.GNS/23, paragraph 123, Egypt, Telecommunication Services)
28. In view of the fact that governments and international agencies have limited resources with which to support developing country projects, joint-ventures could play a very important role in attracting financing for such projects. Furthermore, while making projects financially feasible, joint-ventures also create employment for local labour and professionals. (MTN.GNS/23, paragraph 205, United States, Construction Services)

29. Appropriate mechanisms should ensure that preferential financial conditions are given to domestic providers as a means to stimulate the upgrading of the capacity of national firms. (MTN.GNS/23, paragraph 212, Egypt, Construction Services)
30. The most important issue for developing countries in the context of the CES sector is financing. It is important to examine mechanisms and possibilities for promoting greater access to financing from different sources, including international and regional specialized agencies. (MTN.GNS/23, paragraph 217, Argentina, Construction Services)

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31. Measures which countries can pursue - to varying degrees and in different combinations depending on national contexts and priorities - may aim, inter alia, at attracting new market participants, domestic and foreign; increasing the range of financial instruments and services in response to the changing needs of internationally active firms; developing an efficient technological infrastructure (telecommunications and payments networks; information, trading, clearing, settlement and depository systems, etc.); developing human resources for managing increasingly complex financial techniques and operations; strengthening domestic systems of prudential regulation and supervision; and integrating domestic and international markets through strengthened linkages at the levels of market organization and supervision. (MTN.GNS/W/68, paragraph 41, Financial Services)
32. With regard to the strengthening of domestic professional services capacity, relevant considerations could relate to the fostering of local expertise and employment as illustrated by the operating practice of international accounting firms. As new practices are established, the resulting affiliated national firms gain management responsibility and skills transfer through access, inter alia, to worldwide training and technical information provided by the international organization. (MTN.GNS/W/67, paragraph 38, Professional Services)
33. Considerations which relate to the strengthening of domestic CES capacity may include the development of local expertise and conditions to assist in attaining development policy objectives. For example, foreign expertise could contribute to the upgrading of domestic CES capacity. This could be achieved, inter alia, through an optimum utilisation of local inputs while relying initially on external sources for technological know-how. (MTN.GNS/W/53, paragraph 40, Construction and Engineering Services)
34. Faced by severe and often persistent budgetary problems, and by the lesser bargaining strength which small markets bring to bilateral negotiations, it has on occasions been suggested that developing country airlines could attempt - and be encouraged

through various logistical and financial support mechanisms - to pool their resources on a regional basis. The development of regional trunk operators and sub-regional feeder groupings, while increasing the bargaining leverage of participating airlines, would also enable them to reap the economies of scale and scope that will be necessary preconditions for their increased participation in the world market for air transport services. (MTN.GNS/W/60, paragraph 46, Air Transport Services)

35. Generally, the concern reflected in MTN.TNC/11 for the strengthening of developing countries' domestic capacity is embodied in policies intended to ensure the provision of shipping services which fulfil the requirements of national trade. (MTN.GNS/W/60, paragraph 91, Maritime Transport Services)

SECTION V

A. PARTICULAR ACCOUNT OF THE SERIOUS DIFFICULTY OF THE LEAST DEVELOPED COUNTRIES (MTN.TNC/11, paragraph 7(f))

1. Regarding least developed countries it is necessary for the GNS to take into account, inter alia, the balance-of-payments situation and technological requirements of those countries as way of promoting their future development. (MTN.GNS/25, paragraph 217, Tanzania)

B. SAFEGUARDS AND EXCEPTIONS (MTN.TNC/11, paragraph 7(h))

1. The aim of increasing the level of services imports should be compatible with the notion of maintaining the autonomy of macroeconomic policies, such as those required to safeguard a country's external position and to ensure a level of reserves adequate for the implementation of economic development plans. (MTN.GNS/25, paragraph 190, Brazil)
2. Developing countries should be able to take whatever measures are necessary to protect domestic markets with a view to enhancing their national capabilities. (MTN.GNS/24, paragraph 58, Brazil)
3. There should be safeguard provisions against corporate practices of external service providers which may be detrimental to the development of domestic services in the development countries (MTN.GNS/W/78, page 6, Singapore)

C. OTHER PROVISIONS

1. It is necessary to establish a review mechanism in order to review how the participation of developing countries in the international market place is really evolving. (MTN.GNS/25, paragraph 208, Egypt)
2. Concerning the review mechanism suggested by the Egyptian delegate, it may not be possible to have an objective, multilaterally approved recognition of which country was getting what type of benefit. (MTN.GNS/25, paragraph 209, European Communities)