

## **XI. TRADE IN SERVICES**

### **A. OVERVIEW OF THE AGREEMENT**

The General Agreement on Trade in Services (GATS) is the first comprehensive multilateral agreement governing trade in services. It provides a framework of general obligations and sets out some additional provisions in annexes covering regulated service sectors, such as telecommunications and financial services. The GATS contains national schedules of specific market access commitments and lists of exemptions to the most-favoured-nation (MFN) rule. It also establishes a program for future negotiations.

### **B. POTENTIAL ENVIRONMENTAL IMPLICATIONS**

A number of internationally traded services, including transportation, construction and consulting, have the potential to affect the environment and to influence sustainable development. In Article VI (Domestic Regulation), it is recognized that measures of general application to trade in services, which include regulation to protect the environment, will continue to apply. Article VI provides that such measures are to be administered in a reasonable, objective and impartial manner. Article VII contains obligations with respect to recognition requirements related to authorization, licensing or certification of service suppliers. This Article would permit harmonization or mutual recognition of standards or criteria reflecting more stringent requirements related to environmental protection, provided that such actions are not discriminatory or disguised restrictions on trade.

Beyond these broad provisions on regulation and recognition of standards, the GATS contains Article XIV (General Exceptions), which is of specific relevance to protection of the environment. Under this Article, a member country would not be prevented from adopting environmental measures that are necessary to protect human, animal or plant life or health. Article XIV also provides for a general exception with respect to measures necessary to secure compliance with safety laws and regulations that are not inconsistent with the Agreement. During the Uruguay Round negotiations, it was agreed that these provisions were likely sufficient to cover all areas of identified environmental concern. However, it was decided that a working party be established to study the relationship between services trade and the environment, including the issue of sustainable development. This working party, which will also examine the relevance of intergovernmental agreements on the environment and their relationship to the GATS, is to report the results of its work within three years of entry into force of the agreement establishing the WTO. It is expected that the group will likely be subsumed in the broader WTO Committee on Trade and Environment.

In the fisheries services sector, Canada has ensured that it retains the right under the GATS to take measures that are consistent with its policies on management