

**COMMUNICATION FROM SWITZERLAND**

GATS 2000: Environmental Services

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

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**I. IMPORTANCE OF THE SECTOR**

1. As a sector environmental services occupy a special place among economic activities. They directly affect not only the environment itself - but also the standard of health and the general well-being of the population. In terms of the economy, the environment fulfils two essential functions. The first, upstream of the economic system, is to provide the natural resources that human beings use in the course of production and consumption. The second, which is downstream, is to serve as a receptacle for the waste and pollutants that production and consumption generate.

2. As economic growth often has adverse implications for the environment, environmental services are becoming increasingly important. The OECD forecasts that in the next few years the overall annual growth rate of environment markets will be 3-4 per cent in the Western industrial countries and Japan and 5-7 per cent in the emerging economies of Asia and Latin America. In Switzerland, the environment industry currently accounts for 50,000 jobs (nearly 1.3 per cent of total employment).

3. The environment industry has developed significantly in countries where environmental standards are particularly stringent. Such countries have acquired a high level of technical and practical know-how and, to some extent, are gradually shifting from an "end-of-line" approach to one of prevention. Development of the environment industry in these countries is nonetheless beginning to come up against certain limits in terms of market saturation. At the same time, countries with less stringent environmental standards are facing major environmental problems, particularly in the areas of waste disposal, water treatment, greenhouse gas emissions and biodiversity. These problems, which endanger public health and sanitation, are compounded in many such countries by the expansion of tourism. However, their awareness of environmental issues is also growing and more and more frequently environmental standards are universally adopted. Consequently, from the standpoint of both exporting countries and importing countries appropriate opening-up of the environmental services market is a necessity.

4. Environmental problems being global more often than not, the transfer of technology and know-how is particularly important in the case of environmental services, because it leads to higher standards of public health and well-being worldwide.

## II. CLASSIFICATION ISSUES

5. The Committee on Specific Commitments has addressed the issue of the classification of environmental services several times in the last two years. Its discussions have been most useful. Clearly, the classification currently in use – the list established in MTN.GNS/W/120 (see precise definitions in Annex) is no longer adapted to present circumstances. It was drawn up at a time when the focus was on end-of-line pollution control rather than on prevention as is now the case. Environmental services should therefore include not only pollution clean-up activities but also activities that involve integrating environmental concerns into production processes. New areas of activity have also emerged in environmental services.

6. So that Members can make commitments which are better suited to the current situation, the items under subsector 6 (environmental services) need to be adapted as follows:

- A. Waste water management
- B. Waste management
- C. Protection of ambient air and climate
- D. Remediation and clean-up of soil and water
- E. Noise and vibration abatement
- F. Protection of biodiversity and landscape
- G. Other environmental and ancillary services

7. Furthermore, in order to accommodate the gradual integration of environmental services with other service activities, a suitable system must be set up enabling Members to make specific commitments in the following fields of activity, which have expanded significantly in recent years:

- Professional services relating to the environment
- Research and development relating to the environment
- Consultancy, sub-contracting and engineering relating to the environment
- Construction relating to the environment

## III. PROPOSAL

### (i) *Existing commitments*

8. Nearly 50 Members have made specific commitments in the environmental services sector. Almost all of them have included in their schedules of commitments sewage services, refuse disposal services, and sanitation and other services. Slightly fewer Member States have taken on commitments in the areas of air pollution and noise abatement and nature protection. Although a few Members make no mention of environmental services in their schedules, Member States that have taken on commitments in this sector account for more than 86 per cent of the GDP of all Members.

### (ii) *Obstacles to liberalization*

9. The most important barriers to trade in environmental services are those which place horizontal limitations on the establishment of a commercial presence and the employment of nationals of a company's home country. The general investment scheme therefore has a considerable incidence on market access conditions. Members' schedules of commitments often contain restrictions on foreign investment, form of establishment or ownership of landfills and treatment systems, as well as requirements of joint training with a local firm. Economic needs tests are frequently a requirement. Several Members also require environmental service suppliers to obtain licences beforehand. As in the past, the State continues to play an important part in the provision of some environmental services, though its role is diminishing.

10. It is a fact that many countries with less stringent environmental standards have not made specific commitments in the area of environmental services. Such countries may well face serious environmental problems in the years to come. By opening their borders wider to environmental services, they and their inhabitants would be able to benefit from the considerable technical and practical know-how available in other countries, particularly in the area of prevention. Greater demand for these services would lower their price, making them more affordable for all Members.

*(iii) Objectives*

11. As an objective for the current negotiations, Switzerland seeks considerably less stringent commercial presence requirements for environmental service suppliers. Broader specific commitments taken by more Members in respect of market access and national treatment mainly under mode 3 but also under modes 1 (where technically feasible) and 2, would facilitate trade in environmental services, for which the demand is growing as environmental standards become stricter.

12. There must also be negotiations on mode 4. Although mode 3 is traditionally the most important for environmental services, the need for mode 4 commitments is increasing daily as the focus on prevention increases the importance of consultancy and engineering services.

## ANNEX

Current definition of environmental services according to the list in WTO document MTN.GNS/W/120 based on the United Nations provisional Central Products Classification (CPC):

### 6. ENVIRONMENTAL SERVICES

#### A. SEWAGE SERVICES (CPC 9401)

##### 9401 Sewage services

Sewage removal, treatment and disposal services. Equipment used are waste pipes, sewers or drains, cesspools or septic tanks and processes utilized may be dilution, screening and filtering, sedimentation, chemical precipitation, etc.

Exclusions: Collection, purification and distribution services of water are classified in subclass 18000 (Natural water).

Construction, repair and alteration works of sewers are classified in subclass 51330 (Construction work for waterways, harbours, dams and other waterworks).

#### B. REFUSE DISPOSAL SERVICES (CPC 9402)

##### 9402 Refuse disposal services

Refuse collection and disposal services. Collection services of garbage, trash, rubbish and waste, whether from households or from industrial and commercial establishments, transport services and disposal services by incineration or by other means. Waste reduction services are also included.

Exclusions: Dealing services in wastes or scraps are classified in subclass 62118 (Sales on a fee or contract basis of goods n.e.c.) and 62278 (Wholesale trade services of waste and scrap and materials for recycling).

Research and experimental development services on environmental issues are classified in division 85.

Regulatory administrative services by the government related to environmental issues are classified in subclass 91123 (Administrative housing and community amenity services), 91131 (Administrative agriculture, forestry, fishing and hunting related services) and 91132 (Administrative fuel and energy related services).

#### C. SANITATION AND SIMILAR SERVICES (CPC 9403)

##### 9403 Sanitation and other services

Other sanitation and similar services including outdoor sweeping services and snow- and ice-clearing services.

Exclusion: disinfecting and exterminating services for buildings and other non-agricultural structures are classified in subclass 87401.

Pest control services in connection with agriculture are classified in subclass 88110 (Services incidental to agriculture).

#### D. OTHER SERVICES

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