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COMMUNICATION FROM CANADA

Initial Negotiating Proposal on Environmental Services

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

1. Canada reserves the right to modify this proposal at any time. This proposal does not prejudice Canada's position on other service sectors, nor any future offer on this or other sectors. This proposal should be read in conjunction with the principles and objectives as outlined in Canada's initial negotiating proposal.

A. INTRODUCTION

2. Further to our general negotiating position tabled in accordance with the "Road Map" exercise, Canada submits this initial proposal on environmental services for the consideration of WTO Members.

B. IMPORTANCE OF ENVIRONMENTAL SERVICES

3. The environment industry, particularly its service component, exerts multiplier impacts across all sectors of the economy. It is considered to be a knowledge-based, enabling, high valued-added, growing component of the new economy. Over the years, there has been growing worldwide recognition of the importance of environmental services to improve environmental protection, remediation and prevention. This new context has given rise to an increasing global demand for environmental products and services which has been mainly fuelled by the existence and enforcement of domestic environmental regulations and greater consumer and community awareness. As a result, a global market for environmental services has boomed during the nineties accounting for about 50 percent of total demand of environmental goods and services.

4. For most WTO Members, in particular for developing countries, substantial benefits can be derived from greater trade liberalization of environmental services in the context of GATS negotiations. A wider access to foreign markets as well as improving the current framework of rules allow greater transparency and predictability for both small and large environmental services providers. It allows service exporters to diffuse their knowledge and technical expertise worldwide while importers benefit from a broad range of environmental services at lesser costs. In this context, it is likely that trade liberalization will lead to potential win-win scenarios, considering the global nature of environmental issues. There are two main types of win-win scenarios that can be generated by increased liberalization: environmental protection gains (e.g., healthier environment) and economic development gains (e.g., diffusion of expertise and development of local skills). The magnitude of

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these expected benefits, however, remains linked to the existence of domestic institutional and legal frameworks.

5. An important aspect of the environmental services sector is the regulatory framework in which this sector operates. The GATS affirms Members' right to regulate. It also obliges Members to be transparent about their regulations. Canada encourages Members to increase their regulatory transparency in the area of environmental services.

C. SECTORAL COVERAGE

6. Environmental services are defined according to the current W/120 classification as follows:

- sewage services;
- refuse disposal services;
- sanitation and similar services; and
- other (e.g., cleaning services of exhaust gases, nature and landscape protection, etc.).

7. Canada recognizes that there are related services found elsewhere in the W/120 that are important to the delivery of environmental services, such as technical testing and analysis services, scientific and technical consulting services, engineering services and construction services.

8. Extensive discussions have taken place recently in the Committee on Specific Commitments on the issue of "core" versus "cluster" environmental services. In our view, this discussion is primarily about classification of environmental services. However, the discussion on clusters has also been important for identifying related environmental services that exist in the W/120. We believe it is important for Members to seek greater liberalization for both the activities contained in the core list of environmental services as they are currently defined in the W/120, as well as in other related sectors (e.g., technical testing and analysis, scientific and technical consulting, engineering and construction). Clusters should be used primarily in the negotiations as a "check list".

D. PROPOSAL

9. Liberalization of environmental services is paramount for a number of goods and services industries. The Canadian environmental service sector is competitive and knowledge intensive and is open in all sub-sectors of environmental services of the GATS. However, there are still many WTO Members who maintain a range of barriers affecting trade and investment which are likely to be an inhibiting factor in the potential growth of this industry.

10. During the ongoing negotiations, there is an opportunity for Members who have taken no commitments in the core list of environmental services sector to make bound commitments in all sub-sectors and modes of delivery. For the 49 Member countries who have commitments in the core list, they should aim at reducing or eliminating existing restrictions on national treatment and market access and broadening their commitments to related services. The most significant categories of restrictions are those related to the lack of transparency of regulatory regimes and practices, investment/establishment, entry and stay of services managers, professionals and experts and licensing requirements. A combination of these barriers can also have a "multiple barrier" effect across sectors. The cost of maintaining barriers in the environmental service sector may not only have a significant impact on costs and the variety of services provided, but act as a disincentive for the global diffusion of environmental technology, skills and expertise.
