

found is a difficult thing to achieve in an effective manner as their economic union has evolved.

Given the complexities in this area, some observers conclude that the focus of the work at this stage should be expanding coverage under existing services agreements.

While developing country participation in the services negotiations is greater than many might have expected (perhaps because the negotiation mode is seen as development friendly—i.e., go at your own pace), it is nonetheless comparatively modest in overall scope. Some observers suggested that developing countries' reluctance to engage more energetically in the services discussions is ill-informed as they risk missing an important window of opportunity to lock in the current extent of openness in many services markets. For example, the trend to outsourcing of administrative tasks by US states is starting to draw a reaction domestically and the window of opportunity for developing countries to gain a foothold in this potentially lucrative market could well close.

Mode 4 issues were the focus of a number of comments.

It was noted that India, which had been blocking services liberalization in the discussions to launch the Uruguay Round at Punta del Este, has taken a proactive stance on services trade this time; ironically, however, security concerns are now essentially closing the Mode 4 window where it has clearly defined interests. But, while Mode 4 might be severely stunted by the reaction to 9/11, it was suggested that developed countries could allow their citizens to spend publicly funded health benefits in foreign countries (e.g., retirees who have moved to warmer climates) thus providing alternatives for developing countries to sell services.

The welfare implications of opening up Mode 4 are not entirely clear. It was noted that economic models of labour mobility tend to show huge income gains (and, controversially, also show that in the presence of restrictions on labour mobility, a tariff that induces foreign direct investment as a means to skirt the tariff barrier can be welfare enhancing). However, it was acknowledged that such models do make a very strong assumption that labour is homogenous; it was suggested that this as-