

**Council for Trade in Services
Special Session**

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COMMUNICATION FROM THE EUROPEAN COMMUNITIES AND THEIR MEMBER STATES

The Cluster Approach

The attached communication has been received from the delegation of the European Communities and their Member States with the request that it be circulated to Members of the Council for Trade in Services.

A. INTRODUCTION

1. Trade liberalisation coupled with the appropriate domestic regulatory environment are essential instruments to improve the efficiency of WTO Members' economies. The GATS preamble states the wishes of Members in this respect. The Agreement itself offers a wide range of instruments to pursue these shared objectives, providing Members with sufficient flexibility to adapt liberalisation and domestic regulatory reform to their needs. Negotiations have traditionally been based on the request-offer approach, supplemented as necessary by other negotiating modalities.

2. As a consequence of the flexibility offered by the GATS in relation to undertaking commitments, Members have usually considered services sectors in an isolated fashion for scheduling purposes: when negotiating market access and national treatment commitments in the past, ensuring coherence between the commitments undertaken in the various sectors has rarely been a factor taken into account. And this despite the fact that a consistent approach to the various services sectors would seem to be a logical requirement of any liberalising effort.

B. THE CLUSTER APPROACH

3. In order to create the conditions for improving the degree of coherence of those liberalising efforts by Members, and taking advantage of the possibilities for flexible approaches offered by the GATS, the European Communities and their Member States consider that it would be useful for Members to begin early discussions on the so called "clusters" of inter-related services sectors. These have already been the subject of discussions in various GATS bodies. The use of clusters could in certain sectors potentially help Members as a tool in the traditional sectoral request-offer negotiation, which is likely to remain the main basis for the current round. The use of clusters would allow economic linkages to be more clearly recognised by Members by providing them with a "checklist" outlining the economic interrelations between subsectors and thus, contribute to increasing the efficiency and coherence of services negotiations.

4. It would make sense for Members to try to ensure some coherence, where appropriate, between their commitments under different sectors in GATS negotiations, for at least the following reasons :

- where the lack of coherence reflects and/or is at the origin of divergent paces of liberalisation within a single country, one should not exclude economic imbalances in the domestic economic structure as a result. This would be particularly damaging when the sequencing of liberalisation prevents the proper development of certain "infrastructural" services sectors.
- services sectors may be inter-related. A variety of economic « interlinkages » between individual service sectors and subsectors can be identified. For example, where certain services constitute key inputs for the provision of other services, restrictions on the supply of those "input-services" would affect the supply of the other services. Another reason for linking certain services sectors together can be a common end-use . This approach could therefore take into account end-use for the definition of the cluster while not requiring amendment of the existing classification. Specific commitments would in any case be scheduled in the existing relevant GATS sectors. It would make good economic sense to take account of these inter-service linkages in GATS negotiations.
- commercial linkages are important for companies, which are increasingly organising themselves in a variety of ways in order to provide more comprehensive packages of services. GATS negotiations need to take account of this commercial reality.

5. At the same time, we recognise that there are input-relationships among most service sectors. For instance, core sectors like financial and telecoms services are economically inter-related with almost all other service sectors. And virtually all services can also be provided for a specific end-use. The question would then be, given that ultimately all services are interrelated, to define clusters that are as focused as possible, covering only closely linked sectors and subsectors. Only in these cases would a significant need for coherence clearly arise. At the same time, the need for coherence should not result in the singularities of the different sectors and subsectors being disregarded.

6. Having too many, or too big, clusters would make such an exercise void of any sense; we would simply end up covering all services sectors but regrouped according to clusters, which in addition would inevitably overlap. Hence the need to establish priorities among clusters, and only work on a limited number where progress could be useful for the preparation of negotiations.

Conclusion : *the European Communities and their Member States propose that Members begin early discussion of clusters, as a way to explore useful approaches to GATS negotiation; the outcome of this work should be "checklists" of such inter-related sectors and / or subsectors. This would allow Members to more easily take account of the existing links in the negotiations. Members could try to agree on a limited number of "clusters" of inter-related services sectors. As a starting point we propose tourism services and environmental services, to take advantage of work already begun on these sectors.*

As a contribution to this work, the European Communities and their Member States consider the paper presented by the Dominican Republic (S/C/W/127 dated 14 October 1999) as a very useful basis for a "checklist" on tourism. On environmental services, we propose that the relevant section of the EC and their Member States Communication to the CSC on Classification of Environmental Services (attached) should be used.

<i>ENVIRONMENTAL SERVICES</i>	<i>CONSOLIDATED LIST</i>		<i>Sept. 30, 1998</i>
CLASSES AND SERVICES	EXAMPLES/DESCRIPTIONS	PROVISIONAL CPC	CPC VERSION 1.0
6A) PROTECTION OF AMBIENT AIR AND CLIMATE			
Services to reduce exhaust gases and other emissions and improve air quality	- operation and maintenance of equipment and facilities at power stations or industrial complexes to remove air pollutants - monitoring of mobile emissions and implementation of control systems or reduction programmes	994040	94900
6B) WATER FOR HUMAN USE & WASTEWATER MANAGEMENT			
Water, except steam & hot water, distribution services through mains	- potable water treatment, purification and distribution including monitoring	18000, 713	69210
Waste Water Services	- removal , treatment and disposal of household, commercial and industrial sewage and other waste waters including tank emptying & cleaning, monitoring, removal and treatment of solid wastes, transport of waste water	9401, 94010	9411, 94110, 94120
6C) SOLID/HAZARDOUS WASTE MANAGEMENT			
Refuse disposal services	- hazardous & non-hazardous waste collection, treatment and disposal (incineration, composting, landfill)	94020	94211, 94212, 94221, 94222
Metal waste & scrap recycling services, on a fee or contract basis	- recycling of aluminium and steel	88493	86931

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CLASSES AND SERVICES	EXAMPLES/DESCRIPTIONS	PROVISIONAL CPC	CPC VERSION 1.0
Wholesale & retail trade services of waste, scrap, and other material for recycling	- sale of paper for recycling - sale of aluminium cans for recycling	62278, 62113; 63299	61195, 61295, 62495, 62595
Sanitation & similar services	- sweeping & snow removal - other sanitation services	94030	94310, 94390
Storage	- hazardous & non-hazardous waste storage - operation of disposal site	7422	6722
6D) REMEDIATION AND CLEANUP OF SOIL & WATER			
Treatment, remediation of contaminated/polluted soil and water	- cleaning-up systems in situ or mobile, emergency response, clean-up and longer term abatement from spills and natural disasters - rehabilitation programmes (e.g. recovery of mining sites) including monitoring	94060	94900
6E) NOISE & VIBRATION ABATEMENT			
Noise abatement services	- monitoring programmes, installation of noise reduction systems and screens	94050	94900
6F) PROTECTION OF BIODIVERSITY AND LANDSCAPE			
Nature & landscape protection services	- ecology and habitat protection - protection of forests and promoting sustainable forestry - public awareness programmes	94060	94900

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CLASSES AND SERVICES	EXAMPLES/DESCRIPTIONS	PROVISIONAL CPC	CPC VERSION 1.0
6G) OTHER ENVIRONMENTAL & ANCILLARY SERVICES			
Other environmental protection services	- includes services not classified elsewhere	94090	94900
Operation, maintenance & repair services of machinery & equipment	- operation maintenance & repair of various environmental equipment & facilities, e.g. water treatment plants, wastewater treatment plants, sanitary land fills	940, 88620	87159

CLUSTER

ENVIRONMENTAL RELATED SUB-SECTORS WHICH COULD BE SUBJECT TO A “CLUSTER” NEGOTIATION, TOGETHER WITH THE SERVICES IN THE ENVIRONMENT CLASSIFICATION

<i>ENVIRONMENTAL SERVICES</i>	<i>CONSOLIDATED LIST</i>		<i>Sept. 30, 1998</i>
CLASSES AND SERVICES	EXAMPLES/DESCRIPTIONS	PROVISIONAL CPC	CPC VERSION 1.0
ENVIRONMENTAL R&D			
Environmental R&D services		85101, 85103, 85109, 85202, 85300, 8530	81110, 81130, 81190, 81220, 81300, 8130
ENVIRONMENTAL CONSULTING, CONTRACTING & ENGINEERING			
Design & Engineering		867	83131, 832, 833
Education, Training and Technical Assistance	- training courses on environmental protection or operation & maintenance of environmental facilities - training sessions for employees and/or contractors for performing proper sampling	924, 929	929
Environmental consulting services and environmental legal services	- environment consulting services - related consulting services for tourism, transport, fishing, sustainable land use - design and legal services, e.g. feasibility studies & design of sewage treatment facilities	867, 86729	83131
Integrated engineering services		86732	83312
Project management services	e.g. supervision of construction of sewage treatment facilities	No apparent categories	83322, 83323, 83329

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CLASSES AND SERVICES	EXAMPLES/DESCRIPTIONS	PROVISIONAL CPC	CPC VERSION 1.0
ANALYTICAL SERVICES, DATA COLLECTION, ANALYSIS AND ASSESSMENT			
Composition & purity testing & analysis services	- includes accredited environmental testing services - includes both field and laboratory testing	86761	83561
Modelling	- computer simulations of movement of pollutants through air, water, or soil - software development for engineering programs	7544, 8672	83139, 8339
Monitoring & testing	- monitoring of air and water quality	8672, 8676, 9409	8313, 8339, 8351
Subsurface & surface surveying services	- mapping - use of global positioning systems (GPS)	86752, 86753	83520, 83530
CONSTRUCTION			
Septic system installation services	- installing septic tanks and disposal fields	51620*, 9401, 9409	54342
Construction services	- laying of sewers - laying of water pipelines - construction of treatment plants - construction of landfills	51340*, 51350*, 511, 512, 513, 514, 515, 516, 517, 518	54241, 54251, 541, 542, 543, 544, 545, 546, 547, 548
Installation services of other goods	- installation of equipment used in sewage treatment facilities	88590*	86590
Insulation services		51650, 5165	54650, 5465

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CLASSES AND SERVICES	EXAMPLES/DESCRIPTIONS	PROVISIONAL CPC	CPC VERSION 1.0
TRANSPORT			
Land transportation under various modes	- movement of waste material by rail or road	7112, 7123, 7139	6412, 6423, 6439
Water transportation under various modes	- movement of waste material by barge or ship	721, 722	651, 652
OTHERS			
Urban planning services		86741	83221