

**MULTILATERAL TRADE  
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Group of Negotiations on Services

WORKING GROUP ON CONSTRUCTION AND ENGINEERING SERVICES

Note on the Meeting of 28-29 June 1990

1. The Chairman welcomed delegations to the first meeting of the informal working group on construction and engineering services (CES) and drew their attention to GATT/AIR/3020. He then invited the representative of the secretariat to make a brief statement on the main developments in the GNS since the start of negotiations. Concerning the organization of work, he said he did not have any fixed agenda in mind and suggested that after an introductory session devoted to general comments by delegations, the group could proceed to examine each of the concepts agreed in Montreal as to their applicability to the CES sector. He invited delegations to make general comments.

2. The representative of Korea said that construction and engineering services (CES) involved production activities occurring primarily on the site of consumption - thus often requiring the movement of production factors across borders. He suggested that the deliberations could greatly benefit from a precise definition of the scope of CES activities the group was willing to consider. In that respect, further elucidation on the mobility of personnel was especially relevant. The group should focus its attention on the concepts of transparency, market access, national treatment and non-discrimination. It should be recognized that various types of safeguards could be envisaged for the sector. In accordance with the mandate of the GNS, emphasis should also be placed on rules reflecting the ministerial objective of providing for the increasing participation of developing countries in world services trade.

3. The representative of the United States said that after a general overview of the sector, her delegation had reached a preliminary conclusion that the conceptual basis on which the GNS advanced its work on the framework was largely adequate in its application to the CES sector. There were, however, some specificities particular to CES which might deserve closer attention.

4. The representative of the European Communities said that her delegation was of the view that liberalization in the sector could be achieved through the framework. There were nevertheless specificities which deserved closer attention by the group including, for example, the application of transparency to CES activities. Also, in addition to the movement of personnel across borders she highlighted the relevance of the movement of equipment to the CES sector.

5. The representative of Poland agreed that the concepts did not reveal any special problems in the CES sector. Specificities of the sector related principally to the mobility of personnel, equipment and material involved in the provision of CES. He stressed that if an annex did not materialize from the discussions of the working group on labour mobility, annotations relating to labour mobility might be necessary in this sector. He agreed that the group could benefit from a precise delineation of the scope of activities covered, including the consideration of the several professions involved in CES activities.

6. The representative of Mexico said that the scope of highly-skilled CES activities examined by the group should not go beyond engineering services directly linked to the provision of CES. He suggested that the group should strive towards a higher degree of understanding as to the applicability of GNS concepts to the sector and not attempt to reach agreement on a precise definition or scope for the sector.

7. The representative of Australia said that her delegation did not see the need for special treatment for the CES sector since the specificities of the sector could be addressed through the provisions of the general framework.

8. The representative of Yugoslavia said his delegation participated in these discussions with an open mind, having no a priori position on whether or not annotations were necessary to reflect the specificities of the CES sector. He agreed with others that the scope of CES activities to be covered by the framework and related annotations should be as clearly defined as possible. The cross-border element was of great importance in the sector, especially as it related to the movement of equipment and personnel. Establishment or some form of commercial presence could also be of considerable relevance in the achievement of effective market access. Barriers to such access were varied and wide-ranging including technical standards and environmental protection laws. Laws and regulations existed at various levels of government (e.g. local, state, federal, provincial) and could also constitute significant barriers to access in that respect.

9. The representative of Hungary agreed with others that the group could benefit from greater precision in the definition of the scope of CES activities. One specificity of considerable relevance was the need for the cross-border movement of production factors, including capital in the case of temporary or permanent establishment and labour at all skill levels. The consideration of whether annotations relating specifically to CES were necessary or not would be more concrete once a draft framework was available.

10. The representative of Japan said that this sector might not need specific annotations. He agreed that more precision in the definition of the scope of CES activities under examination would be useful.

11. The representative of India said that the CES sector played an important role in the economy in terms of forward and backward linkages, especially in the capital goods sub-sector. CES activities could also

serve as a conduit for transfers of technology which had a positive impact on all economic fields of activity. The development objectives embodied in the Punta del Este Declaration and the Montreal text should be reflected both in the framework as well as in sectoral annotations.

12. The representative of Sweden, on behalf of the Nordic countries, said that her delegation had not yet decided whether annotations on the CES sector were necessary and hoped that the discussions of this working group could be useful in that respect. Transparency was an important issue in the sector since the regulatory framework touching on aspects of relevance to CES was quite varied and wide-ranging. Other important issues related to government procurement, the movement of essential personnel across borders, the close linkage to trade in goods and counter-trade. Regarding financing, some attention could be devoted to the practices of tied-aid and soft credits. Broader issues affecting in some measure transactions in the sector related, among others, to currency transfer regulations and taxation measures. Consideration should also be given to the possibility of companies opting for non-establishment when delivering CES.

13. The representative of Korea suggested that the group start its deliberations with the consideration of the definition/scope/coverage issue. In doing so, the group could treat construction implementation and engineering design separately since they represented two different stages of construction projects.

14. The representative of the United States said that the structures of CES firms varied a great deal across countries, reflecting different conceptions of organizational matters and their impact on efficiency. To treat the discussions of this working group in a manner which favoured a particular conception over others would be prejudicial and should therefore be avoided. This was why consideration of definitional matters might be best attempted at a later stage, preferably once the group had agreed on whether or not a special annex on the sector was necessary.

15. The representative of the European Communities agreed that definitional matters could be discussed at a later stage. She did not see the need for disaggregating CES activities even if a specific annotation was deemed necessary for the sector. The representative of Poland stressed the need to consider the package dimension of CES projects and its implications for trade in the sector. The representative of Canada warned against too much detail in a workable definition of the scope of CES activities. Specialization in certain niches of activities was very prominent in the sector but did not need to be reflected in a very detailed list of activities agreed by participants. The representative of Korea said that the consideration of the sector should be based on the classification contained in the secretariat's reference list (MTN.GNS/W/50), where engineering-related services were listed under business services, separately from construction services per se (e.g. site preparation and installation and assembly work).

16. The representative of New Zealand stressed that before proceeding to examine elements that could be incorporated in an annex pertaining to the

CES sector it was imperative to agree on the contents of the draft framework. She also sided with those who failed to see merit in a very detailed definition applying to the CES sector. The representative of Switzerland said that the coverage of CES activities should be universal, including cross-border trade as well as trade through establishment or commercial presence. The application of the concept of transparency to CES did not reveal any specific problems. Specificities could be foreseen with respect to the application of national treatment, market access, and possibly a provision relating to the granting of subsidies.

17. The representative of India stressed the need to have as wide as possible a coverage of CES activities in the framework and related sectoral annotations. It was important that the working definition of the scope of CES provided for more than the mobility of senior personnel. The mobility of unskilled manpower was also essential for the provision of CES and should be given consideration.

18. The Chairman opened the floor for comments relating to the application of the concept of transparency to the CES sector.

19. The representative of the European Communities said that a wide range of measures could be affected by transparency obligations in this sector. It was important to avoid creating an unreasonable administrative burden for participating countries. In that respect, it might be sufficient to make relevant information pertaining to CES activities publicly available.

20. The representative of Mexico said that transparency in the CES sector could affect labour and/or immigration laws and regulations, conditions relating to the mobility of capital across borders, conditions and procedures attached to the granting of construction permits, technical norms, government procurement and other measures which could be deemed specific to the sector. His delegation was not convinced of the need for a specific annotation relating to transparency in the CES sector. The representative of Argentina drew attention to the fact that local laws and regulations affecting CES activities were often not published. The representative of the United States said that the publication of local and/or municipal laws and regulations should suffice to fulfil transparency obligations. Transparency should also apply to measures relating to the mobility of essential personnel.

21. The representative of Hungary agreed that unreasonable administrative burdens should be avoided in the application of a transparency provision. In that respect, it might be sufficient for laws to be made publicly available and not necessarily published in all cases. Enquiry points should not be conceived as depositories of relevant laws and regulations but as entities guiding interested parties to agencies where the necessary information could be obtained. He agreed with others that the mobility of labour at all skill levels should be considered by the group.

22. The representative of Yugoslavia agreed that relevant measures should be made publicly available but not necessarily published in all cases. The transparency obligation should extend to measures relating to the movement

of equipment across borders and to joint-ventures. Enquiry points should perform an orientation function, indicating to interested parties where they could obtain the information they deemed necessary.

23. The representative of Poland agreed that in order to reduce the administrative burden, exemptions could be envisaged regarding the extent to which local or municipal laws and regulations would need to be made public in writing. The representative of Australia said that information should be provided upon request by interested parties. A general provision on enquiry points should be included in the framework and should be as clear as possible regarding the level of obligations implied for different levels of government (e.g. local, state, federal, provincial, cantonal). She agreed with others that transparency obligations should extend to measures relating to the mobility of essential personnel. The representative of Switzerland agreed that laws and regulations at the local and/or municipal levels should be made publicly available and not necessarily be published in all cases. The establishment of enquiry points was very relevant to the CES sector. The representative of Denmark, on behalf of the Nordic countries, shared the views expressed by Denmark on the need to stipulate in the framework - and not in an annex - the applicability of transparency provisions to local laws and regulations.

24. The Chairman invited delegations to make comments on the concept of progressive liberalization.

25. The representative of Mexico said that Part III of MTN.GNS/28 was fully applicable to the CES sector. Among the most relevant aspects of the sector regarding the progressivity of the liberalization process there was the cross-border mobility of personnel at all levels of skill. Given the closed nature of CES markets in the developed world and the decreasing participation of developing country firms in international markets, the discussion of the modalities through which greater market access would gradually be made available in the CES sector was highly appropriate.

26. The representative of Yugoslavia said that attention should be devoted to the sequence the liberalization process would follow with respect to the application of other general principles such as m.f.n./non-discrimination, national treatment and market access. Discrimination against foreign firms was very common and was especially evident in bidding procedures and government procurement policies. The gradual elimination and/or reduction of barriers to trade in CES should extend to immigration laws and regulations affecting the mobility of personnel essential for the provision of services. Under temporary establishment, measures affecting technology transfer and the training of personnel could be addressed.

27. The representative of Poland said that increasingly CES firms, in order to win international contracts, had to offer comprehensive packages involving from feasibility studies to the financing of entire projects. He considered such packaging to constitute itself a specificity of the sector deserving special attention from the group. Movement of essential personnel was much more relevant with respect to skilled labour and professionals than with unskilled manpower. The representative of

Yugoslavia stressed that the notion of essentiality should not apply only to the movement of skilled personnel. Unskilled personnel should also be deemed essential for the provision of CES and most other services sectors.

28. The Chairman opened the discussion on the concept of national treatment.

29. The representative of Australia said her delegation had not been able to identify any area with respect to the application of national treatment to CES which might deserve special attention through specific annotations. Her delegation had been in favour of an approach to the structure of the framework which provided for the possibility of participants lodging reservations with respect to the application of national treatment. That approach should be appropriate for CES as for any other services sector. The representative of Mexico reminded the group that the structure of the framework had not yet been agreed by the GNS. The application of national treatment to the movement of labour across borders deserved further consideration in all its complexity. It was not yet clear to what extent national treatment would apply to mobile personnel essential for the provision of CES and other services, especially as it concerned movements of a temporary nature or intra-firm transfers.

30. The representative of the European Communities said that national treatment could affect public procurement practices in the CES sector; this should be addressed through the general provisions of the framework so as to apply across all services sectors.

31. The representative of India said that the need for annotations regarding the application of national treatment to the CES sector constituted an open issue and would deserve further attention by the group once the provision on market access in the framework became known. He had doubts that the negotiations on GATT's Code on Government Procurement could be useful in the context of the GNS negotiations. The representative of Hungary drew attention to the fact that national treatment could have different implications for the CES and other sectors in its application to cross-border trade or trade through establishment or some form of commercial presence. The representative of the United States added that the application of national treatment could be especially relevant in cases where providers crossing borders to deliver services were paid in the local/importing market. The representative of New Zealand stressed that national treatment should be applied as widely as possible across sectors. There should be no need for annotations regarding the application of national treatment to CES. The representative of Hungary said that providers rendering services abroad on a temporary basis were normally paid by their home firms and not locally. It would most be useful to consider the implications for the application of a general provision on national treatment to situations where mobile providers were paid in the local market.

32. The Chairman opened the floor for comments on the concept of m.f.n./non-discrimination.

33. The representative of the European Communities said that her delegation envisaged that government procurement in CES and other services, whether through an expansion of the scope of the existing Code on Government Procurement or through a general provision in the framework on trade in services, might ultimately be stipulated to apply on an m.f.n. basis to all signatories. The representative of Australia said that reservations to the application of a general provision on government procurement should be applied on an m.f.n. basis to all signatories of the agreement.

34. The representative of the United States said that two possibilities existed with respect to the application of the concept of m.f.n./non-discrimination to government procurement in the CES and other services sectors. The first possibility involved the application of a horizontal provision on government procurement across all covered services sectors on an m.f.n./non-discrimination basis. The second possibility related to the option for countries, in the absence of a related provision of general application under the framework, to make additional commitments in their schedules with respect to government procurement. Such additional commitments could be made on an m.f.n./non-discrimination basis. The representative of Sweden, on behalf of the Nordic countries, said that concerns relating to government procurement in services could be best addressed through a general provision in the framework. The representative of Poland said that there were some elements relating to the application of the concept of m.f.n./non-discrimination which could be reflected in annotations regarding the CES sector. The application of m.f.n./non-discrimination should not be conditional on signing the framework as the representative of the European Communities seemed to be suggesting. The representative of Mexico pointed out that the application of the m.f.n./non-discrimination principle to government procurement in CES, whether through a general provision under the framework or additional commitments listed in country schedules, could have a very positive effect on the practice of requiring performance bonds from executing CES firms. The representative of India suggested that existing customs unions and free trade agreements should not be applied so as to discriminate against any country, especially developing countries, with respect to any mode of delivery. The representative of Yugoslavia said that there were no specificities in the application of m.f.n./non-discrimination to CES warranting treatment in an annotation.

35. The Chairman invited delegations to make comments on the concept of market access.

36. The representative of Korea said that measures and practices affecting the CES sector varied widely across countries. Among the most prominent restrictions to market access, he pointed out the following: high degree of discretion and long periods in the granting of licenses, specially restrictive guarantee systems through performance bonds, excessive qualification requirements in the bidding process, collusion among CES firms. Guarantee systems based on performance bonds should take into account improvement experienced by firms in the execution of projects. In determining the level of qualifications necessary for firms to win

international contracts, account should be taken of previous experience. Information regarding financial conditions, technical expertise and many other aspects of relevance should be made public sufficiently in advance of the bidding process.

37. The representative of the European Communities pointed to the relevance of some form of commercial presence in the importing market for CES firms. The granting of market access should extend to activities related to the construction project itself, engineering being the clearest case in point. The representative of Mexico agreed with the previous speaker but stressed that construction-related activities should not be restricted to those involving skilled manpower.

38. The representative of Poland said that the provision of CES could involve the movement across borders of equipment, personnel and material. Market access should in principle touch on all those types of cross-border movement in order to reflect the reality of transactions in the sector. Another crucial issue in that respect was that of work permits. An important specificity in the sector was that in order for market access granted to be effective, it might need to apply to all elements involved in the provision of CES.

39. The representative of Sweden, speaking on behalf of the Nordic countries, said that her delegation preferred to approach the liberalization process in the CES and other sectors through the binding of commitments which countries made in their national schedules. The scope of activities which countries were willing to liberalize at any point in time should be left for negotiations on specific market access commitments.

40. The representative of the United States shared the concerns expressed by the previous speaker that reaching agreement on packages of activities pertaining to any particular sector could constitute an overly rigid approach to the liberalization process. Her delegation remained flexible as to the issue of immigration quotas affecting CES activities. She stressed that the criterion applying to the movement of labour involved in CES and other services activities should be essentiality. Only that component of labour, whether skilled or unskilled, which was judged essential in the fulfilment of a particular services-related contract should be considered in terms of a binding obligation.

41. The representative of Yugoslavia stressed that no linkage, implicit or explicit, should be established between engineering design and physical construction since liberalization in these two sub-sectors could be governed by very different considerations including employment and development-related policies. The representative of Hungary said that sub-contracting and the movement of personnel at all levels of skill were of special relevance to the application of the market access concept to CES. The representative of Korea said that CES contracts normally specified the personnel deemed essential for the execution of particular projects. Korean firms resorted to unskilled labour from the host country whenever possible. Standards and qualifications should be objective in nature and made public with sufficient time in advance.



42. The representative of Yugoslavia said that unskilled workers or workers at very low levels of skill were often just as essential for the execution of projects as the more technical and professional personnel involved in engineering design activities. The representative of India said that the CES sector was primarily labour-intensive in nature. Standards and qualifications could function as barriers to trade in the sector and deserved special attention of the group. Other issues of relevance to market access included tied and soft loans which could in large measure determine the competitiveness of firms in the international market.

43. The representative of Australia agreed with others that this sector had a number of significant barriers to market access which deserved careful consideration. Among those, she cited those relating to commercial presence of CES firms and temporary presence of essential key personnel in importing markets. Mandatory requirements could act as barriers in important areas such as joint-ventures. National purchasing policies constituted a significant form of preferential treatment towards domestic firms which should be addressed through the provisions of the framework. The representative of the European Communities drew attention to the role of standardization in providing for greater transparency and thus facilitating negotiations on market access commitments. It could, however, be accomplished through provisions of the framework without resorting to sectoral annotations.

44. The Chairman opened the floor for comments on the concept of increasing participation of developing countries.

45. The representative of Yugoslavia said that financing issues were very relevant in providing for an increasing participation of developing countries in the CES sector. Joint-ventures were also particularly pertinent at both regional and sub-regional levels. It was important to keep in mind the role the sector played in the economies of developing countries in terms of employment, know-how build-up, diffusion of technology and other aspects.

46. The representative of Mexico said that the CES sector had been experiencing a renewal process affecting, among others, construction methods and engineering technologies. An element of utmost importance in terms of providing for a greater participation of developing country CES firms in world markets was access to international contracting agencies. The group could greatly benefit from an identification of subsidies affecting CES activities with a view towards their reduction and/or elimination in the long-term.

47. The representative of India said that for a large number of developing countries the ability to participate in world CES trade hinged on their ability to move labour at all levels of skill across borders in order to execute projects. In that respect, national immigration regimes should be liberalized so as to enable not only developing country firms supplying services abroad to recruit personnel from their own domestic sources, but also for all services firms to recruit personnel from the source which they

deemed most economically advantageous. Developing countries should be allowed to take measures to promote their CES sectors. Developed country firms could contribute to the development process by transferring technology and skill to developing countries. Developed countries could provide access to research and development activities relevant to the CES sector and to new construction material and methods.

48. The representative of the United States said that her delegation was concerned with the extent to which some of the ideas expressed by other speakers implied governmental intervention in areas where such intervention ran counter to competitiveness and efficiency considerations. The long-term elimination and/or reduction of subsidies was relevant for all participants, both developed and developing countries alike.

49. The Chairman invited the discussion on the concept of regulatory situation.

50. The representative of the European Communities stressed that the movement of persons for the provision of CES should apply only to key and essential personnel. In that respect, parties to the agreement should be able to require that other signatories comply with national immigration and social laws. The representative of India agreed, but added that such laws and regulations should not be enforced in such a manner as to represent arbitrary or unjustifiable discrimination against other parties. This view was shared by the representative of Poland. The representative of Austria drew attention to the need to preserve social values and standards which might otherwise be threatened by broad liberalization undertakings involving the cross-border movement of services providers in the CES sector.

51. The Chairman closed the discussion on the application of the Montreal concepts to the CES sector. He then suggested that the group revert its attention to the matter of scope and coverage of CES raised earlier by the representative of Korea.

52. The representative of Hungary said that his delegation could not detect any need for a special definition of the scope of CES activities to be covered by the framework or related annotations. The motivation underlying the deliberations of the working group on CES was to identify specificities which could not be addressed through framework provisions and therefore warranted special treatment in sectoral annotations. One of the major issues emanating from the group's discussions was the treatment of the movement of production factors involved in the provision of CES. This suggested that the framework should attempt to cover modes of delivery in as extensive a manner as possible. The movement of personnel at all skill levels essential in the delivery of services should form part of the considerations in the group, otherwise trade in CES would be severely limited in its scope of activities. Since the sector drew expertise from a wide range of professions, a definition of the essentiality criterion applying to the movement of personnel was difficult to achieve. The diversity of modes of delivery and transactions in the CES sector should be reflected in the national schedules of participating countries.

53. The representative of India said that if all internationally tradable services and services activities were covered by the framework there would be no need to define specific activities through sectoral annotations. CES could include the following broad categories of activities: pre-investment services, project execution services, project implementation services, and maintenance services. One possible approach to the scope/coverage issue could be to discuss the specific activities which might go under each of those headings. In that process and in the drafting of the framework itself the importance of labour-intensive services for developing countries, and the need to treat the movement of production factors in a symmetrical manner, should be fully recognized and reflected in concrete provisions.

54. The Chairman asked delegations, to the extent possible in the absence of the draft framework, to suggest items which could appear in the agenda for the next meeting of the group.

55. The representative of Austria recognized that the issues so far under discussion in the group were all interrelated and deserved further attention. His delegation agreed with others that international harmonization efforts related to technical and logistical standards affecting transactions in the CES sector still had a long way to go but could contribute enormously to the expansion of world CES trade. He agreed with the representative of the European Communities that social laws and regulations should be respected in the granting of increased market access through the movement of key personnel across national frontiers. His delegation was flexible as to whether relevant safeguards applying to the CES sector should appear in the framework or in sectoral annotations provided that they were comprehensive in nature. Establishment was obligatory for firms wanting to undertake CES business on a continuing basis in Austria. The process of progressive liberalization should extend to cross-border trade and the harmonization of standards.

56. The Austrian delegation proposed the following items for the agenda of the group's next meeting: (a) examination of possible safeguards applying to CES; (b) discussion on the implications of the transparency obligation on national security rules; (c) review of work undertaken on harmonization of technical and logistical standards in the OECD, ISO, CEN and others; (d) notification of possible exceptions; (e) discussion of means to accomplish harmonization of standards in an effort to realize the progressive liberalization of cross-border CES; (f) discussion of public procurement and its relationship to market access. His delegation reserved its position on whether there would be a need for a sectoral annotation or annex on CES until after the draft framework was available.

57. The representative of Korea suggested that the group attempt to clarify further the peculiarities of the CES, especially as they related to the application of market access and the cross-border movement of labour. Once the group had identified the most important peculiarities in the CES sector it could work towards agreement on those which could not be addressed through the provisions of the framework. The group should then strive to devise methods to address those peculiarities - i.e., through

sectoral annotations, footnotes to the general agreement, or any other approach.

58. The representative of Brazil said that his delegation had the impression that the CES sector might not need a full annex addressing specificities emanating from the application of framework provisions. Among the issues raised in the deliberations of the group, he pointed to the difficulty of envisaging negotiations on market access commitments affecting CES without knowing more concretely the provisions of the framework. His delegation had expressed a preference for a positive approach to the issue of structure whereby liberalization commitments would be those appearing in national schedules. Another issue of great importance in the CES sector was that of government procurement. He did not feel that the group should simply defer the matter to the results of the negotiations on the Code on Government Procurement but that it should instead examine the issue further, either in this working group or in the GNS. Regarding labour mobility, he said Brazil also had comprehensive immigration and social laws and regulations which would need to be respected. Competitiveness in the CES sector hinged much more crucially on access to technology and financial resources than on the availability of low-cost mobile labour. Labour issues should be discussed taking into account related work already undertaken by the International Labour Office (ILO).

59. The representative of Poland said that obligations on market access should affect those services which were related to the provision of CES. They should also touch on packages of CES ranging from the conception of the project to its financing and execution. Other elements of special relevance to trade in the sector included the cross-border movement of personnel and the harmonization of standards.

60. The representative of the United States said the harmonization of standards, safeguards and exceptions, and market access commitments deserved further attention by the group. It was, however, premature to foresee the need for any annotations specific to the CES. The representative of Australia shared this view.

61. The representative of the European Communities cited certain aspects of the application of market access (e.g. the movement of essential equipment across borders), the respect of social laws, and the harmonization of standards as specificities of the CES sector which deserved further attention in the wider context of the discussions in the GNS.

62. The representative of Yugoslavia said that issues deserving further attention by this working group, included those related to financing, the increasing participation of developing countries and definitions.

63. The representative of Japan said his delegation had not yet detected any need to reflect specificities of the CES sector in an annex or annotations. Issues of relevance included market access, government procurement and the movement of labour across borders. The group could

meet again in the autumn after delegations had had an opportunity to analyse the draft text on the framework. This view was shared by the representatives of New Zealand and Canada.

64. The representative of Sweden, speaking on behalf of the Nordic countries, said that in analysing the draft framework her delegation would be focusing on the treatment of government procurement, harmonization of standards, the cross-border movement of equipment and tools, and the cross-border movement of labour, especially key personnel. The protocol notion might be insufficient to cover her delegation's concern regarding the harmonization of standards in the CES sector. As to the movement of equipment across borders, she said that very little in the GNS discussions had dealt with that important element in the provision of CES.

65. The representative of Hungary said that the discussions so far had been very useful, but that with the possible exception of the movement of labour across borders he had not found any specificities of the CES sector which might deserve special treatment in the form of annotations.

66. The representative of Korea said that the competitiveness of CES firms was in production technology and labour-intensive activities. That was why this sector was considered promising for developing countries endowed with relatively large and low-cost labour forces. In practice, the essentiality of personnel involved in CES projects was determined in an objective manner, being often stipulated in project specifications contained in the relevant contract. Such specifications included the duration of the project and the wage levels of personnel. Sometimes international CES firms drew labour from sources other than their home country if they were more economically advantageous.

67. The representative of India said that the discussions had so far revealed several specificities of the CES sector. He cited the following: cross-border movement of personnel, pre-qualification and performance bond requirements, government procurement, tied and soft loans. He considered all of these to have a bearing on CES activities and was not of the opinion that framework provisions could address them in a sufficiently encompassing manner. Government procurement, for example, was crucial since most of the CES activity in the world could be traced back to purchases by government agencies. Similarly, tied and soft loans had a special meaning in this sector where they functioned in much the same manner as export subsidies, significantly distorting international competition.

68. The representative of Austria agreed with others that the need for an annex or sectoral annotation on the CES sector could not be determined until after the draft framework was known by all participants. He said that so far in the deliberations of the GNS there was no indication that general safeguard provisions in the framework regarding cultural matters could adequately address the concerns of his delegation with respect to trade in CES. Further attention should be devoted to these matters both in the GNS and in the working group on CES.

69. In closing the meeting, the Chairman said that the discussions had revealed some of the specificities of the CES sector and the conflicting perceptions of delegations with respect to such specificities. It was, however, too early to reach agreement as to whether an annex or annotations addressing specificities in this sector would be necessary.