

**MULTILATERAL TRADE  
NEGOTIATIONS  
THE URUGUAY ROUND**

RESTRICTED

MTN.GNS/33

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Special Distribution

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Group of Negotiations on Services

NOTE ON THE MEETING OF 7-11 MAY 1990

1. The Chairman welcomed delegations to the Thirtieth meeting of the GNS and drew their attention to GATT/AIR/2973 circulated on 19 April which contained the proposed agenda. He suggested that the Group start with items 2.1.II Statistics and 2.1.III Role of Other International Arrangements and Disciplines and then take up the other items as they appeared on the agenda. He pointed out that there were a number of new submissions and papers; one submitted by seven delegations in MTN.GNS/W/101 containing a multilateral framework on principles and rules for trade in services, and another submitted by ICAO in MTN.GNS/W/100 containing a statement by the ICAO Council to the GNS. In addition, there was the revised informal checklist by the secretariat, dated 24 April 1990, as well as secretariat papers on subsidies in MTN.GNS/W/98 and on restrictive business practices in MTN.GNS/W/99.

2. The representative of India introduced the submission put forward by Cameroon, China, Egypt, India, Kenya, Nigeria and Tanzania in MTN.GNS/W/101 on behalf of those countries. He noted that the countries submitting the document represented around 48 per cent of the world population. From their point of view the development dimension was very important and should be included in a future framework both in preambular language and in legal provisions. He drew the attention of delegations in particular to article 8 on the increasing participation of developing countries.

3. The representative of Egypt noted that the provisions on development appeared throughout the proposed framework as well as in specific provisions in chapter II. In this regard, measures to strengthen the domestic services capacity of developing countries related, for example, to the transfer of human and financial resources to developing countries and the provision of technical assistance. He also pointed out that the reference to "paragraph 1 (b)" contained in article 16 paragraph (c) should read "paragraph 2 (b)". The representative of Tanzania stressed the importance of giving due attention to the concerns of the least developed countries and the document under discussion contained a number of relevant articles in this respect. The representative of Kenya said the proposed framework rightly focused on the development dimension in liberalizing trade in services and added that account should be taken of autonomous liberalization measures adopted by developing countries as a contribution worthy of credit in the negotiations. The representative of China said that, inter alia, the proposed framework provided that obligations such as transparency, progressive liberalization and m.f.n. would fall within the scope of general provisions to be applied to all services sectors whereas market access concessions would be negotiated and consolidated through a binding of commitments. The representative of Nigeria considered that the

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proposed framework contained many answers to the problems under review in the GNS and deserved careful discussion.

4. The representative of Brazil supported the views expressed by the sponsors of the proposed framework which represented a major contribution to the work of the GNS. Concerning the issue of initial commitments, the text was clear in emphasising the needs of developing countries and presenting flexible solutions to those needs. The representative of Yugoslavia agreed with much that was contained in the proposed framework which provided an essential contribution to the work of the Group. The representative of the Côte d'Ivoire stressed the problem of underdevelopment in Africa from a services point of view and noted that the present document took this situation fully into account. The representative of Pakistan also supported the views contained in the paper and stressed that his delegation attached great importance to an unambiguous unconditional m.f.n. principle which would apply as a general obligation to all parties from the outset. The representatives of Morocco, Mexico and Peru welcomed the submission of the document, the latter considering that chapter III on market access and related matters would result from negotiations and favoured a positive list approach to concession negotiations.

5. The representative of the European Communities noted that his delegation had serious problems with many areas of the proposed framework and cited in particular that the document dealt with the possible parties to the agreement as two separate blocks and that substantial parts of the document, including articles 5, 8 and 10, were inappropriate for a binding legal text. While he agreed with the Tanzanian delegation that developing countries should be given credit for autonomous liberalization, that was in his view conditional on such liberalization being part of a commitment.

6. The secretariat representative introduced the revised informal checklist of 24 April 1990, the paper on subsidies in MTN.GNS/W/98 and the paper on restrictive business practices in MTN.GNS/W/99. The Australian delegation welcomed in particular the paper on subsidies and reserved its right, as the Indian delegation had done, to come back to the matter later in the week.

7. The Chairman suggested that the Group turn to the next item on the agenda, 2.1.-II dealing with Statistics.

8. The representative of Mexico recalled his delegation's earlier suggestion (referred to in paragraphs 6, 7, and 8 of MTN.GNS/31) regarding the establishment of a committee on nomenclature and statistics which would operate together with the body responsible for administering the framework. Such a committee would: first, draw up a nomenclature on services activities over a given period of time; second, revise and update the nomenclature as new services were emerging at an increasing rate; third, determine methods and procedures to cooperate with member countries of the framework in collecting and processing statistics; fourth, update technical definitions of different types of services; fifth, establish modalities and procedures for technical assistance for developing countries

in all such matters; and sixth, establish a data base on trade in services statistics for the benefit of all countries. The Mexican suggestion was supported by the representative of India.

9. The representative of the European Communities, referring to the view that it was difficult to exchange concessions without statistics, said that there were in fact many statistics contained in the secretariat's substantial data base and raised the question whether those delegations that had problems with the lack of availability of statistics had in fact although made use of that data base. The secretariat representative replied that there was a general interest expressed on the part of a number of delegations, there had not as yet been specific requests for detailed information to be drawn from the data base.

10. The representative of Hungary said that article 15.2 of MTN.GNS/W/95 referred to an evaluation of the operation of the framework after three years based on the work done inter alia on statistics. In this regard, he wanted to know whether the liberalization to be provided by developing countries was linked to the existence or non-existence of more detailed statistics. The representative of Mexico replied that there was a need to evaluate what had been achieved in the three-year time period.

11. The representative of Brazil suggested that one aspect of establishing a relevant data base within the secretariat and elsewhere could concern consumer-related statistics. It was important to know whether the liberalization process was serving the interests of the consumer in terms of price and quality.

12. The Chairman then turned to item 2.1 - III Role of Other International Arrangements and Disciplines.

13. The representative of the European Communities said article 3 in MTN.GNS/W/101, which stated that "nothing in this Framework shall affect rights and obligations under existing international agreements in the field of services", raised two issues: presumably international agreements between parties to the framework would be affected to the extent that there was a conflict of obligations between the framework and such a bilateral agreement; secondly, did this mean that parties were entitled, having signed on to this agreement and made commitments under it, to sign up to conflicting agreements. He could not believe that either of those consequences was meant by article 3 quoted above.

14. The representative of India noted that the article referred to the "field of services" which was much wider than the issue of trade in services. It was necessary for the Group to address the general issue raised in article 3 and suggested this would happen in most cases through sectoral annotations.

15. The representative of Switzerland suggested that all parties to the future framework should be able to conclude bilateral or multilateral agreements and amendments to existing treaties in order to supplement the

provisions of the framework and to facilitate the application of the rules contained in the framework.

16. The Chairman then turned to item 2.1 - I. Parts I and II of MTN.GNS/28 (all aspects).

17. The Chairman recalled that one of the aims of the current meeting was to give the secretariat guidance for it to provide the GNS at its June meeting with draft texts on the elements contained in MTN.GNS/28. In the absence of a much greater degree of convergence, he felt that the Group would find it most difficult to meet its July deadline. Under agenda item 2.1.I he opened the floor to a discussion of scope and definition, noting that the central issue in the area was whether the role of definition in the multilateral framework should be to establish liberalization commitments or merely identify the modes of delivery according to which specific liberalization commitments could be negotiated.

18. The representative of India said that as stated in MTN.GNS/W/101, his delegation felt that the role of definition should be to set the boundaries of the framework, as opposed to being an obligation which could result in liberalization commitments. He noted that any such commitments would have to result from specific negotiations.

19. The representative of Mexico recalled that the issue of scope and definition of the framework was intimately related to that of coverage. He noted that countries had to be internationally competitive not only in one service sector but also in regard to more than one mode of delivery for them to possess a credible and continuous export capacity in services trade.

20. The representative of the United States said that it was difficult to address the issue of scope and definition independently of that of structure. He recalled that his country's earlier proposal had identified a range of possible modes a delivery to which countries would be bound unless they expressed reservations to the contrary. He felt that it might be possible to address the issue of modes of delivery in a somewhat more definitional way so long as there was a structure allowing clear references to modes of delivery as binding obligations in regard to which reservations could be lodged. He recalled that under the U.S. paradigm, countries would be bound to accept modes of delivery for which they remained silent during negotiations.

21. The representative of India agreed that the definition could not be divorced from the structure of the framework. He recalled that, as envisaged under market access in MTN.GNS/28, foreign suppliers should be free to choose their preferred modes of delivery when more than one mode of delivery was available as a result of negotiations. He recalled that under his delegation's approach, there would be at the same time a positive list of commitments which each participant would enter into and indicate the available modes of delivery.

22. The representative of Canada felt that it should be possible to divide the decision-making process into sufficiently small parts to be able to answer positively to a definitional approach while continuing to debate the relative degree of obligations to follow from an agreed definition.

23. The representative of the United States said that his delegation had problems with the idea of expressing in a legal framework the notion that a service supplier had a preferred mode of delivery. Rather, he felt that the onus should be on countries to state those forms of delivery that they would permit. He felt that while a country's ability to choose those modes of delivery it wanted to liberalize was firmly acknowledged, writing such a provision into a legal framework might render the specific rights of signatories somewhat vague.

24. The representative of India recalled that countries should be able to decide in the negotiations which forms of delivery should be made available. Where more than one mode was made available, it would be up to a service supplier to opt for his preferred mode of delivery. Rather than making such an outcome stem from the structure of the framework his delegation felt that a country's right to choose - hence to deny in certain cases - particular modes of delivery should be clearly stated in the legal framework.

25. The representative of the European Communities felt that it was obvious that all countries would be denying certain modes of delivery in some sectors, noting that the issue of a supplier's choice of a given mode of delivery would arise as and when more than one such mode was being liberalized. He recalled that national schedules would make clear both those modes of delivery which would be liberalized and those that would not. He assumed that whatever the paradigm, obligations which were general in nature would cover all modes of delivery.

26. The Chairman suggested that the Group address the concept of progressive liberalization, noting that the main question in his view concerned the identification of those rules, modalities and procedures that would best bring about a process of progressive liberalization bearing in mind that such a process was closely linked to the structure of the framework.

27. The representative of India sought clarifications in regard to some aspects of the secretariat's informal checklist of points relating to a future framework on trade in services. He noted that there was no mention of the increasing participation of developing countries under the non-paper's heading on general obligations, recalling that his delegation felt that it should be considered as a general obligation. He noted in addition that agreement had yet to be reached on the contents - as opposed to the language - of each of the framework's general provisions. The issue of language, he felt, could be addressed in due course once that of content had been settled.

28. The representative of the secretariat indicated that the reason for not including increasing participation of developing countries under the

heading of general obligations was due to the fact that in the considerably expanded section on development matters in the informal checklist, the question had been specifically raised as to how development considerations would be dealt with; that is as preambular language legal text or guidelines. The enlargement of the section aimed at providing a clearer focus on the various means for addressing developmental considerations.

29. The representative of India recalled that, as envisaged in MTN.GNS/W/101, national treatment and market access would not be general obligations but would rather be specifically negotiated. He felt that there would be a need for conditions and qualifications to be attached to the latter two provisions, noting that these could relate to the kinds of transactions to be liberalized, restrictions on activities within sectors or sub-sectors, restrictions on the number of foreign suppliers and on the volume or value of transactions, restrictions on segments of market liberalization, preferences for domestic suppliers in developing countries, incentives for domestic suppliers and/or exporters in developing countries as well as transparency requirements on private market operators.

30. The representative of the European Communities said that apart from provisions on market access, national treatment and, depending on how it was drafted, subsidies, all the provisions of the framework should apply fully in all sectors upon entry into force. In regard to subsidies, he felt that some qualified application based upon existing situations might be expected from the start. He noted that irrespective of the structural paradigm retained, processing would have to secure under a framework both multilateral and individual country commitments. On the treatment of increasing participation of developing countries as a general obligation, he recalled that it was the basic philosophy of the GNS that this concept be woven into the framework rather than become a separate general obligation. The latter approach, in his view, was akin to the GATT's Part IV, a result which group members should clearly avoid. He was firmly in favour of writing specific provisions into the framework aimed at achieving the developmental objectives agreed upon at Montreal, but cautioned that his delegation would not lend any support to a provision of general application called "increasing participation of developing countries". He noted that in many instances it might not even be necessary to refer to developing countries in the framework. On the need for conditions and qualifications to be attached to provisions on market access and national treatment, he wondered whether there was any difference between a restriction and a condition on market access, noting that it was crucial to ensure that country schedules made absolutely clear what type of treatment service suppliers might expect to receive in foreign markets, both in regard to specific sectors and to possible modes of delivery. He recalled that his delegation had made its views known on sectoral annotations in MTN.GNS/W/66, noting that limited derogations to the scope of application of the framework might need to be accommodated in exceptional circumstances. He cited the plethora of bilateral agreements in the transport sector as one area where a sectoral annotation could aim to address the problem of applying an unconditional m.f.n. provision. He said that such annotations would need to be kept at a minimum and made subject

to periodic review so as to ensure that they were not undermining the objectives of the framework.

31. The representative of Brazil said that the objectives of increasing participation and of progressive liberalization were both part of the very dynamics of a future framework and saw no reason for treating the latter as a general obligation and the former in a residual manner, i.e. once all the aspects of the framework had been resolved.

32. The representative of Canada felt that it was generally agreed that, with the exception of provisions relating to structure, general obligations should be applied across the board from the outset. It also seemed agreed, in his view, that both market access and national treatment would be applied across the board in a qualified sense. He noted that regardless of the structural paradigm, negotiations would be required in regard to the latter two provisions.

33. The Chairman introducing the concepts of national treatment and market access in the discussion of progressive liberalization said that he felt participants should focus on whether national treatment should be a general obligation under the provisions of the framework or whether it should be a specifically negotiated commitment. In addition, he asked whether national treatment should be applied fully once market access was made available or whether it should be partially applied at the outset and then progressively implemented. In regard to market access, he wondered whether it should be considered as a general obligation from which reservations would need to be negotiated or whether specific liberalization commitments would be positively identified through bilateral plurilateral and/or multilateral negotiations.

34. The representative of India said that his delegation did not want a set of meaningless obligations to emerge from the GNS process but recalled that increasing participation and progressive liberalization were two wheels of the same cart. There was no reason to treat the two objectives differently and he felt that the EC representative had not been correct in suggesting that the Indian delegation was advocating the creation of two sets of Contracting Parties under a services framework.

35. The representative of the United States felt that whether or not a framework should contain a legal provision on development was in his view of considerable importance. He felt that MTN.GNS/W/101 was disturbing in that it appeared to bring the GNS back in time by treating developing countries - and their negotiating concerns - as a block. Such a fragmented approach was simply not an acceptable way of taking account of developmental considerations in a services framework. He felt that by treating development matters separately, the secretariat's informal checklist had the virtue of allowing a realistic assessment of the substance of issues which stood no chance of being adopted if looked upon solely in terms of legal obligations.

36. The representative of Czechoslovakia said that his delegation could accept from the outset the application of some general obligations, such as

those mentioned in the secretariat's informal checklist. At the same time, he underlined the importance of ensuring that the objectives of the Punta del Este mandate were adequately met. As concerned obligations relating to national treatment and market access, he felt that these would need to be progressively implemented through negotiations dealing with specific sectors, transactions and/or modes of delivery.

37. The Chairman opened the floor to a discussion of m.f.n./non-discrimination. He asked whether the framework should contain an m.f.n. provision on the basis of which advantages and privileges extended to any country would be automatically extended to all signatories, or would only negotiated concessions exchanged among signatories be multilateralized on a non-discriminatory basis? In addition, should the application of m.f.n. or non-discrimination be subject to any conditions relating to mutual recognition of national regulations or harmonisation of technical standards?

38. The representative of Argentina said that his delegation favoured the adoption of an unconditional m.f.n. approach such as that prevailing in GATT. It was important to avoid situations in which parties to a bilateral agreement could derive - as non-signatories to a multilateral framework - benefits which were greater than those enjoyed by framework signatories. In regard to mutual recognition and/or harmonization issues, he felt that problems might emerge when looking more closely at the professional services sector. He noted that accreditation procedures need not necessarily be seen as violating the non-discrimination principle so long as all those meeting a country's required standards were allowed to compete on an equal footing. At the same time, he felt that this was a very complex area which could not be solved easily through clear exceptions to the m.f.n. clause. He felt that the range of complex accreditation issues which emerged in professional services might make the sector ripe for a sectoral annotation.

39. The representative of Japan felt that the issue of the harmonization of standards was somewhat different from that of m.f.n./non-discrimination. At the same time it had to be recognized that the mutual recognition and/or harmonization of standards could constitute a trade barrier in some instances. Measures might thus need to be taken to reduce the risk of seeing harmonization efforts impact adversely on trade. He pointed to the need for greater transparency and for consultations among experts involved in harmonization exercises. On the issue of m.f.n./non-discrimination, he said that his delegation was somewhat concerned by the implications of extending on an unconditional basis the benefits deriving from existing international arrangements which contained more extensive liberalization commitments. As well, he wondered how the m.f.n. principle could be made to co-exist with sectors - such as civil aviation - where market access issues were governed by existing reciprocity-based regimes. His delegation therefore felt that a further elaboration of these important issues was required before adopting any m.f.n./non-discrimination provision.

40. The representative of Hong Kong felt that there should be no exclusions or exceptions to the m.f.n. principle. He agreed that all



countries encountered similar problems with m.f.n in some sectors and that such problems might need to be addressed in sectoral annotations. Yet, apart from existing international agreements, his delegation had serious problems with the idea of excluding existing bilateral or plurilateral agreements which conferred advantages or benefits solely to the signatories of such agreements. It was important in his view that the GNS aim for the most favoured nation treatment as opposed to a most favoured signatory approach. He felt that existing bilateral agreements should be brought into conformity with a future services framework and not be excluded or grandfathered. Consideration might be given in this regard to phase-in periods but these would need to be as short as possible. He felt that the issue of harmonization/mutual recognition was closely linked to that of m.f.n. and wondered whether reciprocity necessarily had to be a consideration in mutual recognition and/or harmonization exercises. He said that instead of pressing for mutual recognition, which in many cases would be available only to a small group of countries, it might be possible for standards to be incorporated into individual signatories' regimes with a view to making them available to all signatories who were able to meet certain standards. Such an approach might be warranted, in addition, to avoid situations in which standards were set at such a high level that only a few countries could enjoy the benefits of harmonized regulatory regimes.

41. The representative of Czechoslovakia said that an m.f.n provision should apply vertically to all participants and horizontally to all services. Bearing in mind the acute differences in the competitive abilities of countries in services trade, it was essential that the framework's m.f.n. provision be unconditional in nature and not be subject to the fulfilment of prior requirements. His delegation was of the view that exceptions to the m.f.n. rule could be applied to customs unions and free trade areas so long as third country interests were not adversely affected. The framework might at the same time contain a provision stipulating that the benefits derived from a higher degree of service trade liberalization attained within customs unions or free trade areas should be extended for given periods of time to other signatories of the framework.

42. The representative of Hungary agreed that the framework should contain an unconditional m.f.n. provision. On the issue of how to handle existing international agreements, he felt that there were no doubt sectors whose particularities might need to be addressed in a sectoral annotation. Such annotations would need, however, to be multilaterally agreed and could not become permanent exceptions to the framework. They would, as well, need to be subject to periodic review. In regard to harmonization, he felt that the potential for trade-inhibiting affects existed in a wide range of service sectors. For this reason, he noted that there might be a need to address these issues in a general manner in the framework instead of treating them on a sectoral basis. He felt that standards issues should be treated in a services framework in a manner analogue to the TBT Code in GATT; that is, wherever qualification or certification requirements existed, whether at the international, national or local level or whether set by non-governmental bodies, these should be open to all parties able to meet the required criteria. He added that any such criteria had to relate to professional standards and not to the nationality of a service supplier.

43. The representative of Canada supported strongly an m.f.n. provision in the framework, noting that it should be applied across the board from the outset and not simply to signatories. While recognizing the problems which might emerge in applying an m.f.n. provision in the transport sector, particularly air transport, he did not see the need for a general exception. Rather, such problems might be addressed through recourse to a "footnote" approach. Any agreed departures from the m.f.n. principle should be periodically reviewed to accommodate, where necessary, changes in market conditions. His delegation did not regard standards as an m.f.n. issue but would rather discuss harmonization and/or mutual recognition under a separate heading. He was unclear as to how much the GNS could achieve on harmonization during the remainder of the Uruguay Round, suggesting that such complex issues would undoubtedly require work to continue after the Round's completion. He recalled that technical barriers to trade were discussed for some time in GATT before agreement was reached on a code. He emphasized that standards should be treated in their own right and not be seen as derogations to the general obligations of the framework.

44. The representative of Brazil recalled that his delegation's views on m.f.n. were clearly spelled out in MTN.GNS/W/95 but felt that the GNS would need to achieve greater convergence on the very object of an m.f.n. provision in the framework before considering the kinds of obligations and/or qualifications to m.f.n. which might be required to deal with harmonization or standards.

45. The representative of Japan saw dangers in applying to services trade concepts used in the goods area in regard to customs unions or free trade areas. He recalled that while prominent in the case of customs unions, tariffication issues were of considerably less relevance in services trade. The guiding principle in services negotiations was in his view that of free market access. He referred to Article 3 of MTN.GNS/W/101 and asked whether the submission's sponsors meant to treat existing international agreements in the service area as exceptions to the m.f.n./non-discrimination principle.

46. The representative of the United States recalled his delegation's preference for foreseeing harmonization issues treated along non-discriminatory - as opposed to m.f.n. - lines under a multilateral framework. He felt that a framework should allow, via protocols for instance, mutual recognition and/or harmonization exercises to proceed so long as these did not produce discriminatory effects. He noted that attempts at harmonization were inherently ambitious and felt that an m.f.n. obligation might by its very nature discourage any such attempts. Provided therefore that harmonization efforts did not create distortions to trade, there should be enough flexibility in the framework to allow a limited number of countries to engage in a process which in time should allow more countries to benefit from a more open trading system as a result of harmonization. He agreed to the need for multilateral surveillance to ensure that harmonization efforts were not generating results which were inimical to a liberal trading system.

47. The representative of Korea agreed that an m.f.n. provision should be applied on an unconditional basis, but in view of numerous existing international agreements in which foreign suppliers were treated more favourably than domestic suppliers, it might be necessary to clearly specify the nature and extent of the relationship between existing international arrangements and the multilateral framework in regard to the m.f.n. principle. On harmonization/mutual recognition, he said that it would be necessary to develop a set of guidelines to promote harmonization efforts among all GNS participants. At the same time he felt that the mutual recognition of standards in the professional service area might be addressed through negotiations among interested parties. Finally, he supported the idea that customs unions and free-trade areas should be treated as exceptions to the m.f.n. principle but agreed that further thought might be required on this given the known differences between trade in goods and services.

48. The representative of New Zealand agreed with those delegations which felt that the harmonization or mutual recognition of standards was not an m.f.n. issue. Standards had to be applied on a non-discriminatory basis and all parties that could meet required standards should enjoy the opportunity to export their services to the countries applying such standards. She suggested that, as provided in the GATT's Standards Code, international standards should be used where possible, while acknowledging that mutual recognition might pose problems in some areas, particularly in professional services. She indicated that sectoral annotations might not necessarily be the preferred route as this could lead to a multiplication of annotations which might prove time-consuming. She recalled that the m.f.n. principle was a basic principle which had served the trading community well in the goods area. Her delegation favoured the adoption of a strong, unconditional m.f.n. provision of immediate application. Possible exceptions to the m.f.n. principle might be envisaged in the case of regional integration arrangements. She was not convinced that a general exception was needed in regard to air transport services, noting that countries could lodge reservations in respect of some aspects of the sector in their schedules. It was essential to ensure that exceptions to the m.f.n. principle, if any, were not enshrined or perpetuated and that there be a clear commitment to end such exceptions over time.

49. The representative of Singapore said that all the benefits under the framework should be extended unconditionally to all parties, noting that possible exceptions could be envisaged in sectoral annotations for those existing agreements that could not be immediately phased in. On standards, he emphasized the need for mutual recognition to be based on technical criteria and for the framework to allow appropriate review procedures, the results of which would be published so as to ensure greater transparency.

50. The representative of Egypt said that his delegation's view was that any benefit negotiated or autonomously granted should be extended immediately and unconditionally to all parties. As such, parties should not discriminate between foreign service suppliers. He felt that the framework's m.f.n. provision should not prevent the adoption of arrangements such as customs unions, regional integration agreements, free

trade areas or preferential trade agreements among developing countries. Responding to a question raised by the Japanese representative, he pointed out that nothing in the framework should affect the rights and obligations under existing international agreements in the field of trade in services.

51. The representative of India indicated that his delegation favoured a strong, unconditional m.f.n. clause. He stressed the need to ensure that harmonization efforts did not result in disguised restrictions to trade.

52. The representative of Peru said that sectoral annotations offered in his view the most appropriate means of overcoming some of the sector-specific problems of applying the m.f.n. principle.

53. The representative of the European Communities said that his delegation favoured a classic m.f.n. clause and recalled that sectoral annotations should aim at addressing specific sectoral problems. He felt that the issue of harmonization should not be oversimplified. It was not, in his view, strictly an m.f.n. issue and the potential for harmonization exercises to restrict trade should not be underestimated. There was a need for a provision which clearly spelled out how harmonization/mutual recognition could be addressed although little harmonization might be expected during the course of the Uruguay Round. It was impossible in practical terms to envisage how harmonization exercises could be conducted along strict m.f.n. lines. The process of harmonization should nonetheless be open and accessible to all, and not be a disguised restriction on trade. On customs unions and economic integration arrangements, he felt that it was logical for the Uruguay Round to attempt to deal in an appropriate way with the practical linkages between goods and services. Free trade in goods had to go hand in hand with free trade in services and there was no reason, for a services framework to allow cosy sectoral arrangements which bore no outside links. It was essential, in his view, to ensure transparency and the proper monitoring of such agreements so as to minimize the scope for undermining the liberalization process.

54. The representative of Austria agreed in principle to the inclusion of m.f.n./non-discrimination as a general provision applicable to all covered sectors. He said that this would concern new liberalization commitments, noting that his delegation would have problems in extending on an m.f.n. basis the existing degree of market access bound through a standstill commitment. He recalled that market access had to be made subject to negotiations rather than simply being extended to all signatories on an m.f.n. basis. Concerning new liberalization commitments, he said that effective market access to foreign suppliers would be granted if these fulfilled the respective national regulations to the same or equivalent extent as national suppliers. National regulations could be mutually recognized, be it bilaterally or plurilaterally either by negotiations or harmonization exercises. This was a long-term process which might be envisaged within sectoral annotations. Such agreements could not be automatically extended to all signatories on an m.f.n. basis but should be open to all on a non-discriminatory basis. As regards exceptions to m.f.n., he felt that more rapid liberalization on a regional basis should be allowed under the framework. In this regard, special agreements between

smaller neighbouring countries could be envisaged with a view to facilitating cross-border trade in services. Since trade in goods and services were closely linked, exceptions to the m.f.n. principle in services trade could be linked to customs unions or free-trade agreements in the goods area.

55. The representative of Canada sought technical advice from the secretariat on the legal differences between m.f.n. and non-discrimination. He said that he did not like the idea of lodging country reservations against m.f.n. and felt that, where problems such as those encountered in the air transport sector emerged, a footnote might be appropriate.

56. The Chairman opened the floor to a discussion on the increasing participation of developing countries.

57. The representative of India said that the central issue under this item was agreeing to what should appear in preambular language, in negotiating guidelines and in legal provisions in the framework, noting that both MTN.GNS/W/95 and MTN.GNS/W/101 contained clear and specific proposals on such matters.

58. The representative of Egypt suggested that the word "each" replace the word "they" in line 3 on page 16 of the secretariat's informal checklist so as to better reflect the need for increasing participation to be considered under all three aspects, i.e. preambular language, negotiating guidelines and legal provisions. As well, he suggested that "market access" should be preceded by the word "effective" in the fourth alinea on page 17 of the informal checklist as agreement had been reached at this Montreal Mid-Term Review.

59. The representative of the European Communities said that the issue of increasing participation could be addressed using four baskets: preambular language, legal provisions, negotiating guidelines or nothing at all. He felt that many of the considerations found on page 16 of the informal checklist were preambular in nature or could serve as negotiating guidelines but could hardly be written into the legal body of the framework for lack of an operational focus. He felt that the right to introduce new regulations was widely recognized and would have to be addressed under the general provision dealing with the regulatory behaviour of countries. It was in addition an issue which was hardly specific to developing countries. He noted that there might be a need for a specific provision on contact and enquiry points to assist developing country exporters, in part to ensure a generally balanced outcome in the negotiations. The priority to be given to liberalizing service sectors of export interest to developing countries had to be seen more in the light of a negotiating guideline than a binding legal obligation. On technical assistance, he felt that further clarifications were required on the appropriate role to be played by the administrative entity that may be responsible for servicing a future GATS, and wondered if it was necessary to address this directly in the legal body of the framework. Financial assistance was a non-issue in regard to the legal framework but emphasized the importance of the need for greater funding in the in the area of service infrastructure development in

developing countries. In regard to least developed countries, he noted that MTN.GNS/W/101 had made a start, but felt that it was difficult to come up with concrete proposals. He would be unhappy, however, with any proposal that simply said that least developed countries could participate in a framework without entering into any commitments on their own.

60. The representative of India commented that there appeared to be fundamental differences with the EC delegation in the approach to this issue. He recalled that the framework should provide a balance of interests for all participants. He added that the provisions had to be so written that the balance of interests was arrived at in the framework itself, rather than as a result of the negotiations. Areas of export interest to developing countries should be covered in the framework as a legal provision. Facilitating the movement of labour should also be a legal provision, not only preambular language. Moreover, appropriate flexibility should be provided to developing countries.

61. The representative of Brazil commented that in including development considerations as an integral part of the framework, the question of what falls into which basket was a non-question if development issues were to be taken seriously. He raised a further point that, as indicated on page 7 of MTN.GNS/28, the structure of the framework should be designed in such a way that the participation of developing countries could be assured. He mentioned two types of considerations as important: (1) what was the possibility of developing countries to participate, and (2) what could be the effective participation of developing countries in the framework. The structure was a way to assure higher participation.

62. The representative of Canada remarked that delegations currently seemed to agree on the headings, although the contents of those headings may differ. It was not necessarily clear what delegates were seeking to agree to, given the brevity of current texts. He urged more precision about undertakings and thanked the Indian representative for having provided some elaboration. He cautioned against dividing signatories into two categories.

63. The representative of Hungary said that the coverage of the framework should not be exhaustive or overly restrictive. As implicit in the Montreal text, the framework should provide for flexibility in the undertaking of commitments. Regarding MTN.GNS/W/101, he objected to the block approach to development whereby levels of commitments would vary according to a rigid differentiation between developed and developing countries. Initial commitments, for example, should vary according to the level of development of individual countries and not according to whether a country was considered developed or developing.

64. The representative of Mexico said that the discussions in the GNS negotiations should be guided by the objectives of the Punta del Este Declaration and the Montreal text alongside the need of providing for a balance of interests in the final framework. There was sufficient relevant material before the Group (e.g. MTN.GNS/W/95, MTN.GNS/W/101, the

secretariat's checklist) on which to draw for the completion of a truly multilateral agreement.

65. The representative of Brazil said that the approach adopted in MTN.GNS/W/101 of grouping all participants into two main clusters of countries according to their level of development - i.e. developed and developing - reflected the reality of economic relations. The flexibility which developing countries were seeking should be reflected in all aspects of the framework, starting with the definition of trade in services and the sectoral coverage to which framework provisions would apply. Development-related concepts, rules and principles such as the increasing participation of developing countries should apply to all participants as provisions of general - and not negotiated - application.

66. The representative of Yugoslavia said that the main objective of the Group was to draft a legally-binding framework of rules and principles governing trade in services, based on a balance of clearly-stipulated rights and obligations. His delegation believed it was difficult to draft formulations of modalities and/or guidelines for the increasing participation of developing countries in world services trade. Similarly, engaging in the drafting of annotations relating to specific sectors should be given lesser priority than the completion of a framework of rules of wide application across sectors. The application of provisions of the framework should be in accordance with the policy objectives embodied in the laws and regulations of participating countries.

67. The representative of Egypt agreed with others that the rigid differentiation, adopted in MTN.GNS/W/101, in the level of commitments between developed and developing countries was a fact of life which had been often reflected in many multilateral agreements and which could not lack expression in the future framework on trade in services.

68. The representative of India said that MTN.GNS/W/101 represented an attempt to reflect development-related concerns throughout the structure of a framework of rules and principles applying to trade in services. As such, it constituted an attempt to provide for a balance of interests by means of a structure which reflected the imbalances existing in world services trade between developed and developing countries. The notions of providing for the liberalization of areas of export interest to developing countries and of permitting these countries to liberalize fewer sectors within a longer time-frame than developed countries were embodied in provisions of a legally-binding nature in MTN.GNS/W/101. This was also the case for other notions appearing in the Montreal text such as the strengthening of domestic services capacity, efficiency and competitiveness, increased access to distribution channels and information networks and the right to introduce new regulations.

69. The representative of Canada objected to the interpretation that a differentiation between two groups of countries - developed and developing - as that adopted in MTN.GNS/W/101 was implicit in either the Punta del Este Declaration or the Montreal text. Whether development-related provisions should constitute guidelines and what their

form and content should be remained to be discussed. As to the possibility of introducing new regulations, much more precision was in order in terms of what could be the checks and balances, and any other limits, to be imposed on such an exercise.

70. As a co-sponsor of MTN.GNS/W/101, the representative of Nigeria said that the communication was not at all intended to create two different frameworks - one for developed, another for developing countries. It should be viewed as a significant attempt by some developing countries to be specific about what they perceived to be relevant development-related concerns.

71. The representative of Mexico re-emphasized the notion implicit in the concept of regulatory situation agreed in Montreal that parties to the framework, and in particular developing countries, should have the right to regulate the provision of services in order to implement national policy objectives. He said that the need to group countries into developed and developing derived from the difficulty of establishing a working continuum comprising all the various levels of development of participating countries.

72. The representative of Bangladesh said that in its quest for convergence of views, the Group should not lose sight of the fact that countries' levels of economic development in general, and of services capacities in particular, varied widely among participants. In that context, considerable flexibility in the undertaking of commitments should be incorporated into the framework in an effort towards attracting the widest participation possible.

73. The representative of Brazil suggested that a new concept be introduced in the Group's discussions, that of most-regulated-nation. Such a concept could do much to reveal regulatory asymmetries existing across participating countries.

74. The representative of the United States said that writing provisions into a framework which in effect constituted permanent blank cheques left too much for the discretion of regulators, and too little for the multilateral liberalization of trade in services.

75. The Chairman introduced the discussion on the concept of safeguards by saying that the main question in that context was whether there were circumstances other than those relating to balance of payments purposes in which temporary safeguards measures should be permitted, e.g. unforeseen increase of services imports pursuant to the implementation of trade liberalization undertakings.

76. The representative of Hungary said that there were circumstances other than those relating to balance of payments purposes in which temporary safeguards measures should be permitted, especially those relating to the cross-border provision of services. As to the provision of services through establishment in a foreign market, safeguard measures could also take



several forms such as, for example, the imposition of limitations on the number of foreign entrants.

77. The representative of the European Communities agreed that a provision on safeguards should affect both cross-border and establishment trade in services. Precise definitions of circumstances should be sought for safeguard measures and considerations such as the role of prior consultations and specific sectoral aspects should underlie much of the discussion on the concept. Considerations relating to safeguard actions for balance of payments purposes in the field of services should be similar to those underlying actions in the goods field. The issue of safeguards should be viewed in its globality and not merely in the context of trade in services.

78. The representative of Canada had doubts about the feasibility of article 9 of MTN.GNS/W/101 on safeguards which contained language relating to the application of safeguard measures to avoid or remedy unforeseen injury, special safeguard measures relating to developing countries, and safeguard measures dealing with adverse trade effects. He recalled that such language appeared within brackets in paragraphs 3, 4 and 5 of section II.(g) of MTN.GNS/28. Safeguards for balance of payments reasons should relate to the overall situation in a country's economy.

79. The representative of Hong Kong recalled that the concept of unforeseen injury went hand in hand with the notions of transparency and temporary duration. He could agree with the second sentence of paragraph 3 of article 9 of MTN.GNS/W/101 which related to the need for clear rules, modalities and procedures for the application of safeguard measures.

80. The representative of India highlighted the need to treat the movement of factors of production symmetrically in the context of a legally-binding provision on safeguards.

81. The representative of Czechoslovakia said his delegation could accept the language contained in paragraphs 1 through 3 of section II.(g) of MTN.GNS/28. Paragraph 4 of the same section could be more acceptable to his delegation if it were to specify that the circumstances described could justify safeguard actions taken by countries with a lesser level of economic development in general, and countries with a lesser level of development in their services industries, in particular.

82. The representative of Thailand agreed with others that safeguard measures could relate to circumstances other than balance of payments purposes. The definition of injury should also apply to safeguard measures dealing with adverse trade effects as prescribed in paragraph 5 of section II.(g) of MTN.GNS/28.

83. The Chairman introduced the discussion on the concept of other provisions, as reflected in paragraphs 1-5 of section II.(j) of MTN.GNS/28.

84. The representative of Canada said that it could be useful for the Group to establish a list of subsidies which should be prohibited due to

their adverse effect on trade in services. Export credit subsidies were clear examples of subsidies which distorted trade. Non-prohibited subsidies should also be subject to the dispute settlement mechanism prescribed under the future framework.

85. The representative of Australia said that the note by the secretariat, MTN.GNS/W/98, identified the pertinent issues relating to subsidies. His delegation did not think that the differences in the area of subsidies obtaining between services and goods trade were as significant as some had suggested. He agreed with the representative of Canada that some forms of subsidies could be prohibited under the framework, particularly those relating to export credit. Countervailing duties should be viewed as pertinent in the context of both prohibited and non-prohibited types of subsidies, including those services provided through establishment for which relevant information relating to countervailing could be obtained even more easily than was the case for certain goods.

86. The representative of Austria said that provisions on regional integration agreements and free-trade areas should apply to the broadest possible range of sectors and activities. The framework should contain provisions concerning government aid and subsidies, monopolies or exclusive providers including state-trading enterprises, dumping, rules of origin. Government procurement should be excluded from the structure of the framework.

87. The representative of Mexico stressed the difficulties involved in any international comparisons of prices applying to services transactions. As set out in MTN.GNS/W/95, developing countries should be permitted to grant export subsidies. Regarding the Canadian proposal for lists of prohibited subsidies, his delegation could only go along with it if great flexibility was envisaged for developing countries. Consideration of dumping practices in the field of services trade would also run into problems as to how to compare international prices.

88. The representative of Japan said that careful consideration should be given to the formulation of a provision on regional integration agreements. In dealing with government procurement, it could be very useful to draw from the GATT government procurement code while the final formulation in the framework could take the form of an independent provision or be reflected in other provisions such as the one on national treatment. He suggested that it was very difficult to contemplate the nature of countervailing duties relative to subsidization in services sectors.

89. The representative of Hungary said his delegation could not agree that there were no important differences between services and goods in the area of subsidies, citing the movement of both producers and consumers as a significant differentiating factor in that respect.

90. The representative of the European Communities said that in broad terms his delegation could go along with the proposal put forward by the United States in MTN.GNS/W/75 where a qualified application of a provision on subsidies was envisaged. Despite the complexities involved in the

application of countervailing duties relating to subsidies or dumping, he would not exclude such an application in certain sectors. He could also go along with the U.S. approach to monopolies, but some nuances still remained in the formulation the concept could take. It would be impractical to give serious consideration to the integration of a provision on government procurement into the framework at this stage of the negotiations. A provision resembling article XV of the GATT should be sought relating to payments and transfers for services transactions. Rules of origin was very complex and still deserved further consideration by the Group.

91. The representative of the United States suggested that due to the complexity of the issue and the short time left before the Group, delegations might consider ab initio the possibility of addressing concerns related to subsidies in specific annotations on individual services sectors. Discouragement of granting of subsidies might be best achieved through a dispute settlement mechanism which allowed for the possibility of retaliation. Regional integration agreements should not result in greater barriers to foreign services and services providers than had been the case previous to the conclusion of such agreements. To make the framework workable, a provision on payments and transfers as the one put forward by his delegation in MTN.GNS/W/75 was indispensable.

92. The representative of Korea said that a provision on government subsidies should be very precise in scope and definition. Serious doubts remained as to the appropriateness of including provisions relating to rules of origin and standards for licensing and certification.

93. The representative of India said that his delegation remained open-minded in respect to the issue of regional integration agreements and free-trade areas. Regarding other provisions such as subsidies and dumping, there were indeed significant differences between goods and services.

94. The representative of Bangladesh said that it was very difficult to envisage harmonized regulations across countries relating to areas such as subsidies and dumping. He requested clarification as to whether services granted to a particular country as aid (e.g. project-related consulting) would be considered as trade-distorting under the framework.

95. The Chairman introduced the discussion on the concept of other exceptions, item II.(h) of MTN.GNS/28.

96. The representative of Canada said that there should be no exceptions under the framework relating to development as a general principle. Conversely, consumer protection should be included under the framework in addition to the traditional list of exceptions provided for in the GATT. Such an inclusion was supported by the representative of Brazil.

97. The representative of the European Communities said that a high degree of precision would be necessary in the formulation of a provision on exceptions. In the GATT, exceptions relating to general public policy objectives were dealt with under Article XX whereas exceptions relating to national security were covered under Article XXI. The framework might

borrow from the GATT in that respect even though such a rigid distinction might not be necessary in the context of services. He warned against the dangers involved in providing for exceptions on cultural grounds. He agreed with the representative of Canada that no widespread exceptions relating to development should be included under the framework.

98. The representative of Hungary said that much precision was necessary in the formulation of exceptions for consumer protection since such exceptions could give rise to disguised forms of discrimination against foreign services and services providers.

99. The representative of the United States agreed with the representative of the European Communities that it would be very difficult to provide for cultural exceptions in the framework. More detailed consideration should be given as to whether the emulation of Article XXI of the GATT or similar language would be necessary to deal with exceptions for national security reasons.

100. The representative of Yugoslavia agreed with others that international comparisons of prices applying to services transactions were very difficult, thus complicating the formulation of certain provisions of the framework such as those on subsidies and dumping.

101. The Chairman noted that there were three remaining agenda items to discuss in this session. The first of these was item 2.1.IV concerning institutional issues. While the issues relating to institutional aspects of a services framework had been set out by way of indication in Part IV of MTN.GNS/28, there was no text attached to these issues. A first discussion of these matters was held at the last meeting. The topics set out in Part IV of MTN.GNS/28 were as follows: dispute settlement; monitoring of commitments, institutional machinery, enforcement; acceptance, entry into force, withdrawal, non-application; relationship to other international arrangements and disciplines. Recalling that the GNS had already discussed the last issue earlier this week, the Chairman thought it would be useful if the Group would focus attention on certain priority matters, e.g. dispute settlement, monitoring, non-application.

102. The representative of Japan stated that on non-application, some analogy from the GATT may be needed. Non-application should be strictly confined to acceptance or accession. He stated that it was his delegation's strong view that a non-application clause should not be abused for any other purpose.

103. The representative of the European Communities agreed with the Japanese delegation that any non-application clause should not be abused and pointed out that what the Community had proposed in MTN.GNS/W/77 was not an abuse. He saw it as inevitable that some form of non-application clause, akin to Article XXXV of the GATT or not that different from that proposed in MTN.GNS/W/101, article 36, would be necessary. The Community proposal was intended to meet the exceptional cases, where without real justification, a party was not playing the game of progressive liberalization. It could only apply to new commitments, not to

pre-existing commitments, and would not be a case for not applying what had already been acquired. It would have to be subjected to a rigorous surveillance and monitoring procedure. The proposal was put forward because there was a residual worry that the framework, as a whole, might not acquire the dynamism which it was intended to provide in terms of liberalization. He described the proposal as one that ensured a dynamic process of liberalization.

104. He also commented on dispute settlement and the idea of linkage, saying it would be futile to undertake a procedure which differed from the procedures that were well tried in the framework of the GATT. It was a different question from that of formal linkage between any dispute settlement procedures here and in the GATT. He expressed concern about the proposal in MTN.GNS/W/101 in which Article 24 foresaw consultations regarding the operation of Chapter II - the general obligations - but with no provision for dispute settlement in that respect. In addition, the market access concessions were the only issues which in MTN.GNS/W/101 were subject to dispute settlement and the procedure could only be undertaken once domestic legal procedures in the importing party had been exhausted. This presented an infinite possibility in any legal system for delay. Where possible, recourse to domestic legal procedures should be encouraged and, in common with GATT Article X, foresee the right of appeal for regulatory decisions, but to make recourse to dispute settlement subject to having exhausted the legal procedures by appealing through to the Supreme Court. He was also concerned that a failure to respect m.f.n. or transparency should also be subject of dispute settlement procedures.

105. The representative of Korea agreed with the Japanese delegation in that use of the non-application clause should be limited to acceptance or accession. On dispute settlement, the procedures for trade in services could be established on the basis of GATT dispute settlement procedures, taking into account the outcome of the Uruguay Round negotiating group on dispute settlement. His delegation was not in favour of retaliation in the goods sector for problems in the services area.

106. The representative of Japan said that his delegation was of the view that similar procedures to those contained in the GATT Articles XXII and XXIII could be used, but that this view did not prejudice any future positions on specific details in this regard. He also stated that he considered it risky to link the non-application to the progressive liberalization process, and suggested that disputes about liberalization should employ the dispute settlement mechanism.

107. The representative of Brazil said non-application was a dangerous concept and expressed a preference for provisions similar to those in the GATT as a basis for non-application provisions in the framework for trade in services. In his view language on non-application contained in a U.S./EC non-paper could give a country the prerogative of invoking non-application at any time while the agreement was in force.

108. The representative of the United States concurred with the comments of the European Communities regarding the manner in which the dispute

settlement mechanism should work. On non-application, he agreed with the representative of Brazil, adding that non-application would be imposed at one time - at the conclusion of this Round. If countries later reneged on their commitments there would be a withdrawal of concessions provision built into the framework so that countries could make appropriate adjustments.

109. The representative of Hungary said his delegation remained unconvinced that a non-application clause would be needed, since all signatories would be able to attach to the framework only the appropriate, specific liberalization commitments that reflect their individual conditions. If a non-application clause was included, delegations would have to consider the experience gained in the operation of the GATT to avoid the possibility of abuse. Three important criteria with respect to non-application were: it should be invoked only at accession; the invocation of the clause be clearly linked to the operation of the framework, not to external issues; and the possibility of multilateral review of the operation of the clause in individual cases.

110. The representative of India said that regarding non-application that MTN.GNS/W/101, article 36, represented his country's position. This provision also addressed the possibility of review of its application at the request of any party. He agreed with the Brazilian delegation regarding the United States submission MTN.GNS/W/75, and reflected in the U.S./EC non-paper, that envisioned an element of unilateralism in the decision of a party on non-application. On dispute settlement he disagreed with the European Communities that exhausting domestic legal procedures would entail infinite possibilities of extending the dispute. Exhaustion of domestic procedures was proposed because trade in services was new territory and might overburden the dispute settlement mechanism of the GATT. He confirmed that MTN.GNS/W/101 envisioned nullification and impairment as applying only to market access because the proposed coverage of the new framework was vast, and this provision would allow the participants to build upon experience.

111. The representative of the European Communities reiterated his position that to require the exhaustion of domestic procedures before resorting to dispute settlement under the framework would cause lengthy delay. He disagreed that the multilateral dispute settlement mechanism would be overburdened.

112. The representative of Canada argued that a key ingredient of dispute settlement was that it worked on a multilateral basis. His delegation would have problems with any proposals that would undermine this.

113. The representative of Brazil said one of the main tasks of the group was to concentrate on precision in the framework to avoid mistakes and areas of obscurity. Delegations should seek to create a strong mechanism, independent of cross linkages. His delegation also favoured strong multilateral control over the dispute settlement mechanism.

114. The Chairman took note of the comments and suggested that the group return to discussion of institutional aspects at the June meeting. Introducing the next agenda item, that of identification of sectors requiring annotations and nature of annotations the Chairman urged the group to consider the establishment of sectoral working groups which would report to the GNS.

115. As a working guide on the nature of sectoral annotations for use by the working groups, the Chairman suggested the following:

Sectoral annotations or annexes where considered necessary to interpret or effectively apply the provisions of the framework to specific sectors, shall be multilaterally agreed and will form an integral part of the framework. Such annotations or annexes shall be reviewed at least every ... years.

116. The Chairman then made the following proposal regarding the consultation in the sectoral working groups:

Working groups of the GNS shall hold informal consultations on particular service sectors with a view to arriving at a better understanding of the specificities of the sector and any elements that may need to be taken into account in the application of the general framework.

The Chairman of the GNS will inform participants at a reasonable time in advance about the dates for the meetings relating to specific sectors. Delegations wishing to participate in these meetings shall advise the secretariat. It is understood that participation in the consultations is open ended and that participants may arrange for the presence of experts from their national administrations. Representatives from the relevant international organizations may be invited by the Chairman of the GNS. Efforts should be made that the meetings of the working groups shall take place, whenever possible, immediately preceding or following the formal GNS meetings. Meetings of the working groups shall not overlap with each other.

It is agreed at this stage, that consultations may be organized for the sectors of financial services, telecommunications services, transport services, construction and engineering services, professional services and tourism. Consultations will also take place on issues relating to labour mobility. It is understood that participants remain flexible as concerns the possible inclusion of other services sectors in these consultations. It is furthermore understood that the fact that certain sectors have been selected for consultations in the working groups has no bearing on the question of coverage for the framework on trade in services.

The informal consultations will be held whenever possible in the GATT building. The secretariat shall service these meetings and prepare reports and documentation as required. The Chairman of the GNS shall designate the chairman for each of the working groups.

The GNS will receive information through the Chairmen of the sectoral groups on the discussions held.

117. The Chairman concluded that as there were no objections raised, the group would proceed as indicated in his proposal to deal with sectoral annotations.

118. The representative of India called attention to the paper submitted by the U.S. delegation on telecommunications (MTN.GNS/W/97). He noted that the document was valuable for the work of the GNS and may have ramifications far beyond sectoral annotations for the purpose of clarifying or understanding or interpreting the provisions of the framework. He noted particularly the bearing of the document of the issues of definition and mode of delivery. He proposed that the document be discussed at the next meeting of the GNS.

119. The representative of the United States suggested that the agenda of the July meeting was already lengthy and that it might be premature and extremely time consuming to engage the first discussion of MTN.GNS/W/97 prior to reviewing technical aspects of the proposal in a sectoral working group as outlined by the Chairman.

120. The representatives of Pakistan, Brazil, Egypt, generally agreed with the delegation of India. The representatives of Yugoslavia and the European Communities agreed that a discussion of the document could be time consuming at the June meeting of the GNS.

121. The Chairman indicated that in view of the opinions expressed by the delegations, he would hold consultations prior to discussion of item 3 at the June meeting on how to carry forward on possible discussion of MTN.GNS/W/97. The Chairman stressed the sense of urgency of the work of the GNS, and urged all participants to put forth their proposals formally for consideration by the group in its upcoming meetings. He recalled that the GNS would next meet during the week of 18-22 June 1990.