

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

MTN.GNS/W/111
12 November 1990

Special Distribution

Group of Negotiations on Services

SECTORAL AD HOC WORKING GROUP
NOTE ON THE MEETING OF 22 OCTOBER TO 5 NOVEMBER 1990

1. The Chairman of the Ad Hoc Working Group opened the meeting by referring to the decision by the GNS that the Group should meet from the second half of October with a view to taking stock of the situation in the light of the conclusions reached in the sectoral working groups, and to finalizing the draft texts of the annexes or annotations where these appeared necessary. In order to fulfil this task, the Ad Hoc Working Group had taken up in turn the reports of the Chairpersons of the working groups on telecommunications, labour mobility, construction/engineering, professional, financial, land, maritime, and air transport, tourism and audiovisual services. His report, containing his conclusions on the discussions which had taken place, was presented in MTN.GNS/W/110.
2. Extensive informal consultations had been held on the basis of the reports submitted by the Chairpersons of the sectoral working groups. There appeared to be general agreement that concerns in the sectors of professional services, construction and engineering services, and to a certain extent tourism, could be covered by the framework without the need to elaborate specific provisions in an annotation or annex. On financial services, useful work had been done regarding concerns which might be reflected in the framework and elements which might be contained in a possible annex or annotation, yet agreement remained lacking on some critical issues. The situation regarding other sectors was also included in the Report.
3. The representative of Morocco sought clarification of points made in the Chairman's Report on construction and engineering services. On financial services, questions remained regarding specific commitments, non-application and dispute settlement. On audio-visual services, the report did not spell out clearly whether or not an annex was needed.
4. The representative of Chile said that the report did not reflect the positions of all delegations. It was the position of his delegation that sectoral exclusions were such a serious matter that a country asking for an exclusion should pay for it. His and other delegations were also opposed to sectoral annexes or annotations on telecommunications and financial services. He reviewed specific concerns of his delegation on particular points raised in Attachments I and II of the Report.
5. The representative of the European Communities noted that 22 days remained before the Brussels Ministerial Meeting and that negotiations had not progressed since July. He said that if it were not possible to reach

agreement on sectoral annexes, it could lead to a situation leaving each party free to pick and choose how to apply the most-favoured-nation principle. It was important that a framework be established with universal coverage. The exclusion of certain sectors would lead to bilateralism and should be avoided. While commitments might be modest and reasonable at first, they would provide a platform for negotiations on services in the future.

6. The representative of Japan said that the Report showed that there were still many areas in which there was no agreement or consensus. As concerned the financial services sector, he was against the use of the notion of "equal competitive opportunities" in the context of national treatment and would prefer the notion of "effective quality of treatment" used in a recent GATT panel.

7. The representative of Egypt noted that only two sectors, tourism and professional services, would not warrant any further elaboration in an annex/annotation. On labour mobility, he could not accept the suggestion that parties be permitted not to apply the principle of m.f.n. on social and national security grounds as reflected in item (b) of paragraph 11 of the Report by the Chairman of the Ad hoc Working Group. On financial services, the Report did not reflect the fact that many of the informal consultations in this area had been among a limited number of countries, and not in the context of the Working Group at large. Much discussion was still necessary regarding the points in Attachments I and II of the Report.

8. The representative of the United States said that in two sectors, telecommunications and financial services, there was wide agreement on the need for an annex which would address the specificities of these sectors and provide for greater transparency and predictability in related transactions. In other areas, most of the difficulties related to the application of the principle of m.f.n. to existing arrangements. This fact constituted a reality which could not be ignored by the GNS since it affected most, if not all, participating countries. Every country had sectors which it considered especially delicate and for which some form of elaboration on m.f.n. might be necessary. Services trade had been governed by bilateral and plurilateral arrangements which could not be automatically multilateralized through framework provisions - thus the need for some treatment of the m.f.n. principle in an annex/annotation.

9. The representative of India regretted that some participants were trying to tailor-make the agreement to fit their own interests while ignoring or overlooking the concerns of a large number of other participants, particularly those from developing countries. He warned against an approach too closely based on a request-and-offer process which would perpetuate the inconsistencies with the m.f.n. principle embodied in existing bilateral and plurilateral arrangements. He agreed with the representative of Egypt that there should be no derogation from the m.f.n. principle on social or national security grounds. In that context, he emphasized the need to respect the notion agreed upon in Montreal that factors of production should be treated symmetrically under the framework.

His delegation did not subscribe to the idea that only financial and telecommunications services warranted further elaborations in an annex/annotation. He was against any formulation appearing in an annex/annotation regarding the issue of definitions which, in the view of his delegation, could only be adequately dealt with in the framework.

10. The representative of the European Communities said that three elements should be dealt with by the Group on a priority basis: the framework, the sectoral annexes, and initial commitments. He warned against sectoral exclusions and argued that the framework would be best served if countries were willing to indicate from the outset their commitment to the liberalization process. The notion that in some cases liberalization might only be feasible over the long-term should not prevent countries from giving some prompt indication of their commitment to the principles embodied in the framework. The process of liberalization was already well engaged within the European Communities and would continue whether or not an agreement was reached on the framework, the sectoral annexes or initial commitments.

11. The representative of Canada said that the discussions on the various sectors had contributed to a clearer understanding of some of the issues which needed to be resolved. He considered that work along those lines should continue not only in services but also in the context of the Uruguay Round at large in order to provide for a solid basis on which crucial decisions could be made.

12. The representative of Hungary said that the Chairman's Report faithfully reflected the results, as well as the lack thereof, of the Ad Hoc Working Group's deliberations. His delegation was increasingly worried by the direction taken in sectoral negotiations, especially given the current time constraints. Hungary ranked amongst those countries that had embarked upon a process of unilateral services trade liberalization. For this reason, his country attached considerable importance to the development of a sound multilateral framework which could underpin domestic liberalization efforts and promote a balance of benefits among signatories. He felt that the chances of success did not look very bright at the moment, particularly as derogations from the m.f.n. principle were being sought in regard to an increasing range of key service sector activities. Were this process to continue, he wondered whether the result would be any different if such sectors were excluded from the framework's scope of coverage. His delegation felt that there was only a very limited number of sectors where an m.f.n. derogation was needed, one of which related to certain aspects of air transport.

13. There was a major imbalance, in his delegation's view, in the sectoral work that had taken place so far. For instance, a draft annex containing a number of meaningful specific obligations had been developed in telecommunications. However, calls were made even in this area for m.f.n. derogations in respect of basic telecommunications. In regard to financial services, the attachments to the Chairman's Report spelled out the possible elements of a sectoral annex. His delegation agreed that these two sectors required particular attention given their specificities, but they were

hardly alone in this regard. The transport sectors, particularly air transport, were also ones which required sector specific provisions to be meaningfully covered by the framework. With respect to the air transport sector, he also recalled that there was agreement among all participants that an annex was required to address some of the difficulties inherent in applying the m.f.n. principle. Otherwise, the sector would have to be excluded from the coverage of the framework.

14. As concerned labour mobility and audio-visual services, no agreement currently existed even on the need for an annex/annotation, let alone its contents. His delegation was particularly concerned by the lack of progress registered in discussions over labour mobility. He was especially worried by suggestions that the area of labour mobility could be the only one where negotiated commitments would still be subject to the existing laws and regulations of countries. Because detailed annexes were currently available only in respect of two sectors, his delegation felt that it was currently not possible to derive a balance of benefits among participants to the services negotiations.

15. The Chairman indicated that the comments and observations of delegations would be reflected in the meeting's summary record. The messages which had been signalled should now be actively taken up in the further process of negotiation. He had attempted to keep what was contained in his report within the limits of the Ad Hoc Working Group's precisely defined mandate. Some delegations had rightly drawn attention to wider issues which did not relate only to one particular sector. This was for example true of the issue raised by the representative of Chile, which he felt the GNS may need to address in the normal course of its future work. He took note of the remarks of a number of delegations that the contents of the report should not be seen as conclusive. It should rather be seen as a means for furthering work. He suggested that the report presented by him should go forward to the GNS as the Chairman's report on the current status of work in the different sectors under discussion.