

LIBERALIZATION OF TRADE IN SERVICES AND CROATIA

LIBERALIZACIJA TRGOVINE USLUGAMA I HRVATSKA

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Abstract

The issue of services in international trade is extremely complex and requires serious treatment by each country. It refers to the fields of diploma qualification and recognition, freedom of service provision and establishment. Most countries in transition have still not identified the consequences of the deregulation of services. In general, the consequences will be of great importance.

The Republic of Croatia has already submitted first offers in the field of services in a framework of GATS. With some of the countries, bilateral negotiations have already started.

Sažetak

Pitanje usluga u međunarodnoj trgovini izuzetno je složeno i zahtijeva poseban tretman svake zemlje. Odnosi se na područje kvalifikacijske svjedodžbe i priznatosti, slobodu pružanja usluga i potvrđivanje. Većina zemalja u tranziciji još uvijek nije identificirala posljedice deregulacije usluga. Općenito gledano, posljedice će biti od velikog značaja.

Republika Hrvatska već je uputila prve ponude u području usluga u okviru GATS. Bilateralni pregovori s nekim zemljama su već započeli.

1. INTRODUCTION UVOD

Since the 1980s the importance and role of services have become increasingly visible and relevant (Proceedings of the UN Conference 1993, p. 29), especially after it was recognized that the volume of services measured in terms of gross domestic product (GDP) in most countries around the world substantially exceeds the volume of goods production. In developing countries, services account for 40% of their GDP, in middle-developed countries around 50% and in developed ones as much as 80%.

In the context of international trade, the importance of services is more modest, nevertheless they stand at around 20%. The characteristic features of international service trade are different from those of international trade in goods, which is also true of their consequences. International trade in services is regulated by the General Agreement on Trade in Services (GATS) in the framework of the World Trade Organization (WTO), whilst trade in (industrial) products is governed by the General Agreement on Tariffs and Trade (GATT) with all annexes (The Results of the Uruguay Round of Multilateral Trade Negotiations, The Legal Text, 1994).

According to GATS (Service Sectorial Classification List. Geneva: Gatt Secretariat, Group of Negotiations on Services, MNT.GNS/W/120) services include professional services; telecommunication services; construction and related engineering services (which are excluded in the EU); distribution services; educational services; environmental services; financial services; health and social security services; tourism and travel-related services; recreational, cultural and sporting services; and transport services. Financial and transport services represent the largest share of GDP, however the telecommunications service share is rapidly growing.

2. DEFINITIONS OF SERVICES DEFINICIJA USLUGA

Globally there are no precise definitions of services. Usually they are activities not falling into either primary or secondary sectors, so they are in the tertiary sector according to Fisher's models of economic development (Fisher, 1939).

The division between commercial or market services (sold on the market) and non-commercial services (governmental, such as defense, providing of law and order) is generally accepted and also included in the General Agreement on Trade in Services (GATS). Commercial services are provided and sold on the market, whilst non-commercial services do not appear on the market and are supplied by the government.

Most often mentioned are production services. Sometimes they are called "goods oriented services" since they principally have to do with the primary and

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processing production. On the other hand, social and personal services are "consumer oriented" activities.

Production services are those which companies sell to each other as production input and or trade in goods or other services*. Due to the externalization of production services, they are becoming ever more diversified, specialized, efficient and available. Mostly, these services were once supplied within large companies and are now contracted out to independent companies or units set up specially for this purpose. According to this definition, distribution services can be interpreted as physical distribution - movement in space and time.

This shift of services to newly-established companies corresponds to their increasing complexity, cost-effectiveness and demands for quality new services. Many small and medium-sized industrial companies are no longer capable of making large investments in the development, organization and provision of such services. Hence, services appear on the free market. In view of technological demands, the process of service externalization has a double meaning: on the one hand it enables productivity growth in general through the automation and professionalism of services and, on the other hand, it gives "networked companies" the capacity for innovation necessary in adapting to new market conditions.

Production services considerably facilitate development, as they:

1. enable companies from other sectors, including other service sectors, to improve productivity, apply new technologies, and adapt to the requirements of global markets, as well as encourage additional investment in small and medium-sized companies;
2. create an environment favourable to innovation and creativity;
3. overcome bottle-necks in production and distribution processes; and
4. create jobs and business opportunities - demand for these services arises from the need of other sectors to adapt to the competitive environment.

Production services are the most dynamic type and their share in total services is becoming ever more relevant.

3. SERVICES IN INTERNATIONAL TRADE *USLUGE U MEĐUNARODNOJ TRGOVINI*

3.1 The concept of Trade in Services in International Trade *Koncept trgovine uslugama u međunarodnoj trgovini*

The concept "trade in services" is a new one, since it was "invented" for negotiation purposes at the beginning of the Uruguay Round of Negotiations, becoming a category *ex post facto* (Gibbs, 1989, p. 84).

The term services used to denote meant non-commercial activities (European Economy, 1993, p. XI).

Even individual classical economists, such as Adam Smith, treated them as non-productive (Grubel, 1989, p. 3). They claimed that services are provided by servants to individuals. After they have been supplied, such services can no longer be exchanged for money or other goods in the same way it is possible to do with goods. Marxist economics defined services on the basis of a residual principle which classified as services everything not included in the agriculture or industrial sectors. Socialist countries applied the materialistic concept of production according to which only those services involved in the production of material goods contribute to domestic product. (M. Stare and Vanyai, 1995).

The meaning of services in socialist countries was much narrower than their present modern meaning is. According to the Standard Industrial Classification in the former Yugoslavia (Official Gazette of the SFRY, no. 34/76 and annexes), service activities accounted for a share in GDP which was 15-20% below the level of services according to the current definition under the new Standard Industrial Classification.

Competitive advantage advocates believe that the shift towards services in developed economies is the consequence of the exhausted production possibilities which in turn result from importing industrial products from developing countries. Following this interpretation, developing countries' advantages lie in goods whereas developed countries' advantages are in services. Export of services should provide the possibility of employing those made redundant in the production of industrial products. This approach also prevails in Slovenia.

The competitive advantage approach implies accepting the so-called three-stage development theory (Fisher-Clark's three-stage model) according to which development goes from the primary, through the secondary, to the tertiary sector. This theory is based on different elasticities of demand between goods and services as comparative data concerning production and the rate of employment in service sector at different stages of development (Fisher, 1940).

The definition of services in international trade for the needs of the EU can be found in the Manual for International Trade in Services Transactions based on the Voorburg conference of 1993 (Reference List, 1993).

A special list of services was compiled for the purposes of the Uruguay Round of Multilateral Trade Negotiations (GATS). It is based on the detailed Central Product Classification (CPC) made by the United Nations Organization which in turn arises from the International Standard Industrial Classification (ISIC, 1990). By the next round of negotiations in the WTO framework in 1999, that list of services will be more precise and expanded.

*Production or professional services include for instance: software implementation, data processing, research, engineering and design, management, legal and other consulting services, educational, export-import services, advertising, market research and public relations, insurance, banking and financial services, testing, chemical and physical analysis, leasing, accountancy, maintenance and security, trade, quality maintenance and control.

3.2 Differences between goods and services

Razlika između dobara i usluga

Individual studies emphasize the differences between trade in goods and trade in services. In the case of goods capital movements are usually an alternative to trade, whereas in the case of services capital movements complement trade.

The question of the differences between goods and services is often raised - mostly one hears about the intangibility of services as opposed to the tangibility of goods. From this developed explanations that services are "everything you can buy which cannot fall on your foot." (Quinn, 1987). Services are often described as intangible, invisible and transient, requiring simultaneous supply and consumption. On the other hand, goods are tangible, visible and storable, and do not require contact between the producer and the consumer.

The idea of services as "non-material goods" is often disputable. There even exist tangible services (e.g. a written report made by an advisor or a diskette), visible services (hairstylist's hair-do, theater production), and storable services (automatic answering services) and the contact between the producer and the consumer may not be necessary (automatic teller machines). The transient nature ascribed to services in contrast to goods can also be questionable (ice-cream and surgery).

In 1977, Hill defined services as changes in the condition of a person or good of an individual economic unit resulting from the activity of another economic unit following the prior agreement with the previously mentioned person or economic unit (Hill, 1977, p. 318). As opposed to services, goods are physical objects with their characteristics, because of which they can be exchanged between economic units. Similarly to goods, services can also be exchanged between economic units, however this exchange must take place through the interaction between the supplier of services and their consumer. Since services are processes and not objects they cannot be stored (warehoused).

3.3 General Agreement on Trade in Services - GATS

Opći dogovor o trgovini uslugama

Nowadays in the context of WTO, liberalization is often discussed in the sense of a tendency towards trade (also in services) without artificial barriers imposed by national interests for protecting domestic economies and transporters. This includes measures aimed at improving market competition and reducing costs incurred by population, producers of goods and the society as such - the opposite of protectionism.

The turnaround in the 1980s consisted of moving away from regulation and protectionism in the service sector and starting the liberalization of trade in services. The same targets are aimed at with liberalization in the framework of the World Trade Organization (WTO).

The Liberalization Concept in International Trade

Koncept liberalizacije u međunarodnoj trgovini

The concept of "fair trade" was introduced by British protectionists at the end of the 19th century, who were verbally in favour of free trade, but who also believed it was only plausible if adhered to by everybody else. The policy of reciprocal anti-protectionist measures was introduced in the USA mainly by the Smoot-Hawley Tariff Act of 1930. As a consequence, there came most favourable clauses for the USA and the international trade war which resulted in a 60% world trade drop in 1938 over 1929 (Lambsdorf, 1995).

After the Second World War, one of the first tasks of the General Agreement of Tariffs and Trade (GATT, 1947) was to ensure international trade with the least possible barriers. One of the most important principles of such trade was that of the "Most Favoured Nation" (MFN). The Agreement mainly regulated the reduction of tariff restrictions in goods trade.

It soon turned out that tariffs are not the only barrier in international trade and, similarly, that the subject of trade is not only goods but also services, intellectual property and other items. Preparations started for a much broader approach to the "liberalization" of the entire international trade.

The basic GATT signed in 1947 has been amended many times since (Annecy, Torquay, Geneva, Dillon Round, Kennedy Round, Tokyo Round) and a radical solution to international trade regulations was found following the conclusion of the Uruguay Round (from 1986 in Punta del Este until 1994 in Marrakech) and the foundation of the WTO. Only since then has GATS started the global regulation of trade in services.

"Most Favoured Nation" Concept in International Trade

"Most Favoured Nation" u međunarodnoj trgovini

The "most favoured nation" (MFN) concept is presently defined as a policy or a goal to avoid any differences in an individual country's treatment of companies, citizens, goods etc. from another country, in terms of that same individual country's treatment of companies, citizens, goods etc. coming from any third country. This concept was introduced into contract law as the "most favoured nation". (Gray, 1990, p. 25).

The MFN principle has considerable advantages in setting up a multilateral system of trade in goods and, in a similar way, it can have a favourable effect on trade in services (the USA statement at the GATT meeting of trade ministers in 1982). The UN International Legal Committee assessed that the MFN is the principle, technique or means for promoting equality between countries and non-discrimination. Equally, the International Court has stressed that the purpose of the MFN principle is to establish and maintain fundamental equality without discrimination between all countries concerned.

After the Second World War non-discrimination became a guiding principle, although it will take long time

before it is fully established in practice. Among the main propounders of the MFN principle are the USA (even though in practice they many times contravene it, e.g. in the Uruguay Round), which by signing the Havana Charter in 1946 promoted this principle in the GATT.

Irrespective of the formal establishment of the MFN principle, GATT itself left open the possibility of its further development:

Article XXIV in setting up customs unions or free-trade zones, including interim agreements leading to this;

I Article XXV giving contracting parties the possibility of renouncing the MFN principle in the framework of common action, protection clauses and anti-dumping.

Liberalisation Principles in Trade in Services
Liberalizacija načela trgovine uslugama

Extending the MFN principle to services is much more difficult, since the approach must be different from that applied to goods. Namely, in trade in services there are various forms of protection, particularly the right to establish a company and any type of legal entity or natural person (establishment), market access, national treatment and transparency. It has to be taken into account that GATT is not a free-trade institution, but an agreement allowing tariffs as the only way of protecting domestic markets. This form of protection, however, is does not apply to trade in services, and so it is not possible to devise a uniform way of protecting services corresponding to the forms used for goods.

The right of establishment is a relatively new concept. The Havana Charter still emphasizes the rights and non-discrimination of foreign investment in a country, whilst the concept of establishment, which otherwise remained closely connected with foreign direct investment, was introduced only later.

Hawkins (1951, p. 4) assessed that the provisions on establishment involve not only the right to establish companies and any type of legal entity or natural person in a foreign country, but that, in addition, a series of conditions need to be met: entering a country, residence in a country, provision of equal treatment and acquisition of real-estate in investing, tax equality, transfer of profits etc. The first two countries to start implementing the above mentioned principles were the USA and Great Britain in their bilateral agreements in which they treated services not as a separate issue but together with the protection of foreign direct investment and the right to acquire and operate - today definable as "commercial presence".

The right of establishment is interpreted as a company's right to set up another company, branch or agency in a foreign country (abiding by the legal order of that country) on conditions not less favourable than those existing for domestic companies, branches or agencies. Such an approach was applied in the Europe agreements on associate membership of countries in transition (Article 45 of the Europe Agreement with Slovenia).

In practice, there are no general establishment rights. Different (more stringent) rules apply to individual types of establishment (such as banks or insurance companies).

These four types of international transactions can also be described in the following way:

- 1. Consumers in a country use services produced in another country. These are mainly financial and the services of self-employed persons where transactions go through telecommunications networks.
- 2. Mobile consumers from one country travel to another where the service takes place. Most often this concerns services in tourism, education, health, as a rule ship repair services and partly trade services.
- 3. Mobile service suppliers from one country travel to another where they provide services. Such a situation occurs in some professional services, transport and construction.

GATS defines four types of services for market access and national treatment separately (Member = WTO member):

Service supplier location	Other criteria	Service type
service supplier is NOT PRESENT in the territory of any other Member	the service is supplied from the territory of one Member into the territory of any other Member	1. CROSS-BORDER SUPPLY
	the service is supplied in the territory of one Member to the service consumer of any other Member;	2. CONSUMPTION ABROAD
service supplier IS PRESENT in the territory of any other Member	the service is supplied by a service supplier of one Member, through commercial presence in the territory of any other Member	3. COMMERCIAL PRESENCE
	the service is supplied by a service supplier of one Member, through presence of natural persons of a Member in the territory of any other Member	4. PRESENCE OF NATURAL PERSONS

4. Service suppliers set up a branch in another country for the supply of and trade in services. This is the most common type of competition in services, involving close contact between the seller and the customer which is most usually found in financial and professional services as well as trade.

It must be mentioned that job seeking is not included in the above principles.

The concept of transparency requires each country to publish all generally applicable measures concerning foreign service providers. The framework of GATS even provides for the establishment of special information centers which give other countries information on the level of liberalization of trade and restrictions regarding foreign suppliers within individual service sectors. This principle is strictly observed in assessing countries' applications for WTO membership. Broad cross-examination is used to check the accuracy of a WTO candidate's claims. One wrong piece of information asserted in this manner can trigger a number of additional questions and raise doubts about other claims made by the candidate.

Any established contravention of proclaimed principles characterize the candidate as an unreliable partner. This usually includes breaches of legal provisions or even attempts to mislead negotiators. As a rule, what is required in such cases is evidence that the practices used up until that time have been abolished.

All applications for WTO membership, WTO members' requirements of applicants, agreements in working parties and the agreements arrived at through bilateral negotiations are public documents available to all WTO members.

Another constituent part of the above principle is the reasonable, objective and impartial treatment of foreign service suppliers (Article VI, GATS) and the recognition of the education, experience, licenses or certifications and standards of a particular country (Article VII, GATS).

The acceptance of the former Yugoslavia's republics into GATT and the Uruguay Round of negotiations was specific. The GATT Secretariat was against admitting the countries succeeding the former Yugoslavia automatically on the basis of the membership of their former common country. On the assumption that Yugoslavia disintegrated, all of its successors had to undergo the entire procedure of joining GATT and complete all negotiations before being able to participate in the Uruguay Round. As early as July, 1992, the GATT Council agreed to set up a working party for negotiations with Slovenia, and one year later, in 1993, the same happened with Croatia. Negotiations with Slovenia started in 1993 first for industrial and later on for agricultural products. The autumn of 1994 saw negotiations on the liberalization of trade in services. Slovenia managed to become one of the founding members of WTO. In 1995 the Accession Working Party for Croatia was transformed into the WTO Accession Working Party. In negotiations Slovenia was treated as a developed country and as such it had to assume all obligations - which was also the case for Croatia.

For the time being, Slovenia is the only successor to the former Yugoslavia among WTO members. Croatia is still negotiating its membership, whilst the Former Republic of Macedonia is still waiting for negotiations to start. Bosnia and Herzegovina and the Federal Republic of Yugoslavia have not yet applied for negotiations. The slowness of the negotiating process is no surprise, given that since the foundation of WTO no new members have been admitted. Among those on the waiting list are Russia, Ukraine, China and others.

3.4 Services in the European Union *Usluge u Europskoj uniji*

The Treaty of Rome does not contain any definitions - these indirectly or directly arise from various regulations or directives or have been stated by the Court of Justice of the European Communities (CJEC). So the CJEC gave a definition of goods in 1968 saying that goods are products which can be expressed in money and can be the subject of transactions (Case 7/68, Commission v. Italy, 1968 ECR 618).

Article 60 of the Treaty of Rome (the Treaty of the EU together with the complete text of the Treaty establishing the European Community, 1992) treats as services those services which meet the conditions of payment, unless they are covered by the freedoms of movement of goods, capital and persons. Services include activities of an industrial or commercial character provided by sole proprietors and self-employed persons.

One important principle: if the national treatment of services influences the free movement of goods, then the same system applied to goods must be also applied to services. Notwithstanding the provisions regarding the establishment, a person providing services can temporarily supply them in another country under the same conditions as the citizens of that country. According to Article 59, restrictions imposed on the EU nationals or their agencies, branches and subsidiaries coming from a member-state other than that of the service provider shall be progressively removed. The Commission of the European Communities may apply an extraordinary procedure in order to expand the scope of provisions regulating the supply of services also to the citizens of a third country which are service providers and have their subsidiaries in the Community.

Relations between capital, employment and other services are delimited by individual regulations and directives. They introduced distinctions between "employed persons", "self-employed persons" and "establishment". A self-employed person can operate in another country only by establishing a subsidiary.* This principle is defined in Article 52 which regulates the progressive removal of restrictions on establishment concerning agencies, branches and subsidiaries by member-state nationals in the territory of another member-state. The freedom of establishment covers the freedom of self-employed persons to practice and perform a trade and establish companies pursuant to the Treaty of Rome provisions on capital. The liberalization of banking and insurance services

relating to capital movements has been harmonised with the progressive liberalization of capital movements.

1996 saw negotiations on the liberalization of trade in maritime transport services, which later came to a halt due to the opposition of the USA and they will not continue until the next round of negotiations is organized within the WTO. The planned negotiations envisage a considerable liberalization of access to and use of port facilities.

Services in Europe Agreements

Usluge u Europskim dogovorima

Europe Agreements on association made between the EU and the countries in transition lack precise definitions regarding the deregulation of services. For instance, the third paragraph of Article 53 of the Agreement with Slovenia (Law on the Ratification of the Europe Agreement... 1997) stipulates:

3. At the latest 8 years after the entering into force of this Agreement, the Association Council shall take the measures necessary to implement progressively the provisions of paragraph 1. Account shall be taken of the progress achieved by the parties in the approximation of their laws.

This Agreement's effect is limited to 6 years, therefore, in practice, the general deregulation of services (with the exception of financial and certain transport services) is not an area covered by the Europe Agreement. However, both time limits and extent were set for the freedom of establishment and the freedom of providing financial and continental transport services.

3.5 Agreements on Services within the EFTA and CEFTA

Dogovori o usluzama unutar EFTA-a i CEFTA-a

Recently, the EFTA has been extending its agreements with individual countries to services, origin of goods, foreign direct investment, public procurement, and other areas. As a rule, the EFTA requires equal treatment in the terms known in the EU. Extension of Slovenia's agreement with the EFTA to the field of services was planned for 1997, but did not come to fruition.

The basic CEFTA agreement does not explicitly specify services which indirectly arise from Article 33 - the evolution clause - stipulating that if it is in the interests of the member-states' economies, then co-operation shall be extended to the un-limited areas. Accordingly, the Joint Committee shall adopt adequate resolutions.

Pursuant to the CEFTA Joint Committee, in January, 1996 it was decided to start negotiations on the deregulation of mutual trade in services. Two working groups were set up for services and for the movement of capital. In the autumn of 1996, the services group team proposed that the heads of governments cease activity as the established formal difficulties and low willingness shown by individual CEFTA member-states do not permit much hope for an early agreement.

4. SERVICES AND THE REPUBLIC OF CROATIA

USLUGE I REPUBLIKA HRVATSKA

4.1 The Republic of Croatia's Proposal within the GATS

Prijedlog Republike Hrvatske unutar GATS-a

In the countries in transition, services are regulated by a number of general and specific laws. Many of them were passed in different conditions and are therefore not adjusted to the present needs.

Generally, the most problematic are negotiations in the field of the so-called horizontal commitments, which are general restrictions applying to all services. Horizontal commitments involve restrictions on foreign investment, subsidies, ownership of real-estate, visiting businessmen and persons sent by the foreign companies they own or control or to foreign business units. In all the said cases, an individual country must acknowledge equal benefits to companies or individuals from all the WTO member-states as acknowledged to domestic companies and individuals. The majority of members states are extremely sensitive about restricting the agreed horizontal commitments and, in particular, the lack of transparency and various types of discrimination at all levels (also at lower levels).

Also extremely demanding and difficult are negotiations on financial services including banking and insurance services. This is namely one sector which both countries in transition and developing countries hesitate to tackle. According to the materials known so far, Croatia will most probably not encounter major problems in this area.

Several countries have applied to the Republic of Croatia for bilateral negotiations: Australia, the Czech Republic, the EU, Canada, Hungary, New Zealand, Norway, Slovakia, Slovenia, Switzerland and the USA. With some of those countries, negotiations have already started. However, the talks with the toughest trade negotiators (EU, USA) have not commenced yet, therefore the Croatian negotiating team still has significant work ahead of it.

The Republic of Croatia has already submitted a number of offers in the field of services. The first was given in April 1977, and revised in 1997, followed by offers made in April and August of 1997 (RESTRICTED WT/ACC/SPEC/HRV/5 dated 21 August 1997), and further revised in February 1998.

4.2 The Issue of Establishment and the Free Supply of Services in the Associate States' Negotiations on Full EU Membership

Pregovori dodjela prava ustanovljavanja slobodne ponude usluga u udruženim državama o punom članstvu u EU

In the negotiations of all associate states (those which signed Europe Agreements) on their entering the EU, services are dealt with in the negotiating group: "Free Movement of Services", whereas within the EU

*Business units in a foreign country mean "subsidiaries", "Branches" and "agencies". Jurisdictional persons may be owned, controlled or affiliated.

Directory (Directory of Community Law in Force) that field is covered in chapter no. 06: "Right to Establishment and Freedom to Perform Services". The subject of the free movement of services and the right to establishment within the framework of the EU can be divided in:

- a) recognition of education
- b) recognition of professional qualifications
- c) freedom to provide services
- d) freedom to establishment

Within the framework of the negotiating groups set up to prepare negotiations, the said issues are covered by the group "Freedom of Movement of Services", also partly by (a) "Education and Training" and (b) "Freedom of Movement of Persons". Services are also partly dealt with by other negotiating groups, e.g. in the group "Freedom of Movement of Capital", "Company Law", "Agriculture", "Transport", "Small-and Medium-Sized Undertakings", "Telecommunications and Information Technologies", "Cultural and Audiovisual Policy", as well as in some other groups.

In order to harmonize the legislation relating to services, a number of other terms will have to be defined which in countries in transition used to be unknown or not precisely defined. Those include: subsidiary, branch, agency, representative office, self-employed persons.

Agreements also have to be made on the most adequate way of regulating the freedom to establishing of branches of foreign companies or individuals. So far, the issue has been separately regulated by the laws of individual ministries. The said problem (restrictive or liberal approach) has to be resolved at the highest level. New definitions are needed for the regulation of qualifications and establishment where consumers have to be protected by means of legislation (financial solvency, clean court history and other). In such cases, the same level of regulation shall be required for foreign persons. However, new legislation cannot be passed only on the basis of the effective EU documents but domestic conditions have to be taken into account, i.e. previous agreements regarding the scope of the service sector regulation. Thus, individual ministries have to propose the scope of the regulation, whereas the working parties have to provide uniform approach and observation of the Community law.

The working group "Freedom of Movement of Services" is thus engaged in an extensive and complex issue for which a number of ministries are directly responsible (not taking into account the ministries which are also in charge of recognizing professional qualifications). In practice, the question of services is more than once (as a rule, three times) dealt with by the majority of ministries.

Due to the above mentioned facts, the task of the negotiating groups is extremely demanding and difficult. The EU too is aware of that, therefore discussions regarding the freedom of movement of services are planned to commence in the second part of the screening (the opening phase of the negotiations to conclude mid-1999) and continued during the negotiations proper.

5. CONCLUSION ZAKLJUČAK

It may be concluded from the said facts that the issue of services in international trade is extremely complex and requires serious treatment by each country. Practically it involves all the ministries and refers to the fields of diploma qualification and recognition, freedom of service provision and establishment. Most countries in transition have still not identified the consequences of the deregulation of services. There is, however, no doubt that certain activities will benefit and others will not. In general, the consequences will be of great importance.

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