

Abstract

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Services Trade Liberalization: Assessing the Environmental Effects

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Although services are not precisely defined and the relevant economic data are rather poor, the WTO Secretariat estimates that international trade in services now constitutes some one-third of total international trade. Barriers to these international flows involve a host of national regulations, licensing requirements, approval procedures, ownership conditions, etc. With the signing of the Marrakesh Agreement establishing the WTO in 1994, the General Agreement on Trade in Services (GATS) established a multilateral framework under which Members make horizontal and sector-specific commitments to free up these barriers. Using a somewhat different approach, the NAFTA also set up a system of commitments for liberalizing services trade amongst the three North American members. Whilst generally recognized as a modest beginning, GATS 2000 in Geneva is now addressing a whole host of general rules and sector-specific issues to further liberalize these streams of international trade.

Only relatively recently has analytical work begun addressing the environmental impacts of services at the national level. Services and services delivery have many characteristics which distinguish them from extractive and manufacturing industries. Such differences mean that new approaches are useful in assessing their environmental impacts—both the positive as well as the negative effects. Impacts vary greatly according to services sector but many services activities lead to air, water and soil pollution and have implications for natural resource inputs as well as the production and disposal of wastes. Given the relationship between goods and services, it is also necessary to trace the goods used in the supply and consumption of services.

Despite the significance and growth of services trade, little attention has been paid to this sector in past environmental reviews of trade liberalization agreements. For example, despite the wide-ranging provisions in NAFTA on services trade and the comprehensive nature of the Final Analytic Framework for Assessing the Environmental Effects of NAFTA, the potential environmental effects of North American services trade were not addressed explicitly.

This paper reports on work in progress in the OECD Secretariat which has been mandated by the OECD Joint Working Party on Trade and Environment to develop its 1994 Methodologies—sometimes considered the “grandfather” of environmental review methodologies but which, like others, was essentially designed to address trade in goods. The Secretariat's views on such a methodology to

address environmental effects of services trade liberalization (focusing on the GATS) include the need to combine past approaches. Due to the relative complexity of the GATS compared to other trade liberalization frameworks and the limited resources for such environmental reviews, it will be essential to be practical and selective. Thus a first approach might: a) build scenarios on possible degrees of liberalization under GATS 2000; b) proceed sector-by-sector, due to the varying environmental effects of individual services sectors; c) stress screening of sectors according to the significance of the positive and negative environmental effects; and d) include regulatory effects assessment, including attention to provisions on domestic regulations.