1. The Chairman welcomed delegations to the second meeting of the Working Group on Professional Services noting that he had been invited by the GNS to review the work programme of the Group with the objective of completing its work at this meeting. Before opening the specific discussion on the need for an annex/annotation for professional services, he invited the United States delegation to present their draft annexes on the accountancy and on legal professions contained in documents MTN.GNS/PROF/W/2 and MTN.GNS/PROF/W/3 respectively.

2. The representative of the United States noted that the proposed annex on accounting specified the application of the general framework principles on mutual recognition and the use of international standards to the accounting professions. The provisions on mutual recognition would facilitate the movement of professional accountants and the practice of accountancy across borders by removing artificial or unnecessary licensing requirements and focusing the credentialing process strictly on material qualifications. They did so in a manner, moreover, that respected every signatory’s right to regulate, and provided the flexibility to accommodate varying regulatory regimes. The provisions on international accounting standards likewise facilitated factor mobility by reducing the cost of capital and lowering barriers to capital formation and movement. Furthermore, international accounting standards would provide a common financial language to underpin world trade and improve the transparency of financial reporting by transnational corporations.

3. Furthermore, he said that the proposed provisions had two basic purposes: first, they set out guidelines and procedures for facilitating the cross-border provision of accounting services through the mutual recognition of professional qualifications and competence. The intent was to strip away requirements for the practice of accountancy that did not relate to professional competence and the ability to provide the needed services. Qualifying examinations for a professional accountant from one country to practice in another, thus, would focus only on material differences in practice requirements. This annex included procedures for sorting out these material differences in a way that assured transparency and openness to all parties, but provided the flexibility necessary to accommodate the varying requirements among countries. Second, the provisions recognized the work of the International Accounting Standards Committee and encouraged the wider use of international standards as the...
basis of a common language for financial reporting. In particular, the provisions would have signatories accept financial statements prepared on the basis of international accounting standards for regulatory purposes affecting transnational organizations. These standards also would serve as the basis for resolving disputes involving accounting or reporting matters. Beyond this, signatories would be encouraged, but not required, to adopt the international standards for broader purposes.

4. Regarding legal services, he said that requirements imposed for provision of such services were sometimes based upon artificial commercial considerations (for example, to regulate the numbers or nationality of persons permitted to provide legal services) rather than upon legitimate prudential considerations for ensuring competence. Such artificial commercial considerations were inconsistent with the objectives of the services negotiations and the framework agreement. Market access for legal services raised a critical question: access to provide which legal services (i.e., host country law or only foreign and international law), and hence by what means (i.e., foreign legal advisors only or domestically qualified lawyers in the host country too).

5. Although certain aspects of the proposals were considered by many delegations to be useful contributions to further discussions, the working group did not consider that the professional services sector as a whole had any particular characteristics which would require the development of a comprehensive sectoral annex nor that any sub-sectors such as accounting or legal services warranted at this stage any particular type of annotation.

6. After this discussion and following a number of informal consultations, the Chairman presented his conclusions as to the need for an annex and noted that, subject to the further clarification and/or elaboration of particular framework provisions relating to harmonisation and mutual recognition of standards and qualifications, there seemed to be no need for any specific annex/annotation with regard to professional services. This was agreed by the Group. The Chairman then closed the proceedings.