

COMMUNICATION FROM NEW ZEALAND

Negotiating Proposal for Construction and Related Engineering Services¹

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

A. INTRODUCTION

1. The construction and related engineering services sector constitutes a key sector for all economies. It provides the infrastructure for most sectors of industry and, in itself, is both a major employer and significantly contributes to the overall GDP of most economies. In terms of specific commitments, a little over half of WTO Members have made commitments on construction and related engineering services to varying degrees. On average around three to four subsectors are covered, where commitments have been made, with around a quarter of schedules including full modes 1-4 commitments.

2. In accordance with the "Negotiating Guidelines and Procedures"² as established by the Council for Trade in Services in Special Session, New Zealand believes that there is sufficient scope for Members to increase the number and quality of commitments for construction and related engineering services during the course of the resumed services negotiations.

B. BACKGROUND

3. Construction and related engineering services are a vital element of the economic infrastructure of most economies, as well as being an important part of the economy itself. For New Zealand, this sector accounts for almost 7 per cent of all those employed and a little under 5 per cent of New Zealand's GDP.

4. New Zealand construction firms have worked off-shore since the 1940s, initially in specialised work involving joint ventures with local partners. Whilst joint venture and project work continues to be an important component of activity for New Zealand services suppliers in this sector, some of New Zealand's services suppliers have begun to establish wholly owned subsidiaries in

¹ New Zealand reserves the right to submit further and more detailed proposals on this sector at any time and would note that this proposal has to be read together with New Zealand's initial objectives for the resumed services negotiations, as contained in S/CSS/W/90 of 26 June 2001.

² S/L/93 of 29 March 2001 refers.

foreign markets, as those markets have progressively liberalised. This development matches the experience of many other economies.

5. Given New Zealand's relative size and geographic isolation, New Zealand's services suppliers in the construction and related engineering services sector have tended to focus upon those areas where New Zealand has a certain comparative advantage. This has seen New Zealand's construction and related engineering services suppliers develop particular expertise in the design of earthquake resistant structures, in specialist areas such as hydro and geothermal power station, as well as dairy and meat plant, design and construction. It should also be noted that New Zealand's services suppliers in this sector are also usually small and medium-sized enterprises.

C. PROPOSAL

6. New Zealand believes that there is sufficient scope for Members to increase the number and quality of commitments for construction and related engineering services during the course of the resumed services negotiations. As part of this process, it will be important to ensure that the negotiations are focussed upon ensuring results that are of clear commercial significance and relevance to the services suppliers. New Zealand would therefore place particular emphasis on exploring ways in which limitations on the type of commercial presence which can be established, as well as foreign equity limitations, can be removed or diminished.

7. Of course, such a process will need to bear in mind the "Negotiating Guidelines and Procedures" so as to ensure that these negotiations are an opportunity for all Members to benefit from further liberalisation, not just a select few.

8. New Zealand would also note that it will be actively exploring ways in which to ensure that future specific commitments encompass *all* stages of the construction process ranging from "pre-erection work at construction sites" (CPC 511) through to "building completion and finishing work" (CPC 517). This would ensure that those services suppliers that are engaged in "multi-stage" construction projects³ and who are generally small and medium-sized enterprises, obtain the range of commitments that they require so as to effectively carry out their work. It would also ensure greater certainty of access conditions for such services suppliers.

³ A "multi-stage" construction project exists where a single contractor undertakes all stages of a construction project from site preparation to final commissioning, either with or without sub-contracting some parts of the work.