



# **Marine and coastal environmental services in the multilateral trading system**

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# Marine and coastal management services: definitions

- ***“Integrated marine and coastal area management (IMCAM) is a participatory process for decision making to prevent, control, or mitigate adverse impacts from human activities in the marine and coastal environment, and to contribute to the restoration of degraded coastal areas.”*** (SCBD 2004).
- ***“Marine spatial planning (MSP) is a public process of analyzing and allocating the spatial and temporal distribution of human activities in marine areas to achieve ecological, economic, and social objectives that are usually specified through a political process.”*** (UNESCO-IOC-MSP 2009).
- ***“Coastal zone management involves managing coastal areas to balance environmental, economic, human health, and human activities”*** (US National Ocean Service)

→ **Internalize externalities of human activity in the ocean space**



# Environmental services: an evolving reality

- Blurry perimeter (also spans typically non-environmental economic activities)
  - Dynamic and evolving (national vs. international drivers):
    - **SDGs**: climate action (SDG 13), life below water (SDG 14);
    - **MEAs**: CBD, CITES, Paris Agreement;
    - Shifts in **consumer demand** to more environmentally-friendly goods and services (e.g. eco-tourism, oceans cleanup);
    - Increasingly-stringent **environmental policies**;
    - **Beyond natural monopolies**: environment-related services (R&D, consulting, analytics/data science).
  - Public-private grey zones: natural monopolies (high barriers to entry)
  - Locally-shaped, globally orchestrated: EC&Es sector.
  - Relatively-high tradeability.
- **Changing nature** and **mode of delivery** of environmental services



## **GATS Basic principles:**

**Trade in services without discrimination and equal opportunities for service providers**



# Modes of delivery (GATS art.1) and the balance of payments

	<i>Value (USD)</i>
<p><b>Mode 1 (Cross-border supply):</b> e.g. environmental consulting services provided by a foreign firm (the blue prints of a new coastal protection system) via the internet to a research centre in Barbados.</p>	-100
<p><b>Mode 2 (Consumption abroad):</b> e.g. foreign students take a course on environmental law at Barbados University and pay a tuition fee.</p>	+70
<p><b>Mode 3 (Commercial presence):</b> e.g. an affiliate of a foreign company registered in Barbados provides water treatment services to a Barbadian entity in exchange of a fee.</p>	-150
<p><b>Mode 4 (temporary personal presence abroad):</b> e.g. a foreign expert of marine wildlife is hired by a Barbadian authority to provide advice in setting up a marine protected area. He temporarily move to Barbados to perform his duties.</p>	-60

<i>Balance of payments (current account)</i>	<i>Exports (+)</i>	<i>Imports (-)</i>	<b>EXAMPLE</b>	<b>-240</b>
Environmental services	70	310		<span style="border: 1px solid red; border-radius: 50%; padding: 5px;">-240</span>



# The General Agreement on Trade in Services (GATS)

- A landmark achievement of the Uruguay Round of negotiations (1991)
- Entry into force: January 1995
- 140 countries, 4 inspiring objectives:
  - **Creating a credible and reliable system of international trade rules;**
  - Ensuring fair and equitable treatment of all participants (p. of non discrimination);
  - Stimulate economic activity through guaranteed policy bindings;
  - Promoting trade and development through progressive liberalization.
- **Developing countries (art. IV):** increasing participation in global trade through: strengthened domestic capacity, better access to networks, liberalization of market access
- General obligations vs. **commitments** (national treatment, market access)

...with due respect for **national policy objectives** and **levels of development**



# GATS Relevant articles (I)

## Article I: Scope and definition

- **Scope:**
  - All service sectors, and all measures affecting trade in services (mode 1, 2, 3, 4);
  - Taken by central, regional or local governments/authorities; or non-governmental bodies in the exercise of powers delegated by the former.
- **Exceptions:**
  - “services supplied in the exercise of governmental authority”, e.g. social security schemes, health or education, law enforcement (i.e. coastguard services) that is provided at non-market conditions.
  - Air traffic rights (Annex on Air Transport Services).



## **GATS Relevant articles (II)**

### **Article II: Most-Favoured Nation (MFN) treatment**

- MFN exemptions (Annex):
  - Adjacent countries: exchanges of services that are both locally produced and consumed in contiguous frontier zones;
  - One-off right subject to review each 5 years.

### **Article V: Economic integration**

#### **Participation in or entry into other trade-liberalizing agreements:**

- a. substantial sectoral coverage;
- b. absence or elimination of substantially all discrimination.





# GATS Relevant articles (III)

## Article VI: Domestic regulation

- Ensure that all measures of general application affecting trade in services are administered in a reasonable, objective and impartial manner.
  - Qualification requirements, procedures, technical standards, and licensing requirements need to be:
    - objective and transparent criteria
    - not more burdensome than necessary to ensure quality
- No rules on subsidies, safeguards or government procurement on services so far (except for WTO GPA Members) → A lot of policy space.

## Art. XVI: General exceptions

- public morals, public order, health, safety, prevention of fraud, security (environment is not listed)



## **GATS Specific commitments**

- **Market access (Art. XVI)**
  - Number of service suppliers
  - Value of transactions or assets
  - Number of operations or quantity of output
  - Total number of natural persons
  - Type of legal entity or joint venture
  - Foreign capital participation
- **National treatment (Art. XVII)**
  - No discrimination or equal opportunities
- **Additional commitments (Art. XVIII)**

**Schedule of  
commitments**



# Example of schedule of commitments

Sector or Subsector	Limitations on <b>Market Access</b>	→ Limitations on <b>National Treatment</b>	Additional Commitments
<b>6. Environmental Services</b>	<i>Modes of supply</i>		
<b>D. Other</b>  <b>Nature and landscape protection services (including marine protected areas and no take zones)</b> <b>CPC 9496</b>  <i>Sector:</i> <b>CPC/W120</b>	(1) None, bound (2) None, bound (3) Foreign equity limited to 51% (4) Unbound, except as indicated in the horizontal section (i.e. Visa requirements)	(1) None, bound (2) None, bound (3) Incentives for nationally owned companies (4) Unbound, except as indicated in the horizontal section (i.e. Visa requirements)	

- Submitted by each member government at the time of entry
- If new commitments taken in successive negotiations → replacement of SOC
- Commitments vs. exemptions.



# Environmental services negotiations: Key trends

- **Advancement:** Goods > services.
- **Success:** Regional/bilateral > multilateral:
- *most liberalization happened in GATS-plus RTAs (Miroudot et al., 2010; De Melo and Vijil (2014))*
- **GATS:** relatively few commitments, particularly on mode 1:

Mode of supply	Market Access		National Treatment	
	Unbound	Full commitment	Unbound	Full commitment
Mode 1 = cross-border	84%	10%	80%	20%
Mode 2 = consumption abroad	57%	32%	55%	45%
Mode 3 = commercial presence	55%	20%	55%	45%
Mode 4 = movement of natural persons	54%	0%	54%	14%



## Barbados and the GATS: Schedule of commitments

- Submitted: April 1994
- **Commitments (limitations)** in a number of service categories: legal, medical, communication, insurance, entertainment and computer and related services;
- No **bound commitments** on **environmental services**.
- A great deal of **policy space** → Government can act!
- For further research, there may be **cooperation** and **liberalisation commitments** within (respectively):
  - CARICOM (Strategic Plan for the Caribbean community 2015-2019);
  - EU-CARIFORUM Agreement.



# **Liberalizing and measuring trade in environmental services:**

## **Tools and mechanisms**



## Evolving reality vs. static standards

- Core environmental services vs. environmentally-related services vs. services incidentally related to the environment;
- Official classifications have failed to adapt to an evolving reality (changing scope and mode of delivery of env. services)



- **A double disconnect:** reality → negotiations + measurement

Statistics (services trade)	Negotiations (WTO)
<ul style="list-style-type: none"> <li>• Statistical frameworks/reporting guidelines (BPM6-EBOPS 2010)</li> <li>• Low disaggregation</li> <li>• Limited reporting, largely from OECD countries</li> <li>• Production of estimates</li> </ul>	<ul style="list-style-type: none"> <li>• Product classifications: WTO W120, UN CPC</li> <li>• High disaggregation</li> <li>• Deposit of WTO commitments by Member States</li> <li>• Reflect an old industry conception</li> </ul>





# Environmental services in international product and statistical classifications

IMF Balance of Payments <i>6th edition, 2010</i>	UN Central Product Classification <i>version 2.1, 2015</i>	UN Central Product Classification <i>provisional, 1991</i>	WTO Services Sectoral <i>W120, 1991</i>
10. Other business services	<b>94. Sewage and waste collection, treatment and disposal and other environmental protection services</b>	<b>940. Sewage and refuse disposal, sanitation</b>	<b>6. Environmental services</b>
10.3.2.1. Waste treatment and de-pollution	941. Sewerage, sewage treatment and septic tank cleaning services	9401. Sewage services	A. Sewage services
	942. Waste collection services	9402. Refuse disposal services	B. Refuse disposal
	943. Waste treatment and disposal services		
	945. Sanitation and similar services	9403. Sanitation and similar services	C. Sanitation and similar services
	944. Remediation services	9404. Cleaning services of exhaust gases	D. Other
		949. Other environmental protection services n.e.c.	
	9409. Other environmental protection services n.e.c.		
894. Materials recovery (recycling) services, on a fee or contract basis	Not specified	Not specified	

Statistical reporting

International standard-setting/trade negotiations





# Trade in services in Barbados: evidence from the balance of payments

	Balance of trade USD bln		Services exports USD bln		Services share of exports per cent		CAGR 07-17	Travel exports USD bln		Travel share of exports per cent		CAGR 07-17
	2007	2017	2007	2017	2007	2017		2007	2017	2007	2017	
<b>Barbados</b>	-0.2	-0.5	2	2	76%	78%	-1%	1	1	55%	54%	-1%
<b>CARICOM</b>	-2	-9	11	14	34%	44%	3%	8	11	24%	34%	4%
<b>Small Island Developing States (SIDS)</b>	-3	-10	16	23	42%	56%	4%	11	17	30%	41%	4%
<b>Developing and transition economies</b>	789	409	953	1'702	14%	17%	6%	303	550	5%	5%	6%

## *Environmental services (2014, USD mln):*

Waste treatment and de-pollution, agricultural and mining services

**Exports**

10.1

**Imports**

16.3



**Thank you**

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