

THE E.C. PROPOSAL WHICH BROKE THE DEADLOCK OVER SERVICES EARLY ON SATURDAY MORNING WAS A CLEVER GIMMICK WHICH ENABLED SERVICES TO BE NEGOTIATED DURING THE ROUND BUT LEFT OPEN THE QUESTION OF GATT COMPETENCE - A TWO TRACK APPROACH -- INSIDE THE GATT FOR GOODS, OUTSIDE THE GATT FOR SERVICES -- BUT UNDER ONE OVERALL NEGOTIATING COMMITTEE AND WITHIN THE SAME TIME FRAME.

THIS WAS PROPOSED -- AND ACCEPTED -- AS A FACE-SAVER FOR THE U.S., ON THE ONE HAND, AND THE G-10 ON THE OTHER. INDEED, ALL WENT HOME DECLARING VICTORY.

IT'S VERY IMPORTANT IN ASSESSING THE IMPLICATIONS OF THIS COMPROMISE TO BE AWARE OF WHAT WERE THE REAL ISSUES IN THE "NEW ISSUES" DEBATE. THE LEGALISM OF GATT COMPETENCE WAS CERTAINLY NOT A REAL ISSUE. THERE WERE, RATHER, TWO BASIC ECONOMIC CONCERNS. ONE HAD TO DO WITH FEAR OF A NEGOTIATED TRADE-OFF BETWEEN GOODS AND SERVICES I.E. FEAR THAT THE DEVELOPED COUNTRIES WON'T OPEN THEIR MARKETS FOR BRAZILIAN AND INDIAN GOODS WITHOUT A QUID PRO QUO FOR SOME SERVICE PENETRATION INTO THE BRAZILIAN AND INDIAN DOMESTIC MARKETS. THE SECOND IS RELATED TO A FUNDAMENTAL DIFFERENCE IN ATTITUDE ABOUT THE RESPECTIVE ROLE OF GOVERNMENTS AND MARKETS IN THE DEVELOPMENT PROCESS. IN THE VIEW OF BRAZIL AND INDIA SOME OF THE KEY