Note on the Meeting of
8-10 April 1987

1. The Group of Negotiations on Services held its seventh meeting under the Chairmanship of Ambassador F. Jaramillo (Colombia), on 8, 9 and 10 April 1987.

2. The Chairman said that, as indicated in airgram GATT/AIR/2397, the main item on the agenda of the Group was the discussion of the five elements listed in the programme for the initial phase of negotiations (MTN.GNS/5). He also recalled that at the last meeting of the Group it had been agreed to request the Chairman to consult informally with relevant international organizations regarding (1) sources of statistics available in their respective areas of work, (2) the main problems in the field of statistics on services, and (3) the availability of technical assistance to developing countries and to report his findings to the next meeting (MTN.GNS/7, paragraph 36). He said that the information received from the international organizations which had been consulted had been summarized in document MTN.GNS/W/5 and he proposed that the Group consider at this meeting how to proceed with this statistical exercise.

3. In the course of the debate of the Group on the five elements some remarks of a general nature were made which are summarized separately hereunder.

4. One member said that the meaning of services differed for countries according to their level of development. As a developing country, his country could only export one indigenous service, its labour force. This could be done (a) through the production of labour-intensive goods for export; (b) through migration of labour to developed countries; and (c) through tourism. His country attached great importance to the development of its own technological capacity in the field of services and any multilateral framework for trade in services which would have the effect of preventing the development of this indigenous technological capacity would therefore be unacceptable.

5. One member regretted that the subject of economic development was not specifically mentioned as one of the elements to be addressed by the Group in the initial phase of its work. His country attached considerable importance to the relationship between services and economic development.
He referred to the "three stages" theory of economic development according to which a national economy passed from agriculture to industry and from the industrial stage to a post-industrial stage in which it specialized in the production and export of services. Empirical evidence showed that this theory was not valid. The development of their services producing sectors enabled developed countries to make further progress in the production of manufactured goods. There was, therefore, no basis to the view that in the future developed countries would specialize in the export of services, while developing countries, at least some of them, would specialize in the export of manufactures. This member further stated that the conventional theoretical model used to analyze comparative advantages in the production of goods was not an appropriate instrument to analyze trade in services. He emphasized that there should be no linkage between the negotiations on trade in goods and the negotiations on trade in services.

6. One member said that economic development and growth were the overall objectives of the work of the Group which should therefore be integrated into the discussion of all the five elements of the work programme for the initial phase. On the "three stages" theory he said that his authorities also rejected the view that developed countries should concentrate on the export of services.

Definitional issues

7. One member expressed the view that the issue of the definition of trade in services could not be separated from the question of the coverage of the multilateral framework for trade in services. Regarding the concept of establishment and its relationship with trade in services he disagreed with the view expressed by another member at a previous meeting that a situation involving the establishment of an agent in a foreign country to operate as an intermediary through which a service could be provided for consumers in that country was not a matter of trade in services. He was of the view that the main distinction between the provision of goods and of services stemmed from the fact that services were often produced where they were consumed. From this fundamental difference it followed that trade in services could not be defined in the same manner as trade in goods. Trade in services included not only cross-border sales of services but also situations where a service could only be provided to customers in a foreign country on the basis of a physical presence in that country of the provider of the service. In many cases such a physical presence abroad was necessary either as a result of regulations in the importing country or because of commercial elements.

8. Regarding the problem of how to define services and international trade in services one member said it was essential for the work of the Group that an agreement be reached to distinguish between services as such, international trade in services, and foreign investment in services producing sectors. He proposed that international trade in services be defined as those services transactions which involved a cross-border sale of services to a consumer in another country. Foreign investment in services producing industries involved the transfer of capital in order to produce services in a foreign country.
9. One member drew attention to paragraph 11 of document MTN.GNS/W/4, which contained a statement made on definitional issues by his delegation at the sixth meeting of the GNS. He emphasized that this was a problem of how to define trade in services and not how to define services as such. Furthermore, he noted that some members of the Group had expressed the view that, given the peculiarity of services transactions, a definition of international trade in services should take into account the fact that the provision of services to residents of a foreign country often required that the provider of the services established some sort of physical presence in that country. He was of the view that the question of establishment should be clearly distinguished from trade in services. In this respect he considered that the right of establishment went beyond the existing framework of rules for trade in goods laid down under the General Agreement. Under these rules exporting countries were entitled to non-discriminatory treatment of their goods by importing countries at the border; however, the General Agreement did not provide for a right to export, or an obligation to import. The right of establishment went further than an obligation to import since it involved the right to invest in a foreign country, to produce, to distribute and to repatriate earnings. Thus it was a concept entirely different from the concepts underlying the rules for trade in goods contained in the General Agreement. By using the concept of trade in services the Ministerial Declaration adopted in Punta del Este had made it clear that the Group should not deal with issues relating to the question of establishment. The question of establishment was an issue of relocation of factors of production and not of trade in services. It was therefore essential that the Group confine itself to international trade in services, i.e. trade in services that took place across national frontiers.

10. One member said that there was a lack of consensus among analysts regarding the conceptual and methodological framework for the analysis of services transactions. He pointed out that the Group could only negotiate in a satisfactory manner if it had a clear understanding of the complex nature of the services sector. One particular characteristic of services which made them difficult to analyse was their heterogeneous nature. Another problem concerned the lack of sufficiently disaggregated statistical data on individual services. Another problem concerned the fact that it was often necessary for a provider of services to be physically present at the place where his service was to be consumed. This implied that international trade in services often required establishment in a foreign country. This issue of establishment however, was not covered by the traditional framework for trade in goods. As for the definition of services he said that one method was to define them as those activities which did not belong to the primary and secondary sector. This approach treated services as a residual category. One possible way of classifying these residual activities was to distinguish between public services, trade and finance, transport and communication, public administration, defence and other services of a private nature. Another approach to the definition of services was to define services as those activities which resulted in intangible output. However, one major disadvantage of this approach was that it left out of consideration certain services embodied in goods (e.g. books, tapes etc.)
11. One member said that a way to approach the problem of definitions was to classify services as follows: regulated sectors (e.g. financial services, transportation and telecommunications); public services (e.g. administration, defence, health and education), business services (e.g. consulting, engineering, purchasing, advertising) and personal services (e.g. laundries, hairdressers). Public and personal services had traditionally not been traded services. Personal services were by their very nature difficult to trade while public services were primarily intended for consumption within the country. The second aspect of definition was how to define international trade in services. A useful approach might be to look at the various ways in which services could be provided to customers abroad, e.g. through a commercial presence for the purpose of delivering a service in the receiving country, through temporary access to a foreign country for the purpose of delivering consulting services or through a telecommunication network.

12. One member referred to the view expressed by some other members according to which an important criterion was whether a service crossed national frontiers. However, in the case of tourism, for instance, the consumer but not the service was crossing national borders. Therefore if trade in services included tourism it could not be defined exclusively in terms of a movement of services across national borders. On the other hand, he agreed that if Ministers at Punta del Este had intended that the negotiations on services should also deal with all aspects of foreign investment in services they would have indicated this in their Declaration. However, in the field of services it was often difficult to clearly distinguish between trade and investment. It was therefore for the GNS to develop a suitable definition of trade in services. In his view it should opt for a definition which was sufficiently broad to enable the Group to fulfill the overall aims of the negotiations which were economic development and growth. As regards the classification of services proposed by one member he thought it would be useful to have an illustrative list of services sectors. With respect to personal services he said that since tourism was part of this sector it was not correct that personal services in general were non-tradeable services.

13. One member recalled that at the previous meeting he had attached great importance to the issue of definition because of its link with the issue of the coverage of the multilateral framework for trade in services. It was relatively easy to characterize services transactions as such which could be defined as transfers of intangible benefits. Another dimension of services transactions was the payment for the service. However, it was often difficult to distinguish between an international and an internal transaction in services. In this regard he referred to a statement made by one member at a previous meeting (MTN.GNS/W/6) and raised the question whether there was an international service transaction where a service producer went to a foreign country to produce and deliver a service and expended the income earned from that transaction in that country. In such a situation both the transfer of the intangible benefit and the payment for the service had taken place within the foreign country. On the other hand if the producer of the service repatriated his earnings it could perhaps be
said that an international service transaction had taken place. In this case, however, the question arose as to how this transaction would be reflected in the international trade statistics of the country where the provider of the service resided. He agreed that this type of technical issues should be dealt with by the experts in statistics but considered that these experts needed some guidance from the GNS.

14. One member suggested the following classification of transactions in services: first, there were services destined for consumption in the domestic market (e.g. real estate transactions, personal services, public services); these services, which accounted for more than ninety percent of total world production of services rarely crossed national borders. A second group of services consisted of services which were offered by residents of a country to non-residents without crossing national borders. Examples of this type of services were tourism and services provided to non-residents in harbours and airports. From the point of view of the payment for the service these transactions could be considered as exports. Thirdly, there were services offered by residents of a country to non-residents which crossed national borders (e.g. international transport, international consultancy services, communications etc.) A fourth group of services comprised services furnished internationally in the framework of contractual relations, such as representation agreements. A fifth group consisted of services which could be traded only on the basis of the establishment of a branch or subsidiary in the country where the service was to be consumed. This category of transactions caused a conceptual problem with respect to the definition of the term "residency". If "residency" was defined on the basis of geographic location of an enterprise, sales of services by a foreign enterprise located in a country would be considered as part of the internal transactions in that country; if, on the other hand "residency" was defined with reference to the nationality of the enterprise such a transaction could be seen as an import of a service. This classification of services transactions showed that there were various ways in which services could be traded internationally. Each type of international service transaction raised particular problems with respect to the collection of reliable statistics. One example of such statistical problems concerned services transactions which took place between the parent and branch or subsidiary of a transnational corporation. Earnings of overseas branches and subsidiaries were reflected in the balance-of-payments under the heading "income from direct investment" but this item did not distinguish between investment in services and investment in goods producing sectors.

15. This member further stated that it was useful to consider the IMF classification of international transactions in services. This classification distinguished between the following categories: (1) transport of cargo; (2) transport of persons; (3) other types of transport services; (4) travel; (5) income from direct investment; (6) income from other types of investment; (7) income from labour; (8) income from property; (9) other goods and services not included separately; (10) official transactions not included separately; (11) other transactions in
the official resident sector not included in any of the other items. In each of these categories the IMF defined as an international transaction a transaction between a resident and a non-resident. Therefore, the problem of how to define "resident" was relevant to all these categories.

16. One member reiterated his view that trade in services was different from trade in goods in so far as services were different from goods. However, with respect to the definition of "trade" as such he considered that this term should in the case of services be defined in a manner similar to the definition of trade in goods. He pointed out that it was very important for the successful conduct of the negotiations to have a neutral definition of trade in services which would not benefit the special interests of certain countries. The specific nature of services should not lead the Group to expand the definition of trade in services to include issues relating to investment as those fell outside the scope of its mandate. Moreover, the inclusion of investment issues, which were of particular concern to developing countries, would make it difficult to ensure that the negotiations would contribute to the economic development of developing countries, as required by the Ministerial Declaration. In this context he emphasized that the objective of economic development should be interpreted as seen by the developing countries themselves. He further stated that to draw up an illustrative list of services sectors of interest to members of the Group would probably not be helpful in arriving at a neutral definition of trade in services.

17. One member said more information was needed to allow the Group to arrive at a broad and general definition of services sectors activities, industries and transactions. The widest possible number of sources should be used for this purpose. The Group should not limit itself to the organizations mentioned in MTN.GNS/W/5 but should also seek information from other international organizations, including non-governmental organizations (e.g. IATA). in this context special attention should be given to the work on services done by the OECD. The next step in the work of the Group would then be the examination of the issue of trade in services.

Statistical issues

18. With respect to document MTN.GNS/W/5 the Chairman said that a preliminary assessment of the responses received from the international organizations with which contact had been established led to three main conclusions. Firstly, data on services transactions was collected either on a global or sectorial basis by a number of organizations from the point of view of their particular interest in services. Secondly, this information still suffered from a number of methodological and other inadequacies and a great deal of work remained to be done before data on trade in services would be as adequate as data on trade in goods. Thirdly, despite these difficulties, work aimed at improving the quality of data on services was being pursued in a number of relevant international organizations. The Chairman further recalled that at the last meeting developed countries had been invited to provide the secretariat with information on the statistics they were collecting on services; so far no such information had been received.
19. On the question of the adequacy of available statistics on services one member said that an approach aiming at securing reliable and rather complete statistics would take much more time than was available to the Group to carry out its work. In his view a major improvement of statistics was not necessary for the Group to be able to successfully negotiate a multilateral framework for trade in services. Nevertheless, efforts to improve statistics should have some priority because this would facilitate the implementation of the framework for trade in services.

20. One member reiterated a proposal made by him on a previous occasion that developed countries should provide the Group with a summary of the types of statistics they had collected on services and with information on the methods used in collecting such statistics. Furthermore he proposed that developed countries provide statistical information on the volume of services exported to and imported from individual developing countries. In this regard he noted that a particular problem for developing countries was the lack of statistical data on sources and destinations of their imports and exports of services. His delegation considered that the availability of adequate statistics was of great importance for the successful conduct of negotiations on trade in services.

21. One member suggested that in addition to those listed in document MTN.GNS/W/5, there were other international organizations, including organizations of a non-public nature involved in regulation of services transactions from which information could be collected. In his view it would be useful, in the context of the Group's efforts to arrive at a definition of services, to improve the statistical methods used by various organizations and the statistics on services transactions in individual sectors compiled by them.

22. One member pointed out that adequate statistical data was essential to understand the implications of the negotiations on trade in services, both with respect to the multilateral rules and with respect to the exchange of concessions. The fact that services transactions often took place between parents and subsidiaries and were, by definition, invisible transactions showed the particular importance of efforts to improve the statistical data in this field. The information contained in document MTN.GNS/W/5 indicated that different organizations had adopted different methods of collecting statistical data. This underlined the need for the GNS to develop its own approach.

23. One member said that document MTN.GNS/W/5 showed that the collection of adequate statistics on services transactions was a technical problem of considerable magnitude which far surpassed the capabilities and responsibilities of the GNS. Many governments and international organizations had started work with a view to improving the statistical data in this area. While the GNS could give an important impetus to these efforts undertaken elsewhere one should not expect a major improvement of statistics in services within the limited time frame available.
24. One member said the availability of adequate statistics was essential to the negotiating process in order to quantify the effects of rights and obligations under the future multilateral framework for trade in services.

25. One member proposed that at its next meeting the Group devote two days to an in-depth consideration of the statistical issues. He also proposed that representatives of the UNSO, UNCTC, UNCTAD and IMF be invited to attend on an ad hoc basis the next meeting to explain the work carried out by these organisations with respect to the collection of statistics on trade in services. Many members supported this proposal. It was suggested that, in order to render the contribution of these international organizations more productive, the Group should request them to submit, prior to the next meeting, a brief written statement dealing with (a) the adequacy of statistics on services collected, (b) the measures proposed to improve those statistics, and (c) the timeframe considered necessary to improve those statistics. One member expressed his support for the proposal on the understanding that members of the Group would remain free to request in future technical assistance from other international organizations where considered necessary.

26. One member said that while it would be useful to discuss with representatives of international organizations problems relating to the collection of statistics on services, these were not a crucial element in the work of the Group. Essential was whether members of the Group had the political will to enter into a process of progressive liberalization of trade in services. His delegation had circulated a paper summarizing the work which had been undertaken by his authorities in order to improve statistics on services (MTN/GNS/W/7). One of the fundamental problems in the collection of statistics on services trade was that services did not go through the formalities of customs clearance. Therefore, information had to be collected directly from producers and consumers of services. Another problem was the lack of disaggregation of such statistics, particularly as regards business services. A third problem concerned the measurement of services transactions carried out by overseas affiliates which accounted for a significant share of the volume of services trade. His authorities attached great importance to the cooperation with other countries in the appropriate and competent international bodies in order to achieve improved statistics on services.

27. The Chairman concluded that there was agreement to devote the first two days of the next meeting to a consideration of statistical issues and to invite on an ad hoc basis representatives of UNSO, UNCTC, UNCTAD and IMF to attend that meeting in order to explain the work carried out by those organizations on statistics in trade in services. Those organizations would be requested to submit, in advance of the meeting, a brief written statement along the lines suggested.
Broad concepts on which principles and rules for trade in services, including possible disciplines for individual sectors, might be based

28. One member stated that some general concepts on which principles and rules for trade in services might be based had already been mentioned in the written submissions contained in MTN.GNS/W/1 and MTN.GNS/W/2. He considered it would be useful to draw up a list of those general concepts which could be supplemented as work proceeded. The Group should examine the applicability of the proposed concepts to trade in services in general, and in individual sectors. This examination of concepts could then lead to the formulation of a number of requirements which had to be met by the multilateral framework for trade in services. The function of the multilateral agreement would be to constitute a framework within which bilateral negotiations could take place between interested countries. This, however, should not mean sectorial negotiations. In order to develop a conceptual framework for the multilateral agreement the Group could examine the following themes: transparency; non-discrimination and national treatment; procedures for liberalization, which required that consideration should be given to the meaning of terms such as "access to markets" and "barriers to trade" in the area of services, and also of terms such as "concessions" and "negotiating rights"; the relationship between the private and public sectors, and the relationship between services and goods. The multilateral framework would also have to reflect the different situations of countries at different levels of economic development. Furthermore, the Group should consider whether it was necessary to provide for safeguard measures and exceptions to the multilateral rules in specific sectors. He said he shared the view expressed earlier by another member that the negotiations should not put into question the legitimacy of existing national regulations in the field of services. He considered, however, that within the framework of the multilateral agreement on trade in services countries would be free to engage in a process of liberalization and that amendments of national regulations might be necessary in order to implement the results of this process.

29. One member said an important concept to be taken into consideration was mutual advantage, i.e. mutual advantage for countries as distinct from advantages for individual enterprises. To ensure that the multilateral framework would entail mutual advantage required predictability and stability. Another concept which should be examined by the Group was the universal character of rules for trade in services and the compatibility of regional arrangements with such universal rules. The multilateral framework should also respect policy objectives of national regulations applying to services. Furthermore, the Group should consider the legally binding nature of the rules to be included in the framework. Another important concept was transparency. With respect to national treatment he was not certain whether this principle was applicable to trade in services. If this was interpreted as relating to factors of production it was perhaps more properly dealt with in the context of bilateral investment treaties. Other issues seen by him as important to the development of a multilateral framework for trade in services were the questions of infant industry, state-trading enterprises, common markets, the distinction between private and public services and the existence of certain services which required international regulation. The dispute settlement mechanism of the
multilateral framework should perhaps include a provision for compensation in case of nullification or impairment of benefits. He suggested that the secretariat compile a list of those concepts on which there was broad agreement and a list of those concepts to which further consideration needed to be given.

30. One member said that the principal concepts which should constitute the basis for a multilateral framework for trade in services were mentioned in document MTN.GNS/W/2. He shared the view expressed by other members that the multilateral framework should respect the policy objectives of national laws and regulations applying to services. Nevertheless, GATT experience had shown that there could be economic benefits resulting from negotiations on changes in national laws and regulations. While it would be impossible and inappropriate to examine all national laws and regulations on services, the Group could discuss laws and regulations which had, or were perceived to have, an effect on trade in services. Regarding the notion of "due process" which he had used at a previous meeting, he explained that prior to the publication of a regulation an interested party should have an opportunity to offer comments on such a regulation. Referring to the view expressed by one member according to which the multilateral agreement on trade in services should constitute the basis for bilateral negotiations on individual sectors, he said that in his view all countries accepting the multilateral agreement should apply it to all services sectors.

31. One member stated that, in addition to mutual advantage, transparency was a concept of fundamental importance. Transparency was necessary in order to ensure stability and predictability. He distinguished between three aspects of the notion of transparency, namely the volume and pattern of trade in services, laws and regulations affecting trade in services, and what other countries perceived to be obstacles to trade in services. On national treatment he expressed the view that while this was an important concept for trade in services, it could not be interpreted in the sense in which it was used in Article III of the General Agreement. Firstly, Article III related to national treatment of products whereas in the case of trade in services his delegation understood this concept to apply to producers of services. Secondly, in the General Agreement the principle of national treatment was a subsidiary principle because it related to practices other than the use of tariffs which was recognized as a legitimate instrument of protection. In the absence of such a recognized instrument of protection national treatment changed from a subsidiary principle into a very powerful concept which would entail the elimination of any protection. However, the full elimination of protection, which an immediate introduction of the national treatment principle in the sphere of trade in services would entail, could only be a long-term goal. He therefore considered that national treatment should not be included as an obligation in a multilateral framework. Instead, this principle should be used as a criterion to judge whether particular perceived obstacles to trade in services should be eliminated or not.
32. Another concept which this member considered to be very relevant was that of "appropriate regulation". This concept was based on the idea that regulation of services transactions was necessary and that the negotiations should respect the policy objectives of national laws and regulations applicable to services. However, principles could be elaborated to determine what was appropriate regulation. To some extent such principles could be of a general nature; for example, one criterion could be that in order to be appropriate, the regulations should be transparent. Another general criterion could be that it should have the least possible impact on trade in services, commensurate with its objectives. However, one would also need to take into account the specific characteristics of individual sectors and it might therefore be necessary to establish sector-specific rules which would bear on the question of appropriateness. There might be a possibility of conflict between the principle of appropriate regulation and the criterion of national treatment. A mechanism had to be found in the course of the negotiations to resolve this possible conflict.

33. This member also pointed to the importance of increased international competition as part of the conceptual framework underlying the multilateral agreement on trade in services, meaning a progressive opening of national markets. This, however, should result in an overall increase of competition and not in a situation where national markets were dominated by a few suppliers. Other concepts mentioned were progressive liberalization and economic development.

34. On the concept of increased international competition one member said it would be useful for the Group to examine whether the theoretical model according to which the expansion of trade led to increased efficiency was also applicable in the field of services. Increased competition should not only encompass the opening of national markets but also increased competition in international markets.

35. One member said it was difficult to develop concepts for the multilateral framework for trade in services in the absence of agreement on the definition of trade in services and on the coverage. Certain concepts proposed by other members implied a particular definition of trade in services which was unacceptable to his delegation. This applied in particular to the proposal that the national treatment principle be defined as relating to the treatment of producers of services. He said that this interpretation had revolutionary implications. With regard to the concept of appropriate regulation he said that the Group should not examine the legitimacy of national regulations on services; what mattered was the effect of national regulations on trade in services. Regarding the views expressed on the importance of liberalization and increased competition as means to achieve growth and development he said that it should be left to the developing countries themselves to define what was economic development and how it could be achieved. Liberalization of trade in services should not constitute an end in itself and could play a rôle as one of the concepts for the multilateral framework only insofar as it contributed to the process of economic development as seen by developing countries. It was important to ensure that the multilateral framework would not lead to a free field for the operations of transnational corporations.
36. One member said that different approaches were possible to the question of economic development. For his country the engine of the process of development was the market place. With regard to the ideas expressed on the concept of transparency he said that a closely related concept was that of surveillance. Surveillance was necessary in order to avoid that measures would be taken outside the multilateral framework.

37. One member said that mutual advantage should be one of the main concepts to be considered by the Group. He also referred to the concept of transparency and stated that this should not only apply to governments, but also to suppliers of services. With respect to the principle of national treatment he said this issue needed to be addressed in a realistic way. National treatment as laid down in the General Agreement applied to products, not to activities. To extend the principle of national treatment to services producers went too far. With regard to the concept of increasing international competition he said that infant industry considerations had to be taken into account, in particular in the case of developing countries.

38. One member stated that the discussion that had taken place so far on the question of broad concepts indicated that useful work in this area could only be done after a more indepth examination of definitional and statistical issues. To illustrate this she referred to the ideas put forward in relation to the concept of national treatment. The consideration of such a concept was strongly dependent on the definition of trade in services. Particularly important in this context was whether this definition would be broad and include the notion of establishment of commercial presence or whether it would be limited to cross-border transactions in services. The answer to this basic question would effect in a decisive way the possibility of using the national treatment principle as one of the broad concepts.

Coverage of the multilateral framework for trade in services

39. One member suggested as possible criteria for the inclusion of particular services in the multilateral framework: trade volume, degree of necessity of multilateral action, and existing international disciplines and arrangements. Any tradeable services and in particular services involving a temporary relocation of labour should be included.

40. One member said it was not appropriate at this stage to make an a priori selection of sectors to be covered by the multilateral framework. All sectors should be examined in the light of the general principles to be developed. In the course of this process one could eliminate those sectors in respect of which it had been determined that the general principles were not applicable.

41. One member said there should not be an a priori exclusion of particular sectors. It could be useful to have an indicative list of sectors to be covered by the multilateral framework. His country attached great importance to the inclusion of services related to trade in goods. The theoretical work on the definitional issues and the more practical work on coverage should proceed in parallel.
Existing international disciplines and arrangements

42. One member said the views of his delegation on this element were reflected in paragraphs 16 and 17 of document MTN.GNS/W/4. With respect to the suggestions made in paragraph 4 of document MTN.GNS/W/2, he drew a distinction between an examination of existing international arrangements and disciplines in the field of services transactions and a review of the work done in the field of services by relevant international organizations. He was of the view that the Group should focus on the identification, examination and analysis of existing international arrangements and disciplines in order to determine how such instruments dealt with international transactions in services and what might be of relevance to the work of the Group. In this connection he proposed that the secretariat prepare for the next meeting a brief factual note outlining the basic approach, objectives and coverage of existing arrangements.

43. One member said the most important international agreements affecting trade in services were sectoral, e.g. telecommunications, maritime transport, and air transport. His authorities had not yet reached a conclusion as to the manner in which these existing agreements should relate to the outcome of the negotiations conducted by the Group. In any case the future multilateral framework would have to be compatible with existing agreements. This could mean that either the new agreement would be built around the existing agreements or the existing agreements would have to be adapted to the new agreement. At this stage his authorities were excluding neither possibility. Nevertheless, it was already clear that, given the sectoral nature of the existing international agreements affecting trade in services, the new agreement would have to contain sector-specific provisions in order to ensure this compatibility. He also supported the proposal for a factual note by the secretariat.

44. Several members supporting the proposal for a factual note by the secretariat indicated that this note should focus on how the existing international disciplines and arrangements affected trade in services. It was also suggested that the note should deal with particular procedures and possible common concepts in international arrangements and disciplines, and that it should contain an estimate of the volume of trade covered by such disciplines and arrangements.

45. One member said that he was in favour of a comprehensive definition of the term "existing international disciplines and arrangements" which would also cover bilateral arrangements, including sector-specific arrangements, regional arrangements (e.g. common markets, OECD, ECE) and relevant GATT agreements (e.g. the codes on civil aircraft and government procurement). International arrangements providing for self-regulation by private parties such as the Code of Conduct for Liner Conferences and IATA should also be included. He did not share the view that the existing arrangements and disciplines should be accepted as given. The Group should examine such arrangements and disciplines from the point of view of the market-oriented philosophy underlying the General Agreement, and consequently, look at their possible anti-competitive aspects.
46. The Chairman proposed that the secretariat be requested to prepare, for one of the next meetings of the Group, a factual note summarizing the main features, coverage and objectives of existing international disciplines and arrangements relevant to trade in services. Where possible, this note should also contain general comments on the nature of these arrangements. It was so agreed.

Measures and practices contributing to or limiting the expansion of trade in services, including specifically any barriers perceived by individual participants to which the conditions of transparency and progressive liberalization might be applicable.

47. One member submitted a proposal for dealing with this element in the initial phase of the work of the Group (MTN.GNS/W/8).

48. One member expressed the view that national and international regulations in services could not in and of themselves be considered to be barriers to trade. It was often the absence of regulation which constituted an impediment to the growth of trade. His delegation was prepared to participate in an examination of the possible negative and positive effects of regulations on trade in services. He reiterated that there should be an agreed definition of the concept of trade in services. With respect to the expression "measures and practices..." he stated that the Group should also deal with practices of transnational corporations.

49. One member shared the view that national regulations were not necessarily barriers to trade and that the objective of the consideration by the Group of this element was not liberalization through the elimination of regulations. He also shared the view that the Group should take into consideration restrictive business practices. Furthermore, he agreed that it was difficult to address this issue without further clarification as to the definitional issues and the coverage of the multilateral framework. He considered that the proposal contained in paragraph 3 of MTN.GNS/W/8 might be somewhat premature.

50. One member said her authorities had begun to gather information on barriers and impediments to exports of services more than a year ago. The purpose of this initiative was not to prepare a negotiating list, but rather to explore the nature of the interests of exporting firms, to learn how service transactions were carried out and to examine the factors in the trading environment, including measures of other governments, which expanded or impeded service transactions. An inventory of measures was developed from both governmental and private sources. It soon became apparent that it was necessary to develop a classification scheme in order to deal in an efficient manner with the information collected (this scheme was distributed informally to members of the Group).

51. One member said the proposal contained in MTN.GNS/W/8 was useful but that the suggestion made in paragraph 3 was perhaps premature. He was in favour of country-specific information on perceived obstacles to trade in services.
52. The member which had submitted the proposal contained in MTN.GNS/W/8 said this was not meant to provide a framework for negotiations. There was no intent to establish a mechanism of "offers" and requests" and there could be no obligation to notify certain measures. The purpose of his proposal was to collect examples of what were perceived barriers to trade in services in order to try and develop principles and rules. He agreed that it was not easy to identify measures and practices which constituted obstacles to trade without having an agreed definition of trade in services. However, the collection of information on what individual countries perceived to be obstacles to trade in services could help the Group to arrive at an agreed definition.

53. One member expressed the view that formal notifications were not necessary. At this stage the Group needed illustrative examples of perceived obstacles. He shared the view that regulations were not necessarily obstacles and that in certain cases the lack of regulation might constitute an obstacle.

54. One member said it would be premature at this stage to attempt to make a classification of perceived barriers to trade in services. The work programme referred to barriers perceived by individual participants and from this it followed that the identification of such barriers had to take place on the basis of submissions by individual participants. It was only after receiving such submissions that the Group could consider what further steps might be necessary. He further pointed out that it was difficult to assess whether operations of transnational corporations had positive or negative effects on trade in services because of the lack of transparency of operations between parent companies and subsidiaries.

55. One member recalled that the submission by the group of countries which he represented (MTN.GNS/W/1) focussed on two elements which he considered essential during the initial phase: concepts upon which rules and principles for trade in services could be based and an inventory of perceived obstacles to trade in services. He believed these two elements were closely linked. The purpose of the proposed inventory of perceived obstacles was to provide a factual basis for the discussion of the five elements, and in particular of the concepts to be used in the development of a multilateral framework. The information in the inventory could facilitate the conceptual discussion. He emphasized that the process of drawing up an inventory should not be seen as a formal process of notifications of obstacles which would eventually be subject to liberalization. The inventory would contain national regulations but this would not necessarily imply that such regulations would have to be eliminated. He said it would perhaps be difficult for importing countries to indicate obstacles to imports of services as there was no agreed framework which could give guidance in the identification of such obstacles.
Observer Status

56. On the question of observer status for international organizations the Chairman said the consultations he had held on this issue had made it clear that the Group was not yet in a position to take a decision on this issue at this meeting. He would continue his consultations and hoped that at the beginning of its next meeting the Group would be able to take a decision.

Schedule of Meetings

57. The Chairman said he had held informal consultations on the schedule of meetings. In the light of these consultations he proposed the following dates:

- 29 June - 3 July 1987
- 15 - 18 September 1987
- 3 - 6 November 1987
- 14 - 15 December 1987

The first two days of the next meeting would be devoted to statistical issues. The meeting in December should be used to take stock of what has been achieved so far and to determine how to carry forward the negotiating programme.

It was so agreed.