



UNITED NATIONS
ESCAP

Economic and Social Commission for Asia and the Pacific



Environmental impacts of services trade liberalization

WTO/ESCAP 6th ARTNeT Capacity Building Workshop on Trade Research

Mia Mikic

Trade Policy Section

Trade and Investment Division

mikic@un.org



Outline



● Services

- What are (tradeable) services?
- How are services traded?
- Barriers and liberalization

● Impact assessments

- Methodology /approach:
 - Economic, social, environment
- Data

● List of references

Services



- No single international definition of service (industry)
- General Agreements on Trade in Services (GATS) services presented through 12 sectors and 155 sub-sectors (MTN.GNS/W/120) which is *not binding* for members
 - Members also use UN Central Product Classification List (CPC) or combination of the two

Business and Professional Communications Construction Distribution Education Environment	Finance and Insurance Health and Social Tourism Recreation, Culture, Sports Transport Other
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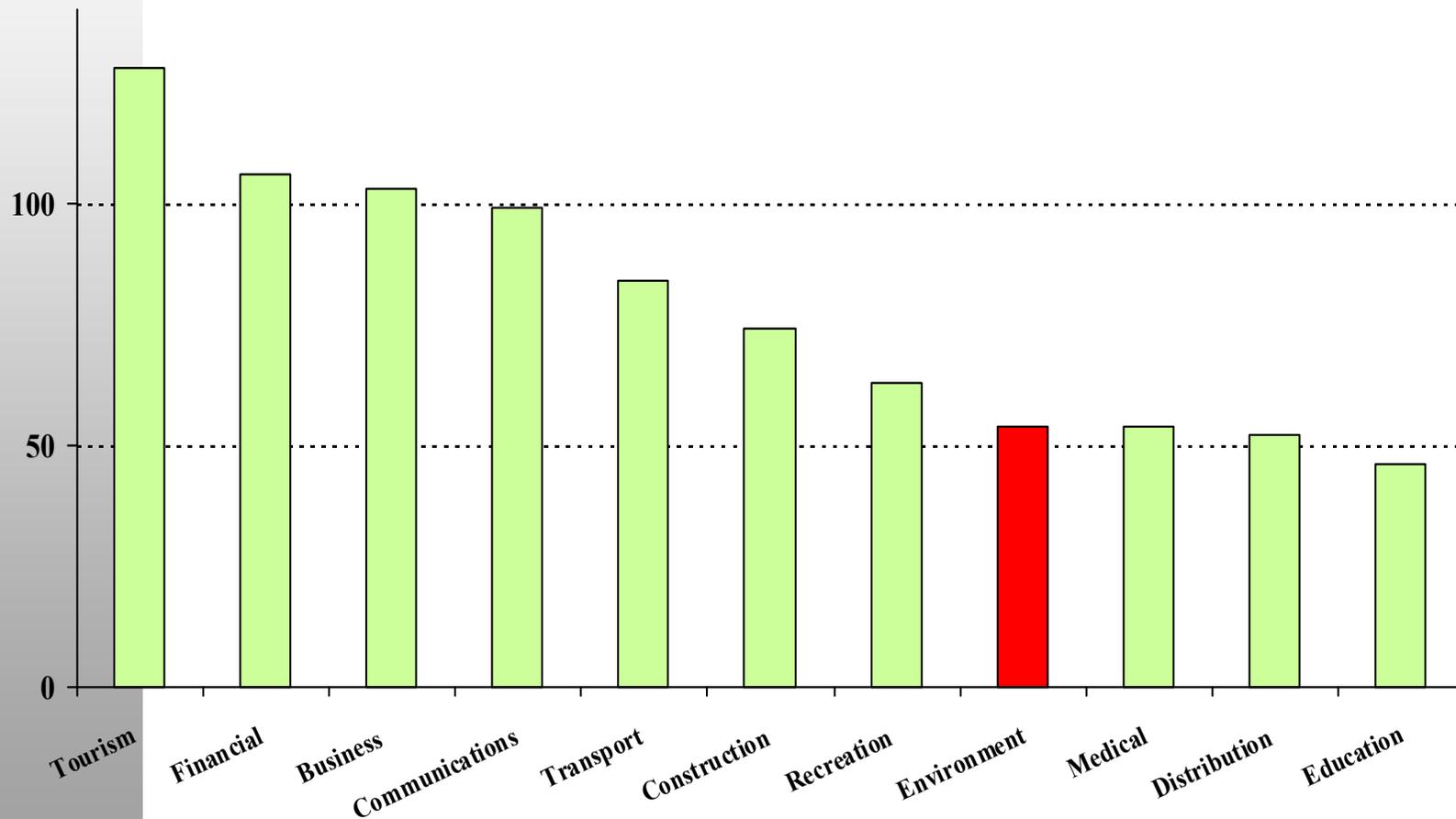
UNIVERSAL COVERAGE OF GATS

(All services, except those provided in the exercise of governmental authority and air transport)

Distribution of specific commitments across sectors



(Number of WTO Members)



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Trade (Modes of supply)



Mode of Supply	Estimated share
1 - cross-border supply	25-30%
2 - consumption abroad	10-15%
3 - commercial presence	55-60%
4 – presence of natural persons	less than 5%

Based on WTO estimates

Services trade relevance



- Service sector accounted for over 50% of the GDP in developing countries, and over 70% in OECD countries
- Service sector exports grew faster than merchandise exports since 2000 (over 15% p.a.) and also during 2006-08, in both developed and developing countries
- Contributes no more than ¼ of trade in goods
- More than half of annual FDI flows are in services

Source: WTO Secretariat

Barriers to services trade



- “policy that impedes producers and consumers interacting through any of the modes of supply” (Warren and Findlay, 2000)
- Non-tariff barriers (NTBs) and behind-the-border barriers
 - REGULATION:
 - Limitation on:
 - Entry of people
 - Qualifications of people
 - Ownership of companies

 - Restrictions on activities of companies or people etc,
 - All defined in GATS Art XVI

Removal of barriers



- Unilateral – domestic deregulation and reforms
- Bilateral/ regional
- GATS – “scheduling” process
- How to assess the impact of the removal of these types of barriers?

Some important points



- Progressive liberalization (built-in agenda, but with respect for national policy objectives)
- Regulatory adjustments –role of government remains important as liberalization sharpen the need for smart regulation such as in environmental area
- Resources for mitigation/abatement in proportion with availability of resources
- One goal, one instruments
- Link to goods

Methodologies/approaches



Not necessarily developed for services liberalization:

- OECD methodology (“grandfather” methodology* dating to 1994)
- EC SIAs
- WWF methodology

* See also 2008 paper on OECD approach and Teh’s notes

OECD approach

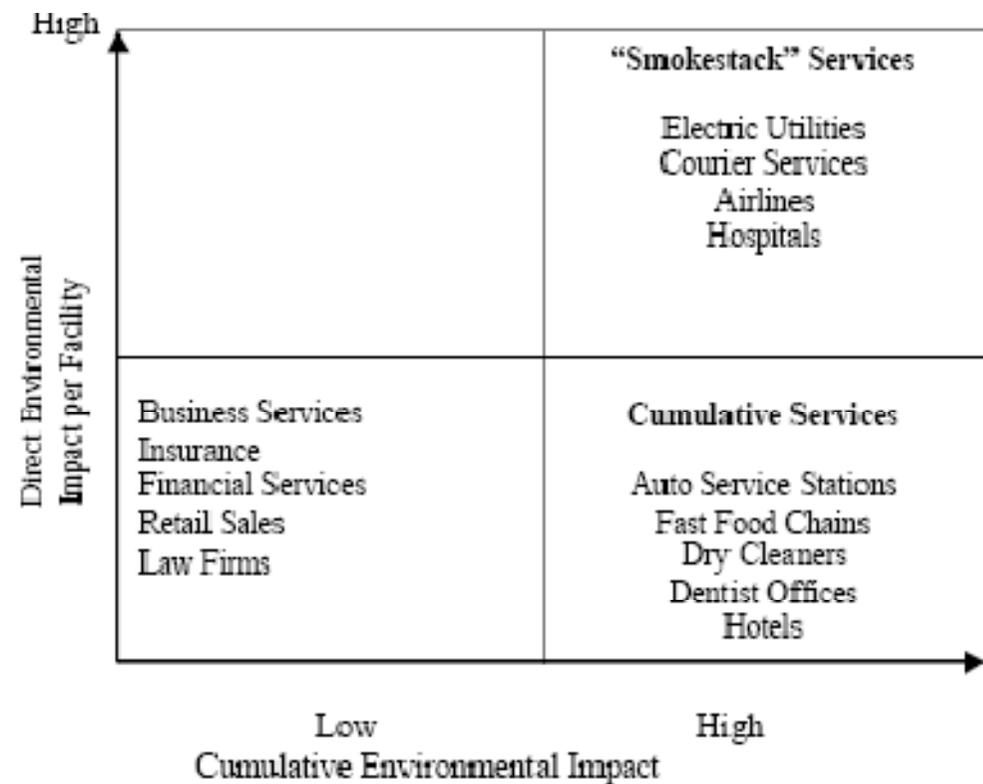


- Scoping services sectors for direct or indirect environmental effects
- Building scenarios of services trade liberalization
- Assessing environmental effects associated with economic changes
- Assessing regulatory effects arising from rule-making
- Screening for significance of environmental effects
- Determining appropriate policy responses

Impacts



- High environmental impact per facility
- Low environmental impact per facility with high cumulative direct effect



Source: Salzman 1999 as cited in Andrew (2000)

Impacts



- In addition to direct there are also indirect effects:
 - Provision of professional services (consultancy, architecture, accountancy)
- Upstream and downstream – effects that service providers can have on their customers' or suppliers' environmental practices using their market position
 - Mercury
 - Food and food retail

Scenarios of liberalization



- Status quo, base line or benchmark
- Partial
- Complete
 - ⇒ A national matrix which combines for each sector identified through scoping:
 1. Relevant modes of supply
 2. Liberalization scenarios
 3. Key liberalization issues
- Preliminary screening – assessing existing barriers in contrast to potential liberalization scenarios

Assessing impacts / effects



- Environmental impacts induced by
 - Economic changes
 - Regulatory changes
- Economic effects (caused by liberalization) will effect environment through 4 effects:
 1. Scale
 2. Structural (composition)
 3. Technology
 4. Product
- Regulatory effects e.g. of GATS rules which might affect domestic regulatory capability?

Services and economic impacts

- Calculation of barriers on trade in services
 - Frequency
 - Quantity
 - Price-based measures
- See WBI and WTO for more recent estimates of frequency based indicators

Policy responses

- Modification of some aspect of the trade agreement, environmental safeguards etc
- Implementation of complimentary environmental mechanisms to accompany the trade measure or agreement
- Putting emphasis on designing “flanking” measures

EU SIA and similar approaches*

- Overall direction and magnitude of change from baseline (WTO accession) scenario;
- Extent of existing economic, social and environmental stress in affected areas;
- Equity of change: how it affects different sectors of the population;
- Potential for irreversibility;
- Regulatory and institutional capacity to implement ameliorating measures.

See also **WT/CTE/W/245/Add.1** 28 October 2008

Scenarios

http://trade.ec.europa.eu/doclib/docs/2007/november/tradoc_136859.pdf

EU - Ukraine FTA

Scenario	Description	Model hypothesis
Base scenario		
WTO accession	Cancellation of the limitations during the five-year transition period on the share of foreign capital in the authorized fund of enterprises which distribute printed editions.	
Limited FTA	Limited liberalisation in modes 1-4; limited increase in goods for distribution; limited extent of regulatory approximation to lower NTBs	Limited elimination of barriers to FDI
Extended FTA	Liberalisation in modes 1 – 4; increases in goods for distribution from trade liberalisation, increases in FDI into services, far-reaching agreement on regulatory approximation leading to removal of NTBs	Full elimination of barriers to FDI

Economic impacts

Overview of model outputs for distribution services

	Production US\$		High skilled employment		Low skilled employment		Prices %	Exports (in general)	Imports (in general)	Exports to EU	Imports from EU
	bn	%	number	%	number	%		%	%	%	%
Base scenario	14.46		98,363		1,989,800						
<i>Change on Base</i>											
WTO accession	0.014	0.1	148	0.1	2,985	0.2	0.8	-5.0	3.0	-5	3
<i>Change on WTO</i>											
Limited FTA: short run	0.044	0.3	285	0.3	5,770	0.3	0.4	-4.2	1.9	-4	2
Limited FTA: long run	0.405	2.8	2,833	2.9	57,505	2.9	-1.3	-1.1	1.0	2	1
Extended FTA: short run	0.174	1.2	1,141	1.2	23,221	1.2	0.7	-7.4	4.9	-7	5
Extended FTA: long run	0.695	4.8	4,924	5.0	100,226	5.0	-0.2	2.1	2.9	2	3

Environmental impacts

Summary of environmental impacts for Ukrainian distributive trades

INDICATOR	Overall Direction magnitude	Existing conditions	Equity	Reversibility	Capacity to Change
Atmosphere					
CO2 emissions from transport ⁷⁰	▽	-	▽	No	H
Air pollution and ozone depletion	○	-	○	No	H
Land					
Use of raw materials, land use	○	-	○	Yes/No	M
Management of contaminated sites	△	-	○	Yes	H
Biodiversity					
Protected areas, ecosystem, species	○	-	○	Yes	M
Environmental quality					
Waste management	△	-	○	Yes	M
Use of energy	○	-	○	Yes	H
Energy efficiency	△	-	○	Yes	H
Noise pollution	○	-	○	Yes	H
Fresh and waste water					
Quality of ground water	○	0/-	○	Yes	M
Quantity of waste water	△	-	○	Yes	H
Cleaning of waste water	△	-	○	Yes/No	M

* For the meaning of the signs in the Table, we refer to section 2.3.

Summary of trade in services sustainable impacts⁸⁴

Core indicator	Overall direction magnitude A	Existing conditions B	Equity C	Reversibility D	Capacity to change E
Economic					
Real income	△	-/0	↑	Yes	LM
Fixed capital formation	△	+/0	↑	No	LM
Trade	△	-	↑	Yes	LM
Social					
Employment & decent work	△	+	↑	Yes	M
Poverty	△	+	↑	Yes	M
Equality	△	-	↑	Yes	M
Health	○	0	↑	Yes/No	LM
Education	○	0	↑	Yes	M
Environment					
Atmosphere	▽	-	▲	No	M/H
Land	○	-	▲	Yes/No	L/H
Bio-diversity	?	-	▲	Yes	LM
Environmental quality	○	-	▲	Yes	L/H
Fresh and waste water	○	-	▲	Yes/No	M/H

Summary

- Services are under-researched area and data not available/reliable
- Not easy to assess economic effects due to inter alia problems with expressing barriers in quantifiable format
- Assessing environmental effects also constrained with lack of data
- Modeling different market structures
- Regulatory changes and impacts
- In addition, separate set of issues with environmental services and assessing the impact of environment/climate change of liberalization of those
 - definition/list
 - barriers/ liberalization

List of references



- Andrew, D. (2000) Services trade liberalization: Assessing the environmental effects, OECD, October (mimeo)
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- Potier and Tebar Less (2008) Trade and Environment at the OECD: Key issues since 1991, OECD WP 2008-01
- WTO (2002) Discussion Paper on the environmental effects of services trade liberalization, WT/CTE/W/218 3 October



Thank you for your feedback.

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