

**COMMUNICATION FROM AUSTRALIA**

Negotiating Proposal for Construction  
and Related Engineering Services

The following communication has been received from the delegation of Australia with the request that it be circulated to the Members of the Council for Trade in Services.

1. This paper sets out a negotiating proposal from Australia for the construction and related engineering services sector. Australia reserves the right to submit further and more detailed proposals on this sector at a later date.

**I. IMPORTANCE OF TRADE LIBERALISATION IN THE SECTOR**

2. Construction and related engineering services are a vital element of the economic infrastructure of all WTO members. The WTO has noted that this sector is a major employer and that the sector accounts for 5 to 7 per cent of GDP in most industrialised countries (S/C/W/38). Generally speaking, construction services are traded internationally through the establishment of a local presence by the foreign supplier in the host country and may involve large movements of skilled personnel.

3. Further progressive trade liberalisation of construction services through the GATS negotiations offers members the prospect of a greater range and depth of construction services in their local markets, higher operating standards, technology and skills transfer, and downward pressure on costs.

4. Development and capacity-building programmes can also support trade liberalisation in this sector by facilitating skills transfer and commercial development.

**II. IMPEDIMENTS TO FURTHER LIBERALISATION**

5. Australia has identified a number of impediments to further liberalisation of trade in construction and related engineering services. These include:

- limitations on the type of commercial presence which can be established and foreign equity limitations;
- restrictions on currency exchange and transfer of funds between projects;

- inconsistency in the application of taxation laws on foreign professionals and commercial entities in the construction sector;
- lack of recognition of qualifications of professionally qualified project team members;
- unduly onerous licensing requirements for construction firms and subcontractors;
- unduly onerous visa procedures.

### **III. PROPOSALS**

#### 6. Australia proposes that:

- Members review any limitations on commercial presence with a view to eliminating barriers that cannot be justified on a commercial basis.
  - Members take stock of measures to fully implement GATS Article VII paragraphs 3 and 5, and undertake best endeavours to participate in and extend the membership of agreements which enable mutual recognition of engineering and other construction-related professional qualifications.
  - Licensing procedures and requirements for construction firms and subcontractors be subject to a necessity test, as formulated in Australia's paper of 15 September 2000 (S/WPDR/W/8). This would require that any domestic regulation adopted to meet a legitimate policy objective be the least trade restrictive possible.
  - Members examine rules relating to the movement of natural persons to ensure that processes to facilitate the entry of employees and contractors of firms who have approval to operate in another Member country are carried out efficiently and expeditiously.
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