SUSTAINABILITY IMPACT ASSESSMENT OF PROPOSED WTO NEGOTIATIONS :
PRELIMINARY OVERVIEW OF POTENTIAL IMPACTS OF THE DOHA AGENDA

PROJECT INCEPTION REPORT 
TO THE EUROPEAN COMMISSION

Institute for Development Policy and Management 
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in association with 

Overseas Development Institute  
British Institute of International and Comparative Law 
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SUMMARY

The aim of this specific agreement is to undertake a qualified preliminary assessment of the trade negotiations which will cover the Doha Ministerial Declaration (DMD), including the Singapore issues. This will include an examination and overview of the potential major economic, environmental and social impacts of these negotiations, as the second part of the Phase Three Framework Agreement.

This preliminary global overview SIA will provide an analysis of the potential significant impacts on sustainable development of different negotiation scenarios/options, in the EU, developing countries, least developed countries, and other developed countries. The analysis will be presented in such a way as to assist the identification of issues needing more detailed investigation, including the assessment of possible flanking measures.

The specific agreement also requires the contractor to contribute to the dialogue on SIA with interested stakeholders and to strengthen the existing international network of SIA experts and their involvement in the SIA debate.

Three reports are planned for this specific agreement: this inception report, a mid-term report and a final report. The purposes of this Inception Report are to provide the Commission with:

- a selective review of literature, assessment tools and references to be used
- a summary of the methodological approach and framework (including links between the different parts of the analysis)
- a preliminary screening exercise for the key sustainability issues/impacts associated with the DMD
- outlines of the contents of the mid-term and final reports.
1. INTRODUCTION

This Inception Report is part of the third phase of a series of studies being undertaken for the European Commission, relating to the development and application of sustainability impact assessment (SIA) to WTO trade negotiations.

During Phase One of the SIA, the contractors developed a methodology for a preliminary SIA of the proposed New Round agenda (Kirkpatrick, Lee and Morrissey 1999). The methodology was used in Phase Two, to make a broad qualitative assessment of the impact on sustainability of the New Round trade negotiations (Kirkpatrick and Lee, 1999).

The Phase One methodology was subsequently refined and developed for Phase Three of the SIA of trade negotiations covered by the Doha Ministerial Declaration (DMD), and to provide for fuller and more detailed studies to be undertaken (Kirkpatrick and Lee, 2002).

The first part of Phase Three (April 2002 – March 2003) provides for three sector studies (Kirkpatrick, George et al 2002); and for a qualified preliminary assessment (this study) covering both the DDA negotiations mandate and sectors which could be included in the negotiation mandate after the 5th Ministerial Conference in 2003.

This qualified preliminary assessment will provide an overview of the potential major impacts on sustainability of all of the proposed sectoral measures, taking into account potential impacts associated with inter-sectoral linkages. This is intended to assist in determining the more detailed sectoral assessments to be undertaken. It will build on the work already carried out in Phase Two, to take account of subsequent developments, to undertake fuller investigations where appropriate, and to identify priority areas for further work.

The main outputs of the project will include a proposed list of sectoral studies to be undertaken during the following steps of the study, based on an assessment of those areas where it is considered that more detailed assessments should be carried out. To these ends the project will identify:

i) The scenarios for the measures to be analysed in the detailed assessment.
ii) The criteria by which the significance of the sustainability impacts is to be assessed.
iii) The country groups and/or individual countries for which the sustainability impacts should be assessed.
iv) The time horizons over which the impacts should be assessed.
v) The approach to evaluating any cumulative impacts that are likely to result from the implementation of the New Round as a whole.
vi) The methods, data sources and sustainability indicators to be used, and the consultations to be undertaken, in the detailed assessments and in subsequent stages in the assessment process.

The assessment will analyse the main causal chains which identify the significant cause-effect links between a proposed change in trade policy and its social, environmental and economic impacts. Where possible it will combine qualitative and quantitative approaches.

The project will also include development of the consultation process by which the Commission can ensure transparency of the SIA process and enable civil society and other stakeholders to provide inputs during the study and in particular in the screening/scoping phase.

Three reports are to be submitted to the European Commission: an inception report (16 September 2002), a mid-term report (18 November 2002) and a final report (17 March 2003). These reports will be posted on the IDPM website for SIA and trade:

http://idpm.man.ac.uk/sia-trade
Comments, suggestions and other forms of assistance to this project are warmly welcomed at the above web address, and also via email at chk@man.ac.uk.

This inception report provides:

- A description of refinements to the methodological approach and framework (including steps in the process and links between the different parts of the analysis)
- A preliminary screening exercise for the key sustainability issues/impacts associated with the DDA, which updates the findings of the Phase Two report
- An outline of the contents of the mid-term and final reports.
- A selective review of literature, list of tools and references to be used

The report concludes with a list of issues upon which comments and suggestions are invited from those interested in the studies.
2. METHODOLOGICAL DEVELOPMENTS: TRADE MEASURES, SCENARIOS, COUNTRY GROUPINGS, ASSESSMENT METHODS AND SUSTAINABILITY INDICATORS

2.1. Summary of methodology

The methodology to be used in this overview study is as developed during Phases One and Two of the SIA (Kirkpatrick, Lee and Morrissey 1999), and as further refined for the SIA of trade negotiations covered by the Doha agreements (Kirkpatrick and Lee, 2002).

The methodology for the full set of Phase Three studies needs to be sufficiently comprehensive and adaptable to be applied to the “broad and balanced” Doha Declaration Work Programme (Kirkpatrick and Lee, 2002). Phase Three requires a global preliminary SIA at its commencement (this study), a number of sectoral assessments of individual measures throughout its duration, and a comprehensive SIA of all agreements reached at the end of Phase Three, before final decisions are made on their adoption. The SIA framework is intended to allow assessment of the sustainability impact of negotiations in each of the areas included in the Doha Declaration and of the Agenda as a whole, thereby informing and assisting negotiations throughout the period leading up to the Special Session of the Ministerial Conference.

This preliminary global SIA is intended to provide an overview of the potential impact on sustainability of all of the proposed sectoral measures, taking into account potential impacts associated with inter-sectoral linkages. This is intended to assist in determining the more detailed sectoral assessments to be undertaken.

The main stages in the full SIA process are:

Stage 1: Screening and scoping update
Stage 2: Detailed assessment of proposed measures
Stage 3: Assessment of alternative mitigation and enhancing (M and E) measures (i.e. options analysis)
Stage 4: Monitoring and post-evaluation proposals.

The fundamental purpose of this preliminary overview study is to provide the basis for the screening and scoping update of Stage 1, and thereby systematise the determination of the terms of reference for the SIA of each measure, and for the New Round measures as a whole. This will involve determining:

The specifics of each trade measure to be negotiated and of those of its components which should be submitted to detailed assessment at the next stage in the process. Different types of measures (e.g. tariff reductions, rule changes) may need to be assessed in somewhat different ways.

The specific scenarios (i.e. potential negotiation outcomes) for each measure/component which should be analysed in the detailed assessment.

The criteria by which the significance of the sustainability impacts are to be assessed.

The country groups and/or individual countries for which the sustainability impacts should be assessed.

The time horizons over which the impacts should be assessed.

The cumulative impacts, likely to result from the implementation of the New Round as a whole, which should be assessed.
The methods, data sources and sustainability indicators to be used, and the consultations to be undertaken, in the detailed assessments and in subsequent stages in the assessment process.

The methodology for the preliminary global SIA will involve simplified forms of causal chain analysis (CCA) which help in identifying the potentially important sections of each causal chain which link, in sequence, each trade measure to its eventual, significant impacts. These analyses need to be undertaken for all scenarios applicable to each trade measure and for the New Round of negotiations as a whole. The study should also include a preliminary identification of the types of M and E measures that might need to be appraised later in the SIA process, classified according to the individual trade measure scenarios to which they relate, and for the Round as a whole.

2.2. Trade measures

The majority of trade measures that were evaluated in the Phase Two report (Kirkpatrick and Lee 1999) remain active under the Doha Declaration, either as measures for which a negotiation mandate has already been established, or those for which a commitment has been made to begin negotiations after the 5th Ministerial Conference in Mexico in 2003 (the ‘Singapore issues’).

Additionally, the Ministerial Decision on Implementation made at Doha commits members to negotiations on issues that have been raised in connection with developing countries’ problems in implementing the WTO Agreements.

Within the Doha Declaration members also agreed to a WTO work programme on a number of other measures, for which no commitment on negotiations has yet been established.

These measures are summarised in Table 2.1.

Table 2.1. Trade measures

| Existing negotiation mandate | 1. Agriculture |
|                             | 2. Market access for non-agricultural products |
|                             | 3. Services |
|                             | 4. Trade and environment |
|                             | 5. Dispute settlement |
|                             | 6. Trade Related Aspects of Intellectual Property Rights (TRIPS) |
|                             | 7. WTO Rules (anti-dumping and subsidies; regional trade agreements) |
|                             | 8. Implementation issues in developing countries |

| Singapore issues | 9. Trade and investment |
|                 | 10. Competition policy |
|                 | 11. Trade facilitation |
|                 | 12. Transparency of government procurement |

| Measures subject to discussion | 13. Other measures |
|                               | Electronic commerce |
|                               | Small economies |
|                               | Debt and finance |
|                               | Technology transfer |
|                               | Technical cooperation and capacity building |
|                               | Least-developed countries |
|                               | Special and differential treatment |

2.3. Scenarios

Three scenarios were analysed in the Phase Two SIA: a ‘base’ scenario representing full implementation of the Uruguay Round; an ‘intermediate’ scenario representing the European
Commission’s negotiating position; and a ‘trade liberalisation’ scenario incorporating fuller and faster liberalisation.

For the Phase Three studies it is proposed to analyse two scenarios: a ‘base’ scenario representing full implementation of existing agreements; and a ‘further liberalisation’ scenario which represents the strongest probable implementation of the negotiations agreed to at the 4th Ministerial Conference in Doha. In order to identify the potential impacts of the Doha negotiations, the analysis will identify the effects of fully implementing the base scenario when existing agreements have not yet been fully implemented, or when their impacts have yet to be felt. The ‘further liberalisation’ scenario aims to evaluate the sustainability impacts of agreements which are no less strong than those which will actually be negotiated. In general, the assessed impacts will represent an outer bound to the potential effects.

The scenarios are defined in broad terms in Table 2.2. These definitions are interpreted individually for each measure, as described in the subsequent sections of this inception report.

Table 2.2. Phase Two Scenarios

<table>
<thead>
<tr>
<th>Phase Two SIA</th>
<th>Present study</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Base scenario</strong></td>
<td>Full implementation of existing commitments from the Uruguay Round. This may not be the same as the existing situation, since there are commitments from the Uruguay Round that are not yet fully implemented.</td>
</tr>
<tr>
<td><strong>Phase Two Intermediate scenario</strong></td>
<td>This reflected the broad position of the European Commission in the lead up to the 3rd Ministerial conference in Seattle in 1999.</td>
</tr>
<tr>
<td><strong>Phase Two Trade liberalisation scenario</strong></td>
<td>This assumed greater and faster trade liberalisation, and supporting measures to remove discriminatory market practices in domestic markets, than in the previous two scenarios, together with further changes to mitigate adverse environmental and social impacts.</td>
</tr>
<tr>
<td><strong>Further liberalisation scenario</strong></td>
<td>Strongest probable implementation of the negotiations initiated at Doha. This includes assumptions regarding the outcome of current or planned negotiations which are not less than, but may go beyond, the actual outcome. These assumptions have no official status and do not imply any EC commitment.</td>
</tr>
</tbody>
</table>

2.4. Country Groupings

The Phase Two study considered four main country groups: the European Union, developing countries, least developed countries and the world as a whole.

It became apparent from the Phase Two study that greater precision was in some cases necessary, for example to distinguish between net importers and net exporters, for a particular measure or sub-set of that measure.

Also, for the purpose of identifying sectors for which a detailed SIA may be necessary, significant impacts on non-EU developed countries will need to be identified.
The preliminary screening undertaken in this inception report takes these needs into account.

2.5. Assessment Methods

The assessment methods used will be as described in the methodology report (Kirkpatrick and Lee, 2002). These will, where appropriate, combine both qualitative and quantitative techniques, based primarily on: causal chain analyses; the results of published modelling studies, case studies and statistical estimations; and the use of expert and consultative opinions.

A more direct use of econometric modelling has been made in a recent SIA of trade aspects of negotiations for an association agreement between the European Commission and Chile (Planistat 2002). The bilateral focus of this study reduces the magnitude of the task of setting up a model to directly inform the assessment process, but caution must still be exercised in allowing for the effects of modelling approximations. For multilateral world trade negotiations a detailed assessment based on the same methodology as employed here has been undertaken for the agriculture sector by Stockholm Environment Institute (Maltais et al 2002). As proposed for this study, estimates of the magnitude of economic effects were obtained from a range of reported econometric studies, whose different assumptions produced different results. The main methodological findings, suggestions and recommendations of the SEI study can be summarised as follows:

- care is needed in using CGE models for specific country studies because of the importance of the assumptions employed for determining model outputs;
- there is a need to bridge the gap between theoretical reasoning (usually at an aggregated or 'high' level) and the locally specific nature of sustainability impacts; and
- a small set of indicators needs to be developed which: have direct links to potential sustainability impacts; are relevant in the long run; have clear definitions; are relevant for as many countries as possible; and are based on existing data. The study suggests a list of indicators appropriate for the agriculture sector.

The present project will build on the initial work done in the SEI study to address these issues.

2.6. Sustainability Indicators

The Phase Three methodology retains the set of nine core indicators used in the Phase Two study. These are complemented, however, by the inclusion of second tier indicators to reflect final impacts on sustainable development at the 'end points' of the cause-effect chain resulting from the measure being assessed, which are likely to be specific to the circumstances of the sector/measure under examination. The use of process indicators is also suggested, to indicate the effects of the measure on institutional and other factors which may have a significant influence on sustainability outcomes.

The second tier and process indicators suggested in the methodology report are intended primarily for use in the detailed sector assessments to be undertaken in Phase Three. They may also prove valuable for the present study. In the Phase Two study, the nine core indicators were used as prompts to guide the assessment process, whose results were summarised at the aggregate level of economic, social and environmental impacts. This exercise is not repeated in this inception report, but a similar approach will be used to summarise the results of the study in the mid-term and final reports. These will also make use of the full set of nine core indicators, and where appropriate, second tier indicators and process indicators identified for individual measures.
The study will also draw a clear distinction between short term and long-term impacts, using the same set of indicators to present the results. Typically, short term corresponds to the period of adjustment to the changed trading regime, and long term to the situation when a new equilibrium has been established. Temporal influences and their duration will vary according to the measure being assessed. Allowance must also be made for the higher degree of uncertainty in predicting long-term effects, whose direction and magnitude may be highly dependent on institutional factors and policy responses. Where practicable, process indicators will be used in the estimation of these longer term effects.

As the study proceeds and its findings emerge, efforts will be made to find an appropriate balance between simple matrices using high level indicators, more complex ones using a larger number of second tier indicators (which may vary from measure to measure), and supporting textual information, to summarise the results in the most meaningful way.

2.7. Intersectoral linkages

As is noted in the following discussion of each of the measures subject to negotiation within the Doha Development Round, the sustainability impacts of one measure may be strongly influenced by agreements made under other measures and, in time, may have an influence on the impact of other measures. A number of significant interactions are identified below, in the discussion of individual measures.

The qualified preliminary assessment of each measure will analyse these interactions from the perspective of the influence of other measures on the measure being assessed. At an intermediate stage of the assessment, the results of the studies of each measure will be drawn together, and a further causal chain analysis will be undertaken to give an overall indication of inter-sectoral effects. The results of this will be fed back into the later stages of the sectoral analyses, and will inform the final aggregation of the SIA results. This will contribute to the study’s overall analysis of the impacts of the Doha Development Round as a whole.

2.8. Mitigation and enhancement

The full SIA process, comprising this study, subsequent sectoral assessments and a concluding global overview, will identify where the introduction of mitigation and enhancement (M and E) measures could have a significant benefit, and appraise the most promising M and E options for their potential sustainability impact. Such measures include:

Measures which are closely trade-related and which might be built into a WTO agreement itself.

Closely related side or parallel agreements between WTO member countries, or in regional agreements which may ‘nest’ within international agreements.

Collaborative agreements and other joint initiatives between international organisations to clarify the relationship and strengthen the consistency, between international trade agreements and other types of international agreements.

International and regional initiatives to promote technical cooperation and capacity building in developing countries.

Measures by national governments to remedy market imperfections, regulatory failures, social inequalities, which are harmful to sustainable development and whose removal could enhance the contribution which trade measures may make to sustainable development.

This preliminary global overview will contain an initial indication of the types of M and E measures that might need to be appraised later in the SIA process.
3. AGRICULTURE

3.1. Characteristics of sector

Agriculture contributes some 10 percent to total world trade in merchandise, similar in value to all mining products (including oil). Its value compared with other sectors is shown in Table 3.1. Agricultural trade has not expanded as rapidly as other sectors, and with the world financial crisis of 1997 it declined in absolute terms, but previously it was growing strongly. Excluding trade within the EU, it rose from $280 billion in 1990 to $424 billion in 1997, before dipping to 393.6 billion in 1998 (WTO 2001a). Developing countries’ share of world agricultural exports has also grown, from 35.8% in 1990 to 38.4% in 1998. Trade between developing countries is an important part of this, growing in the same period from 30.5% of their exports to 39.6%. The EU, nonetheless, remains a major market for developing countries, importing 28% of their agricultural exports, compared with 16% for North America and 11% for Japan.

Table 3.1. Value of World Exports 1998, billion dollars

<table>
<thead>
<tr>
<th>Product</th>
<th>Value (billion dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural products</td>
<td>552.7</td>
</tr>
<tr>
<td>Mining products</td>
<td>501.9</td>
</tr>
<tr>
<td>Iron and steel</td>
<td>141.3</td>
</tr>
<tr>
<td>Chemicals</td>
<td>503.2</td>
</tr>
<tr>
<td>Other semi-manufactures</td>
<td>399.0</td>
</tr>
<tr>
<td>Automotive products</td>
<td>524.9</td>
</tr>
<tr>
<td>Office and telecom equip.</td>
<td>681.4</td>
</tr>
<tr>
<td>Other machinery and transport equip.</td>
<td>959.3</td>
</tr>
<tr>
<td>Textiles</td>
<td>151.0</td>
</tr>
<tr>
<td>Clothing</td>
<td>179.6</td>
</tr>
<tr>
<td>Other consumer goods</td>
<td>470.6</td>
</tr>
<tr>
<td>Unspecified</td>
<td>205.1</td>
</tr>
<tr>
<td>Total merchandise exports</td>
<td>5270.0</td>
</tr>
</tbody>
</table>

Source: WTO (2001), Market Access: Unfinished Business. Post-Uruguay Round Inventory and Issues WTO Special Study no. 6, Table III.17

Agricultural produce has a special place in the trading system, in having to meet the most fundamental of all human needs. The necessity of food security must be taken into account when considering the potential sustainability impacts of trade liberalisation. International trade can play a positive role in this, by allowing food deficits resulting from local production failures to be offset by imports. However, fluctuations in world prices and disruptions in time of war may militate in favour of policies of self-sufficiency. The experiences of the 1930s depression and the Second World War encouraged Europe and the USA to adopt such policies, and both have maintained strong support of domestic agriculture. This allows them to be major exporters as well as importers. Between them, North America and Western Europe export 45% of total world agricultural trade, excluding trade within the EU. The contributions of each geographical region are shown in Table 3.2.
Table 3.2. Value of Agricultural Exports by Region 1998, billion dollars (excluding EU internal trade)

<table>
<thead>
<tr>
<th>Region</th>
<th>Value (billion dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>99.9</td>
</tr>
<tr>
<td>Latin America</td>
<td>65.6</td>
</tr>
<tr>
<td>Western Europe</td>
<td>77.1</td>
</tr>
<tr>
<td>European Union</td>
<td>62.1</td>
</tr>
<tr>
<td>Transition Economies</td>
<td>25.0</td>
</tr>
<tr>
<td>Africa</td>
<td>20.9</td>
</tr>
<tr>
<td>Middle East</td>
<td>6.0</td>
</tr>
<tr>
<td>Asia</td>
<td>99.3</td>
</tr>
<tr>
<td>Japan</td>
<td>4.1</td>
</tr>
<tr>
<td>Australia/NZ</td>
<td>23.9</td>
</tr>
<tr>
<td>Developing Asia</td>
<td>71.3</td>
</tr>
<tr>
<td><strong>Total agricultural exports (excluding EU internal trade)</strong></td>
<td><strong>393.6</strong></td>
</tr>
</tbody>
</table>

Source: WTO (2001), Market Access: Unfinished Business. Post-Uruguay round inventory and issues WTO Special Study no. 6, Table III.14

The policies employed in the USA and Europe to support their own agriculture, combined with their large share of world exports, have had the effect of depressing world market prices. This can create disincentives for the maintenance of agricultural production levels in developing countries (WTO 2001a). This may reduce these countries’ own degree of self-sufficiency, and leave their food security vulnerable to similar external shocks to those which the USA and Europe have sought to avoid. Since agriculture is a major component of the economy in many developing countries, world market distortions can also have a significant effect on these countries’ export markets for agricultural products, and on their economic structure and international competitiveness.

The GATT rules of 1947 left considerable freedom for distortions of this nature, which were not addressed with any vigour before the Uruguay Round’s Agreement on Agriculture (URAA). The URAA did, however, include commitments to reduce domestic agricultural support and export subsidies, as well as the conversion of non-tariff barriers to tariffs, and their reduction. The Doha agenda aims to go beyond the Uruguay Round, to achieve a further step in liberalisation and in the reduction of agricultural market distortions.

In addition to these food security and market access concerns of both developed and developing countries, the liberalisation of agricultural trade is affected by a number of other issues. Countries generally aim to apply the same standards of food safety to imports as they do to their domestic produce, and may do so under the separate GATT Agreement on Sanitary and Phytosanitary measures. They may wish to promote the development of their own agricultural industry or particular social groups, and may do so under GATT rules, using a number of mechanisms which are considered not to distort trade (referred to as “Green Box” measures). Such support is also permitted for direct payments made under production-limiting programs (the “Blue Box”), or where the scale is small compared with the total value of the supported products. In a number of developed countries, particularly the EU and Japan, agriculture is seen to have a wider (multi-functional) role than food production, including environmental conservation and animal welfare. Permissible support mechanisms are sought for these also, generally as part of the Green or Blue Box provisions.

In the European Union, WTO pressure to liberalise their agriculture is paralleled by pressures arising from the heavy tax burden of the Common Agricultural Policy, amplified by
the forthcoming enlargement of the Union to include several of the more heavily agricultural economies of Central Europe. The CAP already accounts for about half the EU budget, for a sector of the economy that provides less than five per cent of total employment and less than 1.5 per cent of GDP (Serger S S 2001). Internal negotiations within the EU led to the adoption in 1999 of the Agenda 2000 programme of reforms. These set new rules for market intervention which reduce price support, especially for cereals (EC 2000).

A further consideration which has to be taken into account in the liberalisation of agriculture is the social and economic development of developing countries, and developed countries’ assistance to them. Provision has to be made for food aid, for developing countries’ particular needs in strengthening their agriculture, and for general and targeted assistance from developed countries (such as European countries’ preferential trade with their former colonies). The special and differential treatment provisions of the Agreement on Agriculture provide additional means of achieving these aims, which are considered further within the Doha agenda.

3.2. Negotiation issues

The Doha Ministerial Declaration commits WTO members to comprehensive negotiations building on those already started in early 2000, under Article 20 of the Agreement on Agriculture (WTO 2001). The negotiations are aimed at substantial further improvements in market access beyond those committed under GATT, reductions in export subsidies with a view to phasing them out; and substantial reductions in trade-distorting domestic support. The Declaration’s commitment to these aims is diluted by the caveat that it does not prejudge the outcome of the negotiations. The Declaration also agrees to the inclusion in negotiations of special and differential treatment for developing countries, and non-trade concerns such as environmental protection, food security and rural development. Agriculture is now part of the single undertaking for which negotiations are to be concluded by 1 January 2005. The modalities of the negotiations are to be established by 31 March 2003.

A number of additional agreements relating to agriculture were made at Doha. Two Ministerial Decisions of 14 November 2001 apply to the ACP-EC partnership agreement between the European Communities and Asia-Caribbean-Pacific countries, and autonomous tariff rate quotas on EC imports of bananas. These make limited provision for the European Communities to provide preferential tariff treatment for products from ACP states, and provide a transitional regime relaxing GATT 1994 requirements for EC banana imports.

The Agreement on Agriculture went beyond the original GATT agreement, to address the circumvention of tariff rules by non-tariff measures such as import quotas, subsidies and domestic support (WTO 1999). Quotas and other import restrictions were to be converted into tariffs, with a provision for tariff quotas (increased tariff rates for quantities above a quota level), and tariff reductions over the period up to 2000. Commitments were made by developed countries to reduce the value of export subsidies by 36% in the six years from 1995 to 2000, and to cut the quantity of subsidised exports by 20%. Developing countries (but not least developed countries) agreed to cuts of 24% and 13%, by 2004. The agreement required that domestic support be limited to forms which are deemed not to distort trade or whose scale is small compared with the total value of the supported products (‘green box’, ‘blue box’ and ‘de minimis’ measures). Limited measures were agreed for temporary assistance to least developed countries to deal with higher priced imports, and for the provision of food aid.

Implementation of the GATT Agreement on Agriculture is influenced by the separate GATT Agreement on Sanitary and Phytosanitary measures, which defines rules under which standards may be set for food imports. An area of concern for developing countries in the current negotiations is the extent to which SPS measures constitute a barrier to their exports, and their need for assistance with meeting international standards (Laird 2002).
Under the Doha agreement, these concerns will be dealt with in the negotiations on Implementation Issues.

As discussed in the Phase Two report (Kirkpatrick and Lee 1999), significant progress has been made implementing the Uruguay Round agreements, but the overall bound tariff rate for agriculture remains high in a number of high income and upper-middle income countries. Agricultural tariff rates average above 40 per cent, with tariff peaks on particular products. Also, certain non-tariff barriers to trade still exist, for example in the form of single-desk selling agencies, export restraints through quantitative controls (TRQs) and ‘unused’ export subsidy allowances (Finger and Schuler 1999).

The current status of the agriculture negotiations has been summarised by the WTO Secretariat (WTO 2002), and covers five main areas: export subsidies, domestic support, market access, non-trade concerns and special and differential treatment for developing countries. Non-trade concerns, related to the multi-functionality of agriculture, have been expressed in particular by the EU and Japan (WTO 2000, Laird 2002), and cover issues such as food security, environment, rural development and animal welfare. Some developing countries also seek the ability to implement food security and rural development policies, but at the same time wish to avoid market distortions from such policies in developed countries (Matthews 2002). Proposals for a ‘development box’ have been put forward to deal with some of these issues (Ruffer et. al. 2002a, 2002b).

3.3. Assessment approach

The methodology set out in the SIA methodology report (Kirkpatrick and Lee 2002) has been successfully applied in the EU’s SIA of the major food crops sub-sector (Maltais et al 2002). This made use of relevant econometric modelling studies giving general coverage of the agricultural sector, together with detailed analyses of a number of country case studies, to provide information on the causal effects on social and environmental factors in different country situations. In principle, a similar approach is applicable for the overview study, but with less scope for detailed analysis.

It is proposed that the study will make use of the same economic modelling results (Hertel et al 1999, ERS/USDA 2001) as the food crops SIA. For the broad overview that is required, the examination of causal chains will remain largely at a theoretical level, supported by case study information where appropriate, in order to identify issues worthy of more detailed analysis in subsequent assessments.

3.4. Influence of country characteristics

The SIA of major food crops examined examples of the following country groupings:

- developed countries - high food importers and exporters
- net food exporters

- developing countries - net food importers
- net food exporters

- least developed countries (importers)

The study highlighted marked differences in the overall impacts of liberalisation according to whether a country is a net importer or exporter, but identified strong similarities of case study findings within each group. However, it also noted that for a large country like India, wide variations in status exist within the country.
It should also be noted that the food crops study focused on particular crops. Where a country is a major exporter of one agricultural product and a major importer of another, a similar range of impacts may occur within the country.

Among developing and least developed countries, Matthews (2002) has suggested that there are at least 5 country groupings that will be affected differently:

- major agricultural exporters (e.g. Brazil, Argentina, Thailand)
- low income countries close to self-sufficiency (e.g. India)
- medium to large net importing countries (e.g. Egypt, Kenya, Pakistan)
- small island state net importers
- net importing least developed countries

3.5. Methodological issues

This overview SIA of the complete Doha Development Agenda is being carried out at the same broad level as the Phase Two study, but aims to go beyond it in identifying and prioritising issues which need to be investigated more thoroughly in detailed SIAs. Methodological issues to be considered are primarily those which will apply to these subsequent studies.

The SIA for major food crops (Maltais et al. 2002) identified a number of such issues of particular relevance to the agriculture sector, but which may also apply to detailed SIA of other sectors. The principal methodological issues encountered were:

- bridging the gap between economic and policy analysis at the macro-level, and micro-level sustainability assessment
- incorporating site-specific issues of local detail, e.g. local demographic, economic and ecological circumstances
- choice of sector-specific second tier indicators most appropriate to identifying and monitoring significant effects

Bridging the gap

As in the methodology report, an assessment approach is envisaged which works down from a generic causal analysis at the country group level, and also works up from case study experience to provide qualitative and quantitative information on specific effects. To marry the two, case study results need to be analysed in terms of the general cause and effect framework established at the country group level, modifying it if necessary in the light of practical experience. From this, the aim of the assessment is to identify lessons which apply, with variations, in a wide range of country situations.

Where practical, the overview study aims to clarify the analytical framework within which this type of analysis can take place.

Site-specific issues

The overview study will aim to clarify the generic issues within which site specific effects may need to be studied in detailed agricultural SIAs, and similarly for other sectors.

Indicators

The major food crops SIA recommended the following criteria for selection of sector specific second tier indicators:
• Direct link to potential sustainability impacts
• Relevance in the long run
• Clear definitions
• Relevant for as many countries as possible
• Based on existing data

The study also suggested a number of specific indicators for major food crops, most of which are relevant for the agricultural sector in general. Actual selection of indicators will need to be undertaken in individual detailed SIAs, but the overview study will make use of these recommendations, adapting them as necessary.

For the agricultural sector in general, additional methodological issues also need to be addressed.

**Short term and long term effects**

As discussed in Section 3.1, market distortions can have the effect of depressing world market prices, with consequent effects on agricultural production and economic structure in many countries. Removal of these distortions may produce a net economic welfare loss in importing countries in the short term. This may also continue into the long term, unless domestic agriculture and other economic activity adjusts. However, it has been argued that a decline in imports may in some cases show an overall welfare gain, if associated with appropriate domestic policies (Winters 2000). Also, the long term effects are likely to depend on the role of agriculture in a country’s overall social and economic development.

In order to evaluate the long term effects of agricultural liberalisation, SIA studies will need to consider the extent to which the market distortions under consideration help or hinder the practical realisation of countries’ long term goals for the eradication of poverty, and their strategies for social and economic development.

**Food security**

Similarly, the food security issues associated with the agricultural sector cannot be assessed satisfactorily in terms of steady state economic welfare gain or loss. It may be appropriate to identify food security risks separately from overall economic and social effects, in terms of increased or decreased exposure to external shocks. The study needs to take this into account in reviewing the selection of second tier indicators.

**3.6. Potential impacts of concern**

Within the European Union, proposed reductions in support for domestic agriculture generate significant concern from the small but influential agricultural sector itself, and against this, more widespread concern over the CAP tax burden. Similar issues apply in the USA. The multi-functional nature of agriculture also generates concern over other potential impacts, particularly in the EU, on the rural environment, rural communities and animal welfare. The impacts of trade liberalisation are closely related to reform of the Common Agricultural Policy, which has been fairly extensively studied (Colman and Roberts 1997, EC 2000, EC 2001).

Potential impacts in developing countries have been examined in numerous case studies and reviews (e.g. UNEP 1999, UNEP 2000, Winters 2000, McCulloch et al 2001, Matthews 2002). Principal concerns (WWF 1999, Oxfam 2002) relate to changes in the positive and negative effects of trade distortions on poverty and food security, in both the short term and the long term, and potential changes, again in both directions, to export opportunities from developing to developed countries.
3.7. Scenarios

Although the Doha Declaration aims to achieve substantial further liberalisation, including the eventual phasing out of export subsidies, the strongest probable implementation is likely to be a compromise covering the many different issues under negotiation.

**Base Scenario.** This assumes that no new agreement on agriculture is reached, but that the provisions of the Uruguay Round relating to agriculture are fully implemented. These include the conversion of quotas to tariffs, tariff reductions, reduction of export subsidies and limits on domestic support, as defined in the existing agreement.

**Further liberalisation scenario.** This assumes further reductions in tariffs, export subsidies and domestic support, by percentages similar to those agreed in the Uruguay Round. The scenario presumes that the blue and green boxes will be retained, with some additional support for non-trade issues, and strengthened provisions for special and differential treatment for developing countries.

3.8. Cross-cutting relationships

The SIA for major food crops evaluated impacts in one particular part of the agriculture sector, with emphasis on specific crops. This emphasis was found to limit the effectiveness of some aspects of the study, where the partial substitutability of one crop for another (e.g. wheat and rice) may cause significant impacts. Other significant interactions may also occur elsewhere, e.g. between crops and livestock (through the production of animal feed crops). Interactions of this nature must be taken into account in identifying the extent to which detailed SIA is required across the entire agriculture sector, plus analysis of sub-sectors of particular concern.

Other cross-cutting issues to be considered include environment-related trade barriers (Fontagné et al 2001), TRIPS (particularly in relation to genetically modified crops (Laird 2002), anti-dumping rules (OECD 2001) and the Doha negotiations over implementation in developing countries.
4. MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

4.1. Characteristics of sector

Of a total world trade in merchandise worth 5270 billion dollars (Table 3.1), all but 553 billion dollars is in non-agricultural products. The rate of growth during the 1990s was over 6 percent per annum, even allowing for a dip after the world financial crisis of 1997. The growth rate reached double figures in 1994 and approached 20% in 1995 (see Table 4.1).

Table 4.1. Growth of total merchandise exports (excluding EU internal trade)

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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual % change</td>
<td>6.3</td>
<td>9.8</td>
<td>6.2</td>
<td>6.1</td>
<td>13.0</td>
<td>18.1</td>
<td>6.5</td>
<td>5.3</td>
<td>-4.2</td>
</tr>
</tbody>
</table>

Source: WTO (2001), Market Access: Unfinished Business. Post-Uruguay Round Inventory and Issues WTO Special Study no. 6, Table III.16

The share of each sub-sector is shown in Table 4.2.

Table 4.2. Value of World Exports in Non-Agricultural Products 1998, billion dollars

<table>
<thead>
<tr>
<th>Sub-sector</th>
<th>Value (billion dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining products</td>
<td>501.9</td>
</tr>
<tr>
<td>Ores and other minerals</td>
<td>58.3</td>
</tr>
<tr>
<td>Fuels</td>
<td>343.7</td>
</tr>
<tr>
<td>Non-ferrous metals</td>
<td>99.9</td>
</tr>
<tr>
<td>Manufactures</td>
<td>4010.3</td>
</tr>
<tr>
<td>Iron and steel</td>
<td>141.3</td>
</tr>
<tr>
<td>Chemicals</td>
<td>503.2</td>
</tr>
<tr>
<td>Other semi-manufactures</td>
<td>399.0</td>
</tr>
<tr>
<td>Machinery and transport equip.</td>
<td>2165.6</td>
</tr>
<tr>
<td>Automotive products</td>
<td>524.9</td>
</tr>
<tr>
<td>Office and telecom equip.</td>
<td>681.4</td>
</tr>
<tr>
<td>Other machinery and trans. equip.</td>
<td>959.3</td>
</tr>
<tr>
<td>Textiles</td>
<td>151.0</td>
</tr>
<tr>
<td>Clothing</td>
<td>179.6</td>
</tr>
<tr>
<td>Other consumer goods</td>
<td>470.6</td>
</tr>
<tr>
<td><strong>Total non-agricultural products</strong></td>
<td><strong>4717.3</strong></td>
</tr>
</tbody>
</table>

Source: WTO (2001), Market Access: Unfinished Business. Post-Uruguay round inventory and issues WTO Special Study no. 6, Table III.17

Much of the growth in world trade can be ascribed to the removal of trade barriers. The Doha Agenda negotiations are intended to promote further opening of markets beyond the commitments already made.

Restrictive trade policies remain prevalent in non-agricultural products such as textiles and garments, where market access is part of liberalisation under the Agreement on Textiles and Clothing (ATC). For most other manufactures the developed countries have very low tariff barriers. Non-tariff barriers are present and countervailing measures (especially anti-dumping) are often employed, but many developing countries also have high protection for particular products.

Further reductions in tariffs are still possible, especially in areas of primary interest to developing countries. In the words of Mike Moore, as Director General of the WTO, ‘developing countries especially the poorest ones need access to the world trading system and there is a need to improve the participation of developing countries in the WTO, especially those that lack representation in Geneva. It has also been suggested that there is
a need 'to increase countries' capacity to benefit from market access and not just increased access to markets' (Moore 1999). Developing countries may be considered to be the most in need of measures to allow them to benefit from market access, to both developed and developing countries.

4.2. Negotiation issues

At the Doha Ministerial conference WTO members acknowledged the importance of enhanced market access for industrial products of interest to developing countries and agreed to start negotiations on the reduction or elimination of tariffs (especially peaks and escalation) and non-tariff barriers on all industrial products. Members also agreed that appropriate studies and capacity-building measures should be taken to assist least-developed countries to participate effectively in the negotiations, and to ensure that benefits accrue to developing countries.

The Trade Negotiation Council (TNC) agreed a structure on 1 February 2002 whereby market access negotiations for non-agriculture products will take place in a new Negotiating Group on Market Access. The deadline of negotiations is 1 January 2005. The negotiations are part of a “single undertaking” of almost all WTO negotiations. In the Tokyo Round (1973-1979) developing countries could and did opt out of many agreements. In the Uruguay Round (1986-1994) participants agreed on a single undertaking approach. Each country signed on to all agreements (except voluntary or plurilateral agreements) with one signature and it was not possible to opt out of any specific agreements. The same single undertaking approach applies to current negotiations. While some developing countries questioned the desirability to negotiate in the market access sector before the WTO ministerial (Rege, 2001), all WTO members did sign up to further negotiations on market access.

The Negotiating Group has two main tasks. First, it needs to negotiate on modalities. Secondly, once modalities have been decided, the group should negotiate on the extent of reductions or elimination of tariff and non-tariff barriers.

Modalities lay out the framework for how negotiations will proceed and can include numerical targets, formulas, sector-by-sector and request/offer approaches. They structure how and which tariffs will be targeted for reductions, which may have significant consequences for the outcome of negotiations. In the Tokyo Round, the participants used an agreed mathematical formula to cut tariffs “across-the-board”. In the Uruguay Round, participants followed predominantly - but not exclusively - a request/offer approach, whereby certain players negotiate on bilateral tariff reduction, which are then extended multilaterally. Such an approach can lead to targeted cuts “product-by-product”. Negotiations to date have covered modalities only, but members have yet to even agree on the deadline by which they should agree on modalities. Developing countries argue that more time is needed to consider the implications of using different types of modalities and to wait for “appropriate studies and capacity-building measures to assist least-developed countries to participate effectively in negotiations”.

While negotiations on the actual tariff reduction would follow an agreement on modalities, it is possible to review the main issues that are likely to be at the heart of the negotiations.

Tariffs

Overall average industrial tariffs are modest and after full implementation of the Uruguay Round cuts the average bound rate should be 4 per cent for developed countries and 25 per cent for developing countries. Tariffs are disproportionately imposed against the exports of developing countries, reflected by tariff structures facing those exports in developed countries as well as in developing countries (Finger and Schuknecht, 1999). They also show that tariffs vary by sector, with developed countries bound tariffs on textiles and clothing two to three times higher than those on industrial products as a whole.
Average tariff figures conceal important differences for individual products. In particular, tariff peaks – generally duties above 15% - are often concentrated in products of export interest to the developing countries (see Laird, 2002). The importance of tariff peaks is often measured by frequency coverage ratios – the percentage of HS tariff lines covered by tariff peaks (WTO, 2001). On this measure, tariff peaks are 2.2 per cent in the US, 2.8 per cent in Japan, 5.1 in the European Union and 6.5 per cent in Canada.

However applying a different methodology – tariff peaks where the reference level is three times the national average - WTO (2001) finds that on the basis of the national measure, the US (7.5%) scores higher than the European Union (2.6%) and Japan (5.2%). Finally, it may also be important to examine tariff peaks in individual sectors. For instance, tariff peaks have an important role in the textile and clothing sector in the US and Canada, but less so in the European Union.

Tariff escalation is another issue expected to feature in future negotiations. Tariffs escalate when they increase with the level of processing – e.g. raw materials, semi-processed and processed products. Leaving aside special preferences, importing countries can impose a lower tariff on raw materials than on processed products. Foreign suppliers – developing and developed - may find it difficult to diversify and upgrade up the value-added ladder. WTO (2001) finds that tariffs for industrial products as a group in the EU and Japan appear to de-escalate, while those in other developed countries (US, Canada and Australia) escalate (although different studies may come to different conclusions, e.g. compare http://www1.worldbank.org/wbiep/trade/TR_Data.html). However, it may also be necessary to examine individual sectors. Tariff escalation is present in the metals and textiles and clothing sector in all developed countries and many developing countries.

Non-tariff barriers

The scope of coverage for non-tariff barriers is unclear at the moment. Rege (2001) argues that the scope for negotiations on NTBs under market access is limited because negotiations may deal with non-tariff measures elsewhere in the WTO system. A distinction is often made between core NTBs – considered to have clearly protective effects – and other NTBs (WTO, 2001). Core NTBs usually include export price restraints, variable charges, non-automatic licensing, export restraints and other quantitative restrictions and sometimes anti-dumping and countervailing actions.

The importance of NTBs can also be measured by frequency ratios. These are indicators of the proportion of total products in terms of tariff lines or product groups which are affected by NTBs, irrespective of the value of products imported – and hence do not necessarily capture the protective effect (Michalopoulos, 1999). Despite reductions in the 1990s, NTBs are widely in use by both developed and developing countries. Textiles and clothing sectors are most affected by core NTBs in developed countries (partially reflecting the quota system which is being dismantled under the Agreement on Textiles and Clothing), while fuels and mineral products, rubber products, machinery and precious stones and metals are most affected in developing countries – particularly non-automatic licensing (WTO, 2001). The ‘other’ NTBs include non-automatic licensing linked to the maintenance of sanitary and phytosanitary standards, technical standards or protection for the environment, see Bouet et al (2001) for the potential importance of environmental barriers to trade. Anti-dumping investigations have also risen sharply, initiated both by developed and developing countries. Half of developed countries’ initiations were aimed at developing countries, while a third of developing countries’ initiations were aimed at developed countries.

4.3. Assessment approach

For the detailed SIAs which this overview study is intended to inform, the methodology will be as set out in the SIA methodology report (Kirkpatrick and Lee 2002). This is currently
being applied to market access for non-agricultural products with particular emphasis on pharmaceuticals, non-ferrous metals and textiles (Morrissey and te Velde 2002). The approach is partial equilibrium in nature, i.e. a causal chain analysis, using appropriate information from existing simulations based on general equilibrium models, moving on to identify the likely effect of changes in trade measures on trade, and from there to analyse economic, social and environmental effects.

As for the agricultural studies discussed above, use will be made in these detailed SIAs of country case studies, to provide detailed information on causal effects in different country situations. For this overview study, as in its other components, the examination of causal chains will remain largely at a qualitative level, supported by case study information where appropriate.

4.4. Influence of country characteristics

As a major producer and exporter of most manufactures, the EU stands to gain economically (as revealed in all estimates of the impact of liberalisation) from increased market access. The net positive economic gain is likely to increase over time and will be greater the more liberalisation actually takes place. The EU will not gain in all individual sectors, although the sectors that do lose are likely to be few and small relative to gaining sectors. Consequently, the net economic gain is expected to be positive. Whether this translates into a net positive social impact depends on measures (both within and across countries) to accommodate declining sectors, encourage flexibility of labour markets and provide public income transfers. Similar types of benefits would be expected to accrue to other developed, or industrialised, countries.

The economic and social impacts will differ across and within developed countries. In some regions, less competitive producers will face adjustment costs and employment and/or wages may fall. In other regions, where the industry is more competitive and producing for high quality niche markets, the social impact will be negligible or slightly positive. In the absence of M&E measures, the social impact will ‘follow’ the economic impact. In areas predominated by industries that gain (e.g. capital or technology intensive sectors), economic and social impacts are expected to be positive. In areas with industries that are likely to lose (e.g. relatively labour intensive textiles), the economic and social impacts may be adverse.

In general, the environmental impact within developed countries is likely to be small. It could be positive, if the industrial structure shifts away from more traditional and environmentally-damaging industries towards higher technology and service sector activities.

There is likely to be pronounced inequality in the distribution of gains and losses among developing countries (see Morrissey, 2000). As with developed countries, these impacts are likely to be greater (positive or negative) the more liberalisation takes place. Most studies estimating the impact of liberalisation suggest that the poorest countries (least developed countries, especially SSA and small island economies) are likely to be net losers from full liberalisation of trade in manufactures (the more industrialised developing countries should gain). This is because such countries have no evident capacity to benefit from increased market access for industrial goods. In least developed countries, manufacturing exports are few. If they liberalise access to their markets, the most likely impact is adverse as domestic producers succumb to competition from imports. While there are gains to consumers, and potential efficiency gains to the economy (especially in the long run), the adjustment costs will be high. Given constraints on government budgets and the difficulties of quick policy reform, there is little likelihood of net economic and/or social benefits to least developed countries. The presumption should be, given the experiences of these countries over the past decade, that liberalisation of market access in non-agricultural goods will be associated with net losses, economic and social.
There is a possibility of adverse environmental impacts in developing countries. Partly, this is due to increased environmental stress that tends to be associated with adverse economic and social impacts. Partly, it may arise if least developed countries are tempted to relax environmental regulation, or even encourage ‘dirty industries’, to give them some sort of competitive advantage. The prospects are more encouraging for developing countries other than the least developed, most of which are producers and exporters of at least some manufactures. While the impact will vary from country to country, developing countries in general will gain from increased market access, some will gain significantly, and the gain is likely to increase over time and will be greater the more liberalisation actually takes place. As for developed countries, the net economic gain should be positive but whether this translates into a net positive social impact depends on M&E measures, given that there will be sectors that suffer adjustment costs. The environmental impacts in developing countries need to be assessed on a case-by-case basis and it is difficult to generalise.

4.5. Methodological issues

The desirability of further liberalisation for developed and developing countries is often justified on the basis of multi-country model simulations indicating that substantial gains can be made. While precise results depend on many influences (including M&E measures) and depend inter alia on sector and country, and while assumptions behind such model simulations have been contested, a rough estimate may provide some useful insights into benefits of tariff liberalisation of non-agriculture products.

Anderson et al. (2001, table 4) estimate that developing countries can gain from full trade liberalisation in manufacturing. They would gain $31 billion (in incomes) a year through increased access to developed countries markets but also $31 billion a year through increased access to developing countries’ markets. Industrial countries would lose $14 billion a year from liberalisation in developed countries, but gain $38 billion from full liberalisation in developing countries. Total welfare gains would be around $97 billion. Various other estimates exist, sometimes for particular sectors such as textiles and clothing (e.g. World Bank, 2001a).

Although there are differences in results from different CGE analyses, there are a number of common findings (a number of recent studies are included in the references). First, studies show significant global gains from manufactures liberalisation. Second, whereas most studies of agriculture find that liberalisation by a country itself provides a greater share of gains than liberalisation by partner countries, this is not generally the case for manufactures. Third, most studies find that gains are fairly evenly distributed between developed and developing countries, although within developing countries the greatest gains accrue to Asian countries. Gains for Latin American countries are limited, while least developed countries (especially SSA) often incur net losses. In the case of SSA, liberalisation of trade in manufactures is associated with net losses (typically quite small).

Some of the methodological issues identified in the SIA for major food crops (Section 3.5 above) may also be applicable to the non-agricultural sector. A similar approach needs to be taken to bridging the gap between macro- and micro-level analysis, and site-specific effects may also be significant, particularly in relation to socio-economic factors. Similar considerations also apply to the choice of second tier indicators.

A clear distinction between short term and long term effects again needs to be drawn. Adjustment effects are likely to be significant, with loss of employment in some industries, potential increases in others, and changes in wage levels occurring over time. Consideration may also need to be given to the extent to which removal of trade barriers is likely to help or hinder the achievement of individual developing countries’ strategies for social and economic development. This may be particularly important in relation to protective measures designed to support modern industrial development, taking into account the likely outcome of the negotiations on implementation issues.
4.6. Potential impacts of concern

Potentially significant impacts of tariff rationalisation have been identified in the economic, environmental and social arenas. Although economic impacts are expected to be positive overall, some sectors in some countries are likely to suffer, with least developed countries being the most vulnerable.

Negative short to medium term social adjustment impacts are of particular concern, especially in those developing countries that assume increased MFN tariff bindings, and which have previously followed a protectionist policy towards the domestic manufacturing sector. This implies the need for social safety nets and social adjustment programmes as flanking measures.

The potential environmental impacts are also cause for concern, particularly in resource-based economies. These impacts are likely to be more severe in countries which lack an effective environmental policy and regulatory framework which can be used in a mitigatory role.

4.7. Scenarios

Base Scenario

The scenario implies that no new agreements are reached and that the existing provisions are fully implemented and continue. It includes the achievement of the provisions from the Uruguay Round for liberalisation of trade, including liberalisation of textiles and clothing by 2005 and completion of the various UR sectoral agreements (e.g. chemicals, steel, paper and toys). Hence, the base scenario implies a degree of trade liberalisation beyond the existing situation, and a potential sustainability impact.

Further liberalisation scenario

This corresponds to the most probable extent of liberalisation that can be achieved in the negotiations. This will vary from sector to sector, with an implicit target of zero tariffs in some sectors (e.g. chemicals), but less ambitious goals for sensitive sectors such as textiles. It will be assumed that commitments are made by 2005, and implemented by 2010 (later for developing countries).

4.8. Cross-cutting relationships

The employment effects of changing production levels of manufactures are likely to interact strongly between different products, and with those in other sectors of countries’ economies. The combined effects of agreements in the different sectors will therefore need to be considered.

Other significant cross-cutting issues that may arise include the negotiations on trade and environment (in relation to changing pollution loads, resource consumption and greenhouse gas emissions), TRIPS (particularly in relation to industrial product licensing), anti-dumping rules, trade and investment, competition policy, and implementation issues in developing countries. Within the overview assessment, the findings of each of these aspects of the study will need to be incorporated into the analysis of market access, as discussed in Section 2.6.
5. SERVICES

5.1. Characteristics of sector

The services sector is the fastest growing sector of the world economy (WTO, 2001a). The value of service exports in 1998 was 1,279 billion dollars, compared with 5,254 billion dollars in merchandise (Table 5.1). Between 1990 and 1998 world trade in services grew by 69%, compared with 58% for merchandise. Developed countries have the major share of both exports and imports of services, and in OECD countries, they account for 60 to 70% of employment and Gross National Product (WDM, 2002).

Table 5.1. Comparison of trade in goods and services (billions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>Merchandise exports</th>
<th>Exports of commercial services</th>
<th>Merchandise imports</th>
<th>Imports of commercial services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low income</td>
<td>110</td>
<td>165</td>
<td>17</td>
<td>31</td>
</tr>
<tr>
<td>Middle income</td>
<td>613</td>
<td>1,124</td>
<td>105</td>
<td>236</td>
</tr>
<tr>
<td>High income</td>
<td>2,604</td>
<td>3,963</td>
<td>633</td>
<td>1,012</td>
</tr>
<tr>
<td>World</td>
<td>3,328</td>
<td>5,254</td>
<td>755</td>
<td>1,279</td>
</tr>
</tbody>
</table>


International trade in services is covered by the 1995 General Agreement on Trade in Services (GATS). In principle, GATS covers all commercially tradable services, with the exception of air transport rights and services supplied under government authority. The WTO Secretariat has however drawn up a list of service sectors, which is used in the negotiation of specific agreements by most WTO member countries (Barth 1999). These are:

- business services
- communication services
- construction and other engineering services
- distribution services (trade)
- educational services
- environmental services
- financial services
- health-related and social services
- tourism and travel-related services
- recreational, cultural and sporting services
- transport services.

The subdivision of types of service into numerous subsections is subject to various proposals from the WTO Secretariat, UN, OECD and others (e.g. WTO 2000).

GATS has two main parts: the framework agreement covering the general rules and principles and the national ‘schedules’ listing specific country commitments on access to domestic markets by foreign suppliers. Liberalisation in this context means allowing foreign companies to compete with domestic companies. Each country can decide, in its national ‘schedule’, on the limits to which foreign service providers can operate in the domestic market. GATS also defines four ways in which a service can be traded; known as ‘modes of supply’. These four modes 1 – 4 encompass generic groupings of measures affecting trade and are, respectively,
• cross-border supply;
• consumption/purchase abroad;
• physical establishment of commercial presence, and
• temporary entry/stay of service providers.

There is also an "All Modes” category which includes restrictions on provision, transfer and processing of information/ data (Andrew, 2000).

Mode 4, which covers the movement of people (‘natural persons’) is a potentially contentious area, since in principle full trade liberalisation would require the absence of barriers to immigration. However, the GATS agreement makes clear that it does not apply to ‘natural persons seeking access to the employment market’ (WTO 2001a). Pressures for the expansion of Mode 4 have in the past come primarily from developing countries (CUTS 2002), but barriers to the temporary movement of personnel have become more widely seen as a problem for service providers of all sizes, and ‘interest in their removal is by no means confined to developing countries’ (WTO 2001a).

Another contentious area of the services sector, but not directly related to trade liberalisation, is the privatisation and regulation of essential services, such as water or electricity supply. Concerns over international involvement in these issues relate primarily to structural adjustment programmes rather than GATS, which expressly confirms the right of member states to regulate the provision of services, and to pursue national policy objectives (Barth 1999).

5.2. Negotiation issues

The General Agreement on Trade in Services (GATS) was agreed under the Uruguay Round and came into force in 1995. It sets out a framework of legally binding rules governing the conduct of world trade in services, and is supported by a number of specific commitments undertaken by individual WTO members in specified service sectors or across a particular mode of supply. These commitments set out the conditions which govern market access for a specific service sector.

Under successive rounds of negotiations, members choose in which sectors they want to make binding commitments, and in which they do not. This is known as ‘positive listing’ or a ‘bottom up’ approach. Negotiations proceed on the basis of requests and offers: that is, countries request each other to consider liberalisation in particular sectors, and respond with offers. Agreement to liberalise is only reached when all participating members agree with the total package being offered (DFID, 2001).

A sectoral approach to services negotiations has the advantage of encouraging WTO Members to make offers to liberalise in order to obtain services at world prices that are inputs to the production, transport and marketing of their goods exports (Laird, 2002).

The new round of GATS negotiations was launched in February 2000, and in March 2001 Negotiating Guidelines and Procedures which outline principles for the rest of the negotiations were adopted by consensus among all Members. As a result of the progress already made in the services negotiations, services was a relatively uncontroversial issue at Doha, with the Ministers reaffirming the Guidelines and Procedures for the Negotiation adopted by the Council for Trade in Services in March 2001, as the basis for continuing the negotiations (Laird, 2002). The Ministerial Declaration also set dates for the submission of requests (30 June 2002) and offers (March 2003).

The sectoral coverage of specific commitments on national treatment and market access is limited for many countries. Even allowing for the post Uruguay Round agreement on basic telecommunications and financial services, developed countries have committed to imposing no restrictions on market access or national treatment for only 25 per cent of all service
activities. Developing countries have made even fewer commitments. In the case of major developing countries, on average, free access commitments have been made for only 15 per cent of the service sector (Hoekman, 1996; Hertel et al, 2002). The emphasis in the next set of GATS negotiations, therefore, is likely to be on widening and deepening commitments on market access and national treatment.

5.3. Assessment approach

The methodology defined in the SIA methodology report (Kirkpatrick and Lee 2002) is currently being applied to trade in services, with particular emphasis on environmental services (Bisset 2002). The approach is based on causal chain analysis, starting with the identification of the likely effects of a changed trade measure on trade, and analysing the consequential economic, social and environmental effects.

It is difficult to employ general equilibrium techniques to assess the potential economic impact of alternative liberalisation options for services trade, at the global level (Hertel et al, 2002). However, where modelling has been applied, the results show significant economic gains for liberalisation of trade in services (Brown and Stern, 2001, Stern 2002). Existing studies of this nature will be used where appropriate, to give an indication of the magnitude of first order effects. To inform the causal chain analysis in detailed SIAs, use will be made of country case studies as for other sectors. However, as in the other components of this overview study, the use of case study information will be more limited, with a greater reliance on causal chain analysis at the theoretical level.

5.4. Influence of country characteristics

For the EU, the economic gains from services liberalisation will relate mainly to overseas markets. The environmental and social consequences within the EU will be affected by the extent of increase in market access for overseas service providers within the EU. The effects may be relatively modest overall, but the impact in certain sectors (e.g. transport, environmental services) may be of greater policy significance.

For developing countries, services are similarly a potentially significant source of economic growth. The development of services domestically, particularly in financial and telecommunications sectors, can facilitate growth. There are some sectors where developing countries have a comparative advantage in trade in services, for example, exports of construction services, software and data processing exports, and tourism. Elsewhere the comparative advantage rests with those developed countries that have established strong service industries.

Tourism is one of the main service sub-sectors in which differences in physical country characteristics play a major role. For most other services a country’s socio-economic characteristics are the main determinant of its potential competitiveness, in responding to opportunities to provide services overseas, and in the take-up of imported services. In broad terms, countries with a high degree of economic development will be the more competitive in high value-added services, while those with lower levels of development will be the more competitive in low value-added services. This corresponds broadly with a categorisation into developed, developing and least developed countries.

5.5. Methodological issues

A potentially important aspect of measures covering trade in certain services is the social distribution of adverse and beneficial impacts among different groups and stakeholders (who gains, when, how and for how long, compared with who loses, when, how and for how long). To deal with this it is intended that, where practicable, the SIA of environmental services will incorporate a stakeholder analysis for each level of assessment (country group or individual country). Other services with potentially large and diverse social impacts may benefit from a
similar approach. Tourism is another sub-sector where significant livelihoods effects may occur, both positive and negative (WWF 2001).

As for agricultural and non-agricultural market access (Sections 3.5 and 4.5 above), the methodology for detailed SIAs needs to ‘bridge the gap’ between macro- and micro-level analysis, taking site-specific effects into account, and to identify second tier indicators that are appropriate to the sector. The overview study aims to set the scene for this, drawing on the more detailed approach being developed for the environmental services sector.

Much of the debate about service provision relates to the potential benefits developing countries may gain from greater efficiency of their markets and industries, and against that, the extent to which profitable service industries may be controlled by overseas companies. As in other sectors, short term and long term effects need to be distinguished, with consideration of countries’ ability to establish their own efficient service market.

5.6. Potential impacts of concern

As identified in the Phase Two report (Kirkpatrick and Lee, 1999), significant impacts (economic, social and environmental) are anticipated in certain service sectors (e.g. tourism, transport), particularly in developing countries, according to the policy scenario under consideration. Tourism, for example, can have negative as well as positive social impacts, in terms of culture and migration, and harmful effects on local environments. In certain circumstances (e.g. eco-tourism) beneficial environmental effects can be achieved, but risks of damage will be particularly evident in areas already subject or sensitive to environmental stress and where existing capacities to take mitigation and enhancement measures are limited. For a range of basic services (such as environmental services), there is the potential for significant social and economic impacts on poor and vulnerable groups, either positive or negative, depending on linkages to privatisation and regulation policy. Finally, the combined impacts of service liberalisation in separate sectors and modes may result in cumulative impacts not anticipated in the individual analyses.

The economic impact of any increase in services liberalisation will be affected, for example, by the maturity of the domestic services industries and the capacity of the regulatory framework. If either of these is weak, liberalisation may have a significant social impact.

5.7. Scenarios

For services, the scenarios to be analysed are:

**Base Scenario.** This assumes that no new agreements are reached, but that the provisions of existing commitments are fully met.

**Further liberalisation scenario.** This assumes a significant increase in commitments from Members to market access and national treatment, with some variation across modes of supply. More specifically, it is assumed that a majority of countries bind according to a notional schedule across the four modes of

- **Mode 1** - no restrictions
- **Mode 2** - no restrictions
- **Mode 3** – removal of the restrictions listed in Article XVI of GATS
- **Mode 4** - removal of restrictions on temporary movement of intra-corporate transferees and contractual service suppliers
5.8. Cross-cutting relationships

Trade in services links strongly to negotiations on the Singapore issues, namely, trade facilitation, transparency in government procurement, competition policy and investment policy. It is likely that many of the key drivers for significant impacts, both positive and negative, are related to foreign direct investment (FDI), with strong links to competition policy and the other areas.
6. TRADE AND ENVIRONMENT

6.1. Characteristics of sector

Although any trade measure can have environmental effects, and environmental goods and services are themselves traded, the Doha agenda items are concerned primarily on how trade and environment can be mutually supportive. This can assist in setting the parameters of how environmental protection can be a justifiable reason to restrict or prohibit trade. From the trade perspective, environmental protection should not be a basis for circumventing agreements on trading rules. From the environmental perspective, commitments on trade should not force, or enable, countries to abandon their commitments to environmental protection. Several provisions of GATT 1994, along with the Agreement on Technical Barriers to Trade (TBT) and the Agreement on Sanitary and Phytosanitary Standards, outline, in broad terms, the conditions under which environmental considerations can be used legitimately to support trade restrictive measures (UNEP 2000).

These issues are influenced by the relationship between multilateral trade agreements and multilateral environmental agreements (MEAs), and their relative enforceability. The principal MEAs with trade provisions (UNEP 2000) are:

- Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), 1975
- Montreal Protocol on Substances that Deplete the Stratospheric Ozone Layer, 1987
- Convention on Biological Diversity, 1993
- Framework Convention on Climate Change (FCCC), 1994
- Cartagena Protocol on Biosafety, 2000

Some of these agreements, such as CITES and the Basel convention, contain detailed provisions requiring Parties to restrict or prohibit trade with other countries. Others, such as the Biodiversity Convention, are far less specific, leaving considerable flexibility to determine whether a barrier to trade in a particular commodity is or is not necessary to protect environmental resources.

6.2. Negotiation issues

The *Doha Declaration* established a negotiating mandate for trade and environment. The parties agreed to negotiations, with a view to enhance the mutual supportiveness of trade and environment, on three issues:

- Relationship between WTO rules and specific trade obligations on MEAs;
- Procedures for regular information exchange between MEA Secretariats and the relevant WTO committees, and the criteria for granting observer status; and,
- Reduction or elimination of tariff and non-tariff barriers to environmental goods and services (examples of environmental goods and services are catalytic converters, air filters or consultancy services on wastewater management).

In addition, the Committee on Trade and Environment has been given a renewed mandate for all items under its agenda with particular attention to: the effect of environmental measures on market access; relevant provisions of the *TRIPs Agreement*; and eco-labelling. Work on these issues is to include the identification of any need to clarify relevant WTO rules, with a report to be presented to the Fifth Session of the Ministerial Conference that
may include, as appropriate, recommendations on future action including the desirability of negotiations.

Some countries have argued that only the specific trade related MEAs should be discussed during negotiations. Of approximately 200 MEAs in place today, there are only 20 that contain mandatory trade provisions (WTO 2002). However, more general changes to environmental impacts may occur as a result of greater synergy and cooperation between MEAs and the WTO rules. To date, no measure affecting trade, taken under an MEA, has been challenged by the GATT-WTO system (WTO 2002).

6.3. Assessment approach

The methodology for detailed SIA of trade and environment will follow the general approach set out in the SIA methodology report (Kirkpatrick and Lee 2002). Within this, the assessment of the effects of revisions to agreements on environmental issues relies primarily on the analysis of causal linkages.

The assessment of causal linkages may be informed by a number of studies on the trade and environment relationship (Blakeney & Macmillan (2000)), (Dean (2001), (Brack (2000a)) (French (2001)). Considering that this debate has been discussed at the WTO since its inception, some authors have provided a historical account of its policy development (Becker Soest & Wink (2001)) (Marvroidis (2001)) (Weinstein & Charnovitz (2001)). There has also been some recent account of trade and environment from an international relations/political science perspective (Beukel (2001)) as well as an economics perspective (Cole (2002)) (Liddle (2001)) (Tisdell (2001)) (Yang (2001)). In addition, its impact on domestic regulatory authority has been examined (Bianchi (2001)). Some regional analyses have been undertaken (Bhattacharya (2001)), (Jesdapipat (2000)) (Könz (2001)) as well as the trade and environment issue from a developing country perspective (Najam & Robins (2001)), (Tussie (2000)).

There has also been some literature examining the nature of the trade-environmental relationship by assessing the compatibility of MEA and WTO obligations. This has been done for climate change (Brack (2000b)) (Brack (2001) (Kim (2001)) and biological diversity/biosafety (Pavoni (2001)), (Phillips & Kerr (2001) (Schoenbaum (2001)) (Qereshi (2000)). There are also some trade and environment analyses that focus on specific sectors such as agriculture (Antle et al. (2000)) and transport (Steineger (2001)).

6.4. Influence of country characteristics

Countries have varying capacities to implement MEA obligations, in addition to the fact that several MEAs contain common but differential responsibility provisions giving transition periods, exemptions or conditionality on technology transfer and financial assistance. To allow for these differences a certain level of disaggregation may therefore be needed.

6.5. Methodological issues

The assessment of changes to trade related environmental measures that may restrict or prohibit trade differs from most other sectors, in that the principal issue of concern is the global environment, set against economic effects in individual countries. Many environment-related barriers (as distinct from food safety barriers) aim to protect the environment in the exporter’s country rather than the importer’s, or, as in the case of ozone depleting substances or migratory species, the global environment (commons) directly. In either case, the prime concern is an environmental impact which, immediately or cumulatively, has global importance. Otherwise, an environment-related barrier that is designed to protect the environment of another sovereign state is subject to considerable controversy.
For other sectors, the SIA aims primarily to identify economic, social and environmental impacts within different country groupings, from which any significant global impacts can be inferred. For the environment and trade sector, the global impact needs to be brought out directly, in addition to specific in-country impacts.

In other respects the assessment can be broadly as other sectors, based on an analysis of causal linkages, informed by the outcomes of disputes under existing agreements. A degree of quantification can be achieved by evaluating the number of product lines that are actually or potentially affected by environment-related barriers to trade, as has been done by Fontagne et al (2001). By itself however, this approach does not give any indication of the extent to which such barriers are justifiable, nor of the impacts likely to arise from the negotiations.

6.6. Potential impacts of concern

It appears from the literature that there has been a significant shift away from perceiving the trade-environment relationship as conflicting towards being mutually gainful. (Alpay (2000)). This might be in line with the general evolution of trade and environment linkage characterised as mutually supportive in several of the more recently drafted MEAs and WTO documents. In turn, some authors have made proposals in their writing on how to foster closer and compatible linkages between trade and environment (Bierman (2001), (Esty (2001)), (Motaal (2001)), (Sampson (2000a)), (Sampson (2000b)), (Stilwell & Tarasofsky (2001)), (UNEP (2001)). Case studies exploring the potential for synergies have also been undertaken (Jha & Hoffman (2001)).

On the relationship between MEAs and the WTO Agreements, the Declaration provides little guidance on advancement. Some commentators are of the view that there will not be a conflict where the measures are pursuant to a MEA that has been multilaterally agreed through a process of negotiations open to all countries. This position is based on the wording of the second Appellate Body Shrimp-Turtles decision, although its authority is limited by the absence of any dispute, which has successfully held that a MEA takes precedent over WTO rules. To environmentalists, this is an issue of major concern. To countries whose exports are limited by environment-related barriers, the circumvention of trade rules and disguised barriers to trade are the main concern.

6.7. Scenarios

For trade and environment negotiation, the following scenarios are to be analysed:

*Base Scenario.* This assumes no changes are made in relation to existing WTO agreements and procedures, in so far as they affect the relationship between MEAs and WTO agreements.

*Further liberalisation scenario.* This assumes greater legal clarity on the relationship between WTO rules and trade measures taken pursuant to MEAs, which will significantly reduce the likelihood of formal trade and environment disputes.

6.8. Cross-cutting relationships

There is a close relationship between the environment and trade negotiations and those on environmental goods and environmental services, referred to in art. 31(c) of the DDA. The reduction and/or elimination of tariff and non-tariff barriers to environmental goods and services are expected to lead to better technology flows to developing countries and overall environmental improvement. There is some disagreement over what constitutes an environmental good or service, which may impact technology flows and residual capacity building in developing countries. Some fear that it might open up access to natural resources, such as water, to foreign purchasers. However, greater liberalisation of
environmental goods and services may have positive impacts for developing countries and least developed countries who receive the influx of environmentally beneficial technology, know-how and services.

Other aspects of the Doha agenda with strong links to environment and trade are dispute settlement, TRIPs, WTO rules (particularly on subsidies), and government procurement.
7. DISPUTE SETTLEMENT

7.1. Characteristics of sector

The WTO’s Dispute Settlement Mechanism (DSM) is based on clearly defined rules and timetables for completing a case and underscores the rule of law. This procedure, the WTO argues, makes the trading system more secure and predictable (WTO 2001). Firstly, rulings are made by a panel and then endorsed or rejected by the WTO’s full membership. Appeals based on points of law are possible. But the point is not to make rulings; the priority is to settle disputes through consultations if possible (WTO 2001).

Settling disputes is the responsibility of the Dispute Settlement Body (the General Council in another guise). The Dispute Settlement Body has the sole authority to establish “panels” of experts to consider the case, and to accept or reject the panels’ findings or the results of an appeal. It monitors the implementation of the rulings and recommendations, and has the power to authorise retaliation when a country does not comply with a ruling (WTO 2001).

The current WTO DSM differs significantly from the previous GATT process, and has received an increasing number of successful cases brought by developing countries, against both developed and developing countries (Laird 2002).

7.2. Negotiation issues

The Dispute Settlement Mechanism was reviewed during the second phase of this work and is outlined in the Phase Two final report. There have been no changes to the DSM since the publication of the phase two report (Kirkpatrick and Lee 1999) and so this report will not expand further on the role and function of the Dispute Settlement procedure. The Doha Ministerial Declaration commits members to “negotiations on improvements and clarifications of the Dispute Settlement Understanding”, with the aim of concluding an agreement by May 2003.

7.3. Assessment approach

The overall outcome of the negotiations on dispute settlement is expected to be a more thorough implementation of other aspects of the negotiation agenda, whose impacts are assessed in other components of the SIA. It is not anticipated that any significant adverse effects will result from strengthening the dispute settlement process.

The prime aim of the overview study therefore is to clarify those aspects of the dispute settlement process that can have the most beneficial sustainability impacts if they are improved. The analysis will therefore be based largely on a review of the performance of the existing mechanisms, linked to the findings of the other sectoral analyses.

7.4. Influence of country characteristics

No major variations are anticipated within each of the country groupings, of developed countries, developing countries and least developed countries.

7.5. Methodological issues

The methodological approach for dispute settlement differs from that of other sectors, in that it will draw on the findings of those sectors, along with a review of the dispute settlement process.
7.6. Potential impacts of concern

A number of recent dispute settlement requests and rulings give an indication of concerns that have been expressed.

Shrimp-Turtle ruling

The US imposed trade measures on shrimp imports that were designed to protect endangered sea turtles, thousands of which are killed world-wide every year by shrimp nets (WWF 1998). The US measures were challenged by India, Malaysia, Pakistan and Thailand, who saw the measures as barriers to trade. The dispute required the dispute settlement panel to interpret the environmental exceptions to trade. These exceptions allow countries to “discriminate between products (such as shrimp) if necessary to protect animal life or health or if related to the protection of natural resources (such as endangered sea turtles) (WWF 1998:4). However the exemptions also state that discrimination between products must not be “arbitrary or unjustifiable”, or constitute a “disguised restriction to international trade” (WTO 2000:1). The panel found in favour of the complainants, and ruled that “measures that condition market access on an exporting country’s adoption of certain environmental policies will, irrespective of their environmental purpose, be deemed ‘unjustifiable’ and excluded from the scope of Article XX” (WWF 1998:4).

EU Banana trade regime. Traditionally the EU allowed Caribbean banana exports preferential market access, which helped to safeguard livelihoods in the Caribbean and sustained many of the region’s economies. This preferential market access was particularly important for the small Windward Islands, where income from banana exports to Europe contributes almost half of the economy’s export earnings (Godfrey 1998). The United States used the WTO dispute settlement procedure in support of American multinational corporations to remove the European Union’s preferential market access agreement for Caribbean bananas. The WTO ruled in favour of the US complaint, stating that the EU banana regime “convened free-trade rules by unfairly discriminating against some of the companies importing and marketing Latin-American “dollar” bananas” (Godfrey 1998:1). Subsequently at the Ministerial conference in Doha, the circumstances surrounding the resolution of the bananas dispute were recognised as exceptional, and transitional arrangements were agreed for a separate tariff rate quota (WTO 2001b).

US steel safeguards dispute. In March 2002 the US government imposed “definite safeguard measures on imports of certain steel products” (WTO 2002:3). The measures will take effect from late March 2002 and are expected to remain in place for a period of 3 years. Japan, Korea, Switzerland, Norway and the European Commission have all submitted requests for panels on the US steel safeguards (WTO 2002a). It is expected that a final ruling will take at least a year, depending on appeals. Concerns have been expressed that countries may deliberately implement measures which contravene WTO rules, despite the likelihood that they will eventually have to remove them, in order to enjoy the benefits while the dispute settlement process runs its course.

7.7. Scenarios

Base Scenario. For dispute settlement, the base scenario (full implementation of current agreements) is the current situation.

Further liberalisation scenario. The clarification and improvements in the Dispute Settlement Understanding covered by the Doha Agenda corresponds to the improvements considered in the Phase Two report for the intermediate scenario. These are expected to be particularly beneficial for developing countries, with no significant adverse effect in any of the country groupings.
7.8. Cross-cutting relationships

The SIA of changes to the dispute settlement mechanism is of its nature linked directly to most other sectors of the Doha agenda.
8. TRIPS

8.1. Characteristics of sector

The coverage of intellectual property legislation includes patent rights, aesthetic design rights, trademarks, indications of geographical origin, and copyright on artistic works and computer software. From an economic perspective, protection for intellectual property rights (IPRs) is intended to provide incentives for innovation. IPRs place deliberate constraints on a free market, preventing competitors from copying an innovator’s design without permission (and paying royalties), enabling innovators to earn sufficient profit to warrant the original investment. Once the right has expired, competitors can enter the market freely, to add further innovations.

Intellectual Property legislation is designed in such a way as to achieve what is considered to be the most competitive market overall, balancing restrictions on freedom to compete with existing IPR holders against incentives to innovate. It aims to maximise the performance of the economy to which the legislation applies. Innovators do not necessarily have any protection against competitors who copy their designs in export markets, unless other governments pass similar legislation and/or come to agreements on mutual enforcement of IPR violations.

The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) came into effect in 1995 with the establishment of the WTO. It goes beyond any previous international treaty on IPRs, to require all WTO members to recognise intellectual property rights in other Member states. The agreement also extends the coverage of IPR recognition, in some cases into areas not even included in some industrial countries’ own legislation (Watal 2002).

8.2. Negotiation issues

The Doha Declaration reinforces the importance of implementing and interpreting TRIPS in a manner supportive of public health, by promoting both access to existing medicines and research and development into new medicines. The parties also agreed to negotiate the establishment of a multilateral system of notification and registration of geographical indications for wines and spirits at the Fifth Session of the Ministerial Conference. The extension of protection of geographical indications under Article 23 to products other than wines and spirits are to be addressed in the Council for TRIPS. The Council is also required to include in its work programme the review of Art. 27.3(b) (patentability or non-patentability of plant and animal inventions, and the protection of plant varieties); the review of the implementation of the Agreement under Art. 71.1; the relationship between the Agreement and the Convention on Biological Diversity; the protection of traditional knowledge and folklore; and other relevant new developments raised pursuant to Art. 71.1.

There was also an accompanying Declaration on the TRIPs Agreement and Public Health. It affirms that the TRIPS Agreement does not and should not prevent members from taking measures to protect public health. Therefore, the TRIPs agreement is to be interpreted and implemented in a manner supportive of the right to protect public health and to promote access to medicines for all. This reaffirms the right under the TRIPS Agreement to grant compulsory licences and the freedom to determine which grounds can support such licenses. Members retain the right to determine what constitutes a national emergency or other circumstances of extreme urgency. A public health crisis can represent a national emergency or other circumstances of extreme urgency. In addition, the commitment of developed country members to provide incentives to their private sector to promote and encourage technology transfer to LDCs pursuant to Art. 66.2 was reaffirmed. Moreover, LDCs are not required to implement sections 5 and 7 of Part II of the TRIPS Agreement (patents and protection of undisclosed information) or to enforce rights under those sections until 1 January 2016.
There is a provision in the *TRIPS Declaration* which recognises the difficulty of countries with insufficient or no capacity to manufacture pharmaceuticals in making effective use of compulsory licensing. The *TRIPS* Council was instructed to find an expeditious solution and report to the General Council this year (2002). However, this clause makes no mention of limited domestic markets available for local production where it would be unfeasible to produce pharmaceuticals. Some have called for an additional provision on compulsory licensing, effectively exempting the Article 31(f) limits on exports of products manufactured pursuant to a compulsory license, and allowing such countries to export domestically produced pharmaceutical products in order to economically justify its production. Article 31(k) also provides an exemption to the limitation on exports where it is done to remedy an anti-competitive practice determined by an administrative or judicial tribunal, although this will not be an available course of action for countries that lack a competition authority or the political will to challenge a multinational pharmaceutical company.

Some countries, such as India, already export pharmaceutical products that are manufactured under compulsory licenses. The US has proposed a moratorium against disputes arising from the exports for public health crises. The EU has called for an amendment of Article 31(f) (requiring that compulsory licensing is predominantly for the supply of the domestic market) or accepting a limitation to patent rights under Art. 30. The EU proposal would allow members to export to developing countries, without quantitative limits, pharmaceutical products produced under compulsory licence, thus allowing countries without production capacity to call on other countries to import the necessary pharmaceutical products.

The EU has also raised some concerns about permitting open exports for generic medicines because it may render it impossible for price differentiation in favour of developing countries and limit incentives for research and development. One proposal from developing countries is to apply the principle of exhaustion of rights to overcome Art. 31(f). Another revision proposed by developed countries would be to incorporate requirements that patent applicants disclose the source of genetic material and relevant traditional knowledge, and that they provide evidence of fair and equitable benefit-sharing and prior informed consent.

There appear to be some changes to the negotiating mandate on *TRIPs* in contrast to what was proposed before the Seattle Ministerial. This includes the patentability of life forms, geographical indications and traditional knowledge/folklore. This can potentially have an impact on characterising the intermediate scenario. However, the reaffirmation of certain aspects of the *TRIPS Agreement* such as compulsory licensing and the public health exception can also mitigate some of the results of the base scenario. The liberalisation scenario may have to account for the moratorium against disputes concerning the implementation of sections 5 and 7 that involve LDCs.

Since the Seattle negotiations, the implementation deadline for *TRIPS* for developing countries (but not least developed countries) has passed. Countries are now required to make specific requests for extending this period. Developing countries are now advancing that these periods should be extended or there should be exemptions permitted for various measures such as local content rules.

### 8.3. Assessment approach

The causal linkages of *TRIPs* implementation and of further liberalisation have been widely studied (see Section 8.6 below). The analysis will consist largely of reviewing the literature and weighing the sometimes conflicting evidence which it presents, to form judgements on likely impacts.
8.4. Influence of country characteristics

Developed countries, which are the principal creators of intellectual property, are likely to benefit economically, with no major variations.

The potential economic, social and environmental impacts in developing and least developed countries will vary significantly within these country groupings, according to:

- health status, in relation to AIDS and other diseases treatable by generic drugs
- manufacturers/importers of generic drugs
- manufacturers/importers of other products patented non-domestically
- technological status as creators of intellectual property (e.g. computer software, genetically modified organisms)
- relevance of protected animal and seed varieties to agricultural production
- presence of endemic species of protectable value
- amount of genetic resources, traditional knowledge and biodiversity

8.5. Methodological issues

No major methodological issues are expected for this sector.

8.6. Potential impacts of concern

The controversy surrounding the TRIPS Agreement has been the topic of study for researchers from various disciplines. The merits of having an agreement are weighed against the public health, environmental and other objections raised against TRIPS (Vandoren (2001)). This includes political scientists (Adede (2001)) (Kuanpath (2002)) and government trade officials (Chisanga (2001) (Kolker (2000)). Some authors have taken the developing country perspective in analysing the TRIPS Agreement (Correa (2001b)) (Kongolo (2001)) (Mangeni (2001)), (Quaker United Nations Office (2001), buttressed by examples of the difficulties experienced in individual developing countries (Mathur (2001) (Otieno-Odek (2001)) (Rozek (2001)) (Subramanian & Watal (2000)) (Wolson (2001)).

The largest volume of literature is on the public health concerns flowing from the implementation of the TRIPS Agreement. This ranges from the public’s access to medicines (Balasubramaniam (2002), Subramanian (2001) (Sluston (2002)), to the specific questions relating to compulsory licensing (Correa (2001a)) and parallel imports (Zaveri (2001)).

There is also some considerable attention on the patentability of life forms, as provided for in Art. 27(3)(b). Some authors focus on the environmental/sustainability aspect - the apparent conflict with Convention on Biological Diversity biotechnology (Kaushik (2001)), (Wolfe (2001)), and the ability of countries to protect plant varieties (Cullet (2001)) or traditional knowledge/farmers rights (Expere (2001)), (Gupta (2001)). Others focus on the more general institutional questions involving the review of Art. 27(3)(b) (Chidyausiku (2002)) (Palma (2002). E Commerce and intellectual property rights is also a topic of recent discussion (Eugui (2001)).

Considering its presence in the TRIPs Agreement and the WTO members willingness to negotiate further on the issue, the subject of geographical indications appears in the literature (Audier (2000)). Its implications for developing countries are addressed by Escuedero (2001).

Compared with the Phase Two findings, the affirmation of compulsory licensing in the TRIPS Agreement can alter the findings on the social impacts. The ability of countries to export under compulsory licensing scheme, if added to the TRIPS Agreement, will also create local employment and other economic benefits although it may also increase dependency on
foreign suppliers for countries lacking the capacity to develop their own pharmaceutical products.

The widening protection for geographical indications may have some positive benefits for countries of origin. A similar positive impact might be seen with the protection of traditional knowledge and folklore and the ensuing benefits flowing from their use under a benefit-sharing scheme.

8.7. Scenarios

The scenarios to be analysed are:

**Base Scenario.** Full implementation of the existing TRIPS agreement, including operation of the exceptions under TRIPs for purposes such as public health or endemics.

**Further liberalisation scenario.** This assumes further liberalisation including agreement on geographical indication, patentability of life forms and traditional knowledge.

8.8. Cross-cutting relationships

The principal other sectors where strong links to TRIPS can be expected are agriculture, non-agricultural market access, trade and environment, services, government procurement, dispute settlement, trade and investment, competition policy and implementation issues.
9. **WTO RULES**

9.1. Characteristics of sector

The Uruguay Round established a number of agreements setting out the rules under which countries can protect themselves against unfair trade practices. These define the circumstances and procedures for applying measures such as anti-dumping duties, subsidies and countervailing duties, together with notification and surveillance procedures with respect to subsidies (OECD 2001).

The application of these measures can themselves be used unfairly, for example by applying an anti-dumping duty without due justification. The negotiations on WTO rules aim to clarify the procedures and provide transparency and due process, in such a way as to reduce unfair practices.

9.2. Negotiation issues

The *Doha Declaration* calls for the parties to negotiate aimed at the clarification and improvement of disciplines under the *Agreements on Implementation of Article VI of the GATT 1994* and on *Subsidies and Countervailing Measures*. Such negotiations are to preserve basic concepts, principles and effectiveness of these agreements and their instruments and objectives, while taking into account the needs of developing and least-developed countries. The initial phase of the negotiations will indicate the provisions including disciplines on trade distorting practices, which will be clarified and improved in the subsequent phase. On the general issue of subsidies, there was an addended *Declaration on Procedures for Extensions under Article 27.4 for Certain Developing Country Members*. This allows for consultations with the Subsidies and Countervailing Committee, for an extension of eligible subsidy programmes. Certain export subsidies are covered under the *Declaration*.

Ministers also agreed to the negotiations on the *Anti-Dumping Agreement* and the *Subsidies and Countervailing Measures Agreement*, aiming to clarify and improve disciplines while preserving the basic concepts and principles of these agreements, and taking into account the needs of developing and least-developed country participants. The initial negotiations phase will see the parties indicating which provisions of these two agreements they think should be the subject of clarification and improvement in the second phase of negotiations.

Under the *Doha Declaration*, the parties are to improve the disciplines on fisheries subsidies, taking into account the importance of the fisheries sector to developing countries. Of note, fisheries subsidies are no longer discussed at the Committee of Trade and Environment although which negotiating forum will cover the issue is not mentioned in the Declaration.

9.3. Assessment approach

As for TRIPS, the analysis will consist largely of reviewing the literature and weighing the evidence it presents, in order to form judgements on the likely impacts of achieving the desired improvements.

9.4. Influence of country characteristics

Countries most affected by weaknesses in the existing rules are those with significant subsidised fisheries, those that have been subject to anti-dumping measures, and other countries with large fishing fleets or significant imports.

9.5. Methodological issues

No major methodological issues are expected for this sector.
9.6. Potential impacts of concern

There are some general treatises on subsidies law that have emerged since the Phase Two report (Bénitah (2001)). Some of these overviews attempt to examine the social and environmental impacts arising from government subsidies as existing under the current WTO regime (van Beers & de Moor, (2001)). Perverse subsidies have also received attention (Van Beers and van den Bergh (2001)). Others examine the proliferation of export subsidies and its impact on the global economy (Collie (2000)).

Some country specific analyses of the subsidies-environment interface exist, for example for Indonesia (Abimanyu (2000)). Moreover, subsidies of the agricultural sector have been singled out in a number of pieces (Abimanyu (2000), (Brink (2000)), (Rude (2001)). Chambovey (2002) assessed the consequences of a subsidies dispute coming under the Agreement on Agriculture, once the Peace Clause has expired.

On fisheries subsidies, there have been some recent analyses done by UNEP looking at the relationship between fisheries subsidies and overfishing (Porter 2001), with country case studies on Bangladesh (Khatun, Bhattacharya & Rahman, (2002)); Mauritania (National Oceanographic and Fisheries Research Centre (2002)), as well as Argentina and Senegal (UNEP (2001)). Porter (2001) has proposed a negotiating agenda of fisheries subsidies in the absence of any existing structure to the negotiations.

On anti-dumping, commentators tend to focus on particular aspects arising from anti-dumping cases such as currency conversion (Kim (2000)). Many authors examine particular disputes, although Kufuor (2002) directs his research to inter-developing country disputes. Others have proposed reform to the Anti-Dumping Agreement (Didier (2001)).

9.7. Scenarios

The scenarios which will be analysed are:

*Base Scenario*. This scenario assumes that there are no changes or amendments to the current set of WTO rules on the use of trade defence instruments.

*Further liberalisation scenario*. This will be taken to represent agreement in the New Round negotiations on achieving greater transparency and clarification in the WTO disciplines relating to anti-dumping duties, subsidies and countervailing duties.

The specific mandate to improve WTO disciplines on fisheries subsidies can be seen to influence the scenario characterisation. Previously, fisheries subsidies were agglomerated within the trade and environment section. Since fisheries subsidies have been moved to the general negotiations on subsidy reform, and taken out of the Committee on Trade and Environment, there will be differences in the screening and scoping of impacts. There will be obvious impacts on the fish stocks as well other factors including local employment, marine biodiversity and public health quality. It cannot be assumed, however, that reducing and ultimately eliminating fisheries subsidies alone leads to win-win-win scenarios, which are trade-enhancing, protective of a natural resource and making an overall contribution to development. However, if trade liberalisation is accompanied by appropriate flanking measures, the prospects of a long-run ‘win-win’ outcome is increased (Kirkpatrick and Lee, 2001).

These issues will be investigated in the study, with the prime aim of identifying those which may need more detailed analysis in a subsequent SIA.
9.8. Cross-cutting relationships

Potential links occur between the negotiations on WTO rules and those on market access and dispute settlement.
10. IMPLEMENTATION ISSUES IN DEVELOPING COUNTRIES

10.1. Characteristics of sector

Developing countries’ problems in implementing the WTO agreements were reported to have generated more controversy in the two years prior to the Fourth Ministerial Conference in Doha than any other area of WTO work (WTO 2001). Of around 100 issues raised, some 40 were settled at or before the Doha conference, leaving about 60 to be settled in the continuing negotiations. The issues raised come under 12 headings as follows:

- GATT
- Agriculture
- Sanitary and phytosanitary measures
- Textiles and clothing
- Technical barriers to trade
- Trade-related investment measures
- Anti-dumping
- Customs valuation
- Rules of origin
- Subsidies and countervailing measures
- Intellectual property
- Cross-cutting issues

The aim of the Doha negotiations is to resolve these issues.

10.2. Negotiation issues

In addition to dealing with these 12 sets of issues, the Implementation Decision also includes requirements on outstanding implementation issues (to be handled under paragraph 12 of the main Doha Declaration) and final provisions (regarding WTO technical assistance to developing countries and for closer cooperation between WTO and international and regional organisations).

Issues which have already been settled or for which ongoing discussions have been agreed include the following (WTO 2001).

Agriculture

The Implementation Decision requires WTO members to show restraint in challenging measures taken by developing countries (notified under the Green Box) that address rural development and food security concerns. Discussions have been agreed on provision of assistance to least-developed and net food-importing developing countries, in response to possible increases in world food prices resulting from trade liberalisation. These cover food aid, technical and financial assistance to improve productivity and infrastructure, and financing for imports. Discussions have also been agreed on export credits, export credit guarantees and insurance programmes, in order to counter circumvention of export subsidy commitments, and to consider how a possible agreement on export credits might be brought into the WTO (in parallel with the agriculture negotiations). Continuing work is taking place to make tariff rate quota administration more transparent, equitable and non-discriminatory.

Sanitary and phytosanitary (SPS) measures

The time-frame for developing countries to comply with other countries' new SPS measures has been clarified. An agreement has been made on an outline of steps designed to make it easier for all WTO members to make use of the SPS Agreement’s equivalence provisions. The Implementation Decision calls for members to provide financial and technical assistance
to least-developed countries so that they can respond adequately to new SPS measures that could obstruct their trade, and assistance to help them implement the agreement as a whole.

*Trade-related investment measures (TRIMs)*

Consideration is being given to requests for extension by least-developed countries of the seven-year transition period given to them under the TRIMs Agreement, to eliminate inconsistent TRIMs.

*Trade-related aspects of intellectual property rights (TRIPS)*

Discussions have been agreed on governments' ability to bring a dispute to the WTO even if no WTO agreement or commitment has actually been violated. Non-violation complaints of this nature are possible in the areas of goods and services, but the TRIPS Agreement set a temporary moratorium on non-violation complaints. Other discussions are aimed at strengthening Art.66.2 of the TRIPS Agreement, which requires developed countries to provide incentives to promote and encourage technology transfer to least-developed countries.

*Cross-cutting issues*

The Implementation Decision mandates the Trade and Development Committee to identify which special and differential treatment provisions are mandatory, and to consider the implications of making mandatory those that are currently non-binding. It also instructs the committee to examine additional ways in which special and differential treatment provisions can be made more effective, and how developing countries may be assisted to make best use of these provisions.

The decision also urges developed countries to grant preferences, allowed under the “Enabling Clause” of GATT, in a generalized and non-discriminatory manner, i.e. to all developing countries rather than to a selected group. The clause, agreed by GATT in 1979, allows developed countries to give non-reciprocal differential and more favourable treatment (such as zero or low duties on imports) to developing countries, and to unilaterally determine which countries and which products are included in their preference schemes.

10.3. Assessment approach

The prime aim of the overview of implementation issues is to clarify those issues whose settlement is likely to have the most significant effect on impacts identified in other components of the overview study. The analysis will therefore be based largely on a review of the issues raised (Section 10.2 above), linked to the findings of the other sectoral analyses.

10.4. Influence of country characteristics

No major differences are expected within the country groupings of developed, developing and least developed countries. However, the significance of the implementation issues will vary between country groups, depending on the sectoral issues which implementation affects.

10.5. Methodological issues

No major methodological issues are expected for this sector.
10.6. Potential impacts of concern

The implementation issues that have been raised reflect the concerns of developing countries, with particular focus on the needs of least developed countries. In broad terms the benefits that are sought would counter potentially negative economic effects in these countries that may arise from rapid trade liberalisation, and maximise the positive economic effects. Social effects are harder to forecast as they will depend on the details of the agreements that are made, but can be expected to ameliorate transitional costs borne by vulnerable social groups.

The direction of environmental effects is less clear. Measures which support agriculture or industry in developing countries, and those which delay implementation of sanitary and phytosanitary measures, may have either negative or positive environmental effects in those countries. Adjustments to the implementation of TRIPs may similarly have environmental effects in either direction. The requirement that the WTO Secretariat cooperate more closely with international and regional intergovernmental organisations can however be expected to push the balance somewhat in favour of environmental issues.

10.7. Scenarios

The majority of these implementation issues have been included in negotiations since completion of the Uruguay Round.

The base scenario is equivalent to the current situation.

The further liberalisation scenario assumes that agreements will be reached on all current issues, similar to those on the issues that have already been settled, and that further agreements will be made which take full account of the needs of developing countries, with strong measures to address environmental concerns.

10.8. Cross-cutting relationships

Linkages can be expected to most other sectors of the Doha agenda.
11. TRADE AND INVESTMENT

11.1. Characteristics of sector

Foreign Direct Investment (FDI) has grown from about 60 $ billion in 1982 to over 200 $ billion in 1990, and almost 1,300 $ billion in 2000 (UNCTAD 2001). Investments are made primarily by transnational corporations (TNCs), and can make a positive contribution to employment, technology transfer, growth, productivity and competitiveness in the host country, as well as generating profits for the corporation and its home country. Countries generally aim to attract FDI in order to obtain the perceived benefits, offering incentives such as tax concessions. At the same time they negotiate with investing TNCs, in order to maximise the benefits and minimise any adverse effects on domestic competitors. In doing so they may place restrictions on the activities of investing companies, which are considered to be trade-distorting (Trade-Related Investment Measures, or TRIMs).

TRIMs may include (Morrissey 2001):

- local content requirements
- import restrictions
- export requirements
- manufacturing requirements
- domestic sales limitations

The 1994 GATT Agreement on TRIMs introduced a number of provisions prohibiting their use. It has however been argued that these provided no addition beyond the requirements of other GATT articles, and that while aiming to prevent the trade-distorting effects of TRIMs, they make no corresponding provision for the potentially trade-distorting activities of TNCs (Morrissey 2001). Additionally, the agreement applies only to those measures defined in an illustrative list. Subsequently the OECD attempted to negotiate a Multilateral Agreement on Investment (MAI), without success. The Doha agreement established a work programme to discuss the issues, with a view to subsequent negotiations.

11.2. Negotiation issues

Prospective negotiations on the relationship between trade and investment are scheduled to take place after the Fifth Session of the Ministerial Conference on the basis of a decision to be taken, by explicit consensus, at that Session, on modalities of negotiations. Trade and investment is what is referred to as a Singapore issue. Cooperation is called for with relevant intergovernmental organisations, including UNCTAD to provide assistance to respond to the needs of developing and least-developed countries. Prior to the Fifth session, the Working Group on the Relationship Between Trade and Investment will focus on the clarification of: scope and definition; transparency; non-discrimination; modalities for pre-establishment commitments based on a GATS-type, positive list approach; development provisions; exceptions and balance-of-payments safeguards; consultation and dispute settlement. Any framework agreement that comes out of this must take into due account the development policies and objectives of host governments as well as their right to regulate in the public interest. In addition consideration is afforded to the special development, trade and financial needs of developing and least-developed countries so that WTO members are able to undertake obligations and commitments commensurate with their individual needs and circumstances.

11.3. Assessment approach

Negotiations on TRIMs have strong linkages with a number of other measures (see Section 11.8 below). The assessment will follow the overall approach defined in the methodology report, with an emphasis on reviewing the evidence presented in the literature, in order to form judgements on potential impacts. Section 11.6 summarises studies that have been
carried out on the causal linkages associated with global investment law and of the effects of TRIMs.

11.4. Influence of country characteristics

An agreement on changes to TRIMs provisions can be expected to have greatest effect in those countries which are major recipients of FDI, and those which are major providers. However, any country which aims to increase its FDI flows will, if successful, experience impacts of similar significance.

The assessment will need to take account of potentially different effects according to the nature of the products or services that are being invested in. Investment in resource extraction, agricultural products and industrial manufacturing will for example different have effects in relation to technology transfer, educational stimulus, employment opportunities and environmental effects. These variations will need to be taken into account within the developing and least developed groupings in particular.

11.5. Methodological issues

No major methodological issues are expected for this sector.

11.6. Potential impacts of concern

Overall, literature on global investment law has concentrated more on the WTO (Wallace (2002)), especially in light of the failure to reach an agreement on the Multilateral Agreement on Investment (Muchlinski (2000)). In addition, there have been some new studies examining the relationship between foreign direct investment and the environmental consequences experienced in the host country (Goldenman (1999)). The pollution haven, regulatory chill and race to the bottom theory continue to be tested by many analysts (Neumayer (2001)), (Porter (1999)), (Oman (2001)), (Wheeler (2001)), (Mabey & McNally (1999)). There is some literature that notes that current investment flows to least developing countries reveal a preponderance of activity in the natural resource sectors where there are a great deal of negative sustainability impacts, partly due to the limited regulatory capacity of the host state (McNally (2001)). The investment-environment interface has been explored in the context of other international agreements such as NAFTA (Baughen (2001)), (de Pencier (2000)), (von Moltke & Mann (2001)).

There is some literature that raises the institutional misfit between the WTO and a global investment regime (McNally (2001)). This might be based on the existing TRIMS Agreement, which has been relatively ineffective in providing any governance on international investment (Civello (1999)). Others note the concern of having an investment agreement in light of its consequences for developing countries (Burt (2001)), (Hoekman & Saggi (2001)) and transition economies (Jah & Tamulatis (2001)).

One thing that may influence the social and environmental impacts is the recognition in the Doha Declaration that host governments maintain their right to regulate in the public interest and that any agreement must account for the development policies and objectives of host countries. However, a further issue of concern is a lack of regulatory capacity in many developing and least developed countries, which may limit their ability to implement appropriate M&E measures.

11.7. Scenarios

The base scenario presumes that the GATTS TRIMS agreement remains largely unchanged, and is fully implemented.
The *Further liberalisation scenario* assumes that a multilateral framework of rules governing international investment will be established. As in the intermediate scenario discussed in the Phase Two study, such an agreement would include:

WTO as the forum and institutional framework for negotiating a non-discriminatory and transparent investment rules framework; negotiations on the basis of the GATTs “bottom up” approach, with market access commitments undertaken by each member; maintaining the ability of host countries to regulate, in accordance with basic WTO principles, economic activity within their national territory; ensuring that the dimension of sustainable development is built into the basic rules, particularly with respect to the impact of investment on the environment and labour conditions; ensuring that the activities of foreign investors are compatible with developing countries’ developmental policies and objectives.

11.8. Cross-cutting relationships

FDI has a direct effect on the sector in which investment is made, and also establishes a relationship between the investing company and the host country’s government. Strong linkages can be expected with agricultural and non-agricultural market access, services, competition policy and government procurement, with further linkages to dispute settlement, WTO rules and implementation issues.
12. COMPETITION POLICY

12.1. Characteristics of sector

Competition policy is designed to ensure fairness and equality in the marketplace. Government intervention aims to combat restrictive business practices and improve market efficiency, protecting both producers and consumers. All OECD countries have developed competition laws and policies, although the methods of implementation and scope of illegal activity covered varies from jurisdiction to jurisdiction. Developing countries do not consistently have competition laws and policies, partly attributable to the presence of a large state sector (Singh & Dhumale (2000)) as well as limited capacity to introduce such laws and regulations and the corresponding authorities needed to monitor anti-competitive practices. Where laws and policies have been introduced, they tend to be relatively ineffective.

The differences in competition laws and policies alone create imbalances for global trade. Lacking any international agreement, certain countries may be chosen by investors where they can dominate the market in a legal vacuum. Foreign investors would be beyond the control of regulators in their home countries since competition law has limited extra-territorial effect. Collusive economic activity in one country can go unpunished where the impacts are felt in another, while mergers and acquisitions may have cross border impacts.

Attention to competition policy at the international level traces back to as early as 1964 with the inception of UNCTAD. However, competition policy was introduced in Chapter V of the now defunct Havana Charter, in recognition of the possible adverse impact on international trade flows from restrictive business practices.

In the era of the fledgling New International Economic Order, the Set of Multilaterally Agreed Equitable Principles and Rules for Control of Restrictive Business Practices was adopted as a voluntary code under UNCTAD auspices. This is not binding however, which is seen as being little help for developing countries (Singh and Dhumale (2001). The OECD has also worked on competition policy, issuing general recommendations on restrictive practices for multinational enterprises (OECD 1976). Both the UNCTAD and OECD instruments emphasised the socio-political fairness policy against economic concentration and corporate power but this was replaced subsequently by the US change in their antitrust law where efficiency of the market became the measuring standard (Fox 1999). EU law, by contrast, features a mix between protecting competitors and consumer interests.

12.2. Negotiation issues

The Doha Declaration recognises the case for a multilateral framework to enhance the contribution of competition policy to international trade and development, agreeing that negotiations will take place after the Fifth Session of the Ministerial Conference on the basis of a decision to be taken, by explicit consensus, at that Session on modalities of negotiations. Trade and competition policy is one of what is known as the Singapore issues. Cooperation is called for with relevant intergovernmental organisations, including UNCTAD to provide assistance to respond to the needs of developing and least-developed countries. The Working Group on the Interaction between Trade and Competition Policy will focus on the clarification of; core principles such as transparency, non-discrimination and procedural fairness and provisions on hardcore cartels; modalities for voluntary cooperation; and support for progressive reinforcement of competition institutions in developing countries through capacity building, with full account to be afforded to the needs of developing and lead-developing countries and the appropriate flexibility provided to address those needs.

12.3. Assessment approach

A detailed SIA on competition policy is currently being undertaken as part of the Phase Three study (Gray 2002), following the methodology defined in the SIA methodology report
(Kirkpatrick and Lee 2002). The approach is based on causal chain analysis and the evaluation of case studies, to identify the effects of competition policy and their interactions with other components of the negotiation agenda.

This overview study will draw heavily on the findings of the sectoral study on competition, extending the analysis where necessary to give a fuller understanding of cross-cutting issues.

12.4. Influence of country characteristics

Because of the close interaction between competition policy and other liberalisation measures, variations within the country groupings that are identified for other measures will influence the effects of changes in competition policy. Additionally, for developing and least developed countries, the size of the economy will have a significant effect on their ability to introduce such policies effectively. This effect may be ameliorated in those countries, such as those in the Caribbean, which are taking a regional approach to the development of competition policy.

12.5. Methodological issues

The principal issue expected to be encountered in the assessment of competition policy will be the interactions with other sectors. It will be important not to ‘double count’ effects, and to ensure that the assumptions on competition policy that are made in each component of the study are consistent.

12.6. Potential impacts of concern

In light of the fact that competition is not within the purview of WTO law, most of the literature draws attention to the question of whether there should be an international competition agreement. Supporters of such a scheme point to the lack of uniformity of anti-competitive practices amongst WTO members to justify its entry into the WTO (Bellis (2000)). Some have even made vague proposals on how such an agreement should be expressed (Bronckers (2000)) (Bercero & Amarasinha (2001)).

By contrast, there are some who raise the practical difficulties in having a multilateral competition regime (Kennedy (2001)). Commentators tend to differentiate between whether such an agreement will be beneficial for developing countries (DFID (2001)), and whether it will have no relevance/negative impact. (Institute for Development Studies (2001)) (Singh & Dhumale (2001)).

Since competition law and policy interacts directly with other areas that are regulated under the WTO, there is some literature that addresses this connection. This is mainly in the area of intellectual property, which of itself, can lead to anti-competitive practices through the abuse of intellectual property rights (Cottier & Meitenger (1998)) (Smith (1999)).

There has been some exploratory research on how anti-competitive practices can have sustainability impacts (Pflüger (2000) (Hillebrand (1999)) (Hollander & Curran (2001)).

A more detailed SIA of competition policy is currently being undertaken in a parallel study. The findings from this will be incorporated into the overview study, and will contribute to the evaluation of linkages between competition and other aspects of the negotiations.

12.7. Scenarios

The base scenario equates to the current situation, with no agreement on competition policy.
The Further liberalisation scenario resembles what is being put forward as a basic principles agreement with account for international cooperation on enforcement, rules on transparency and non-discrimination, and common rules but no specific binding provisions with the exception of a ban on hardcore cartels. However, this scenario might be adjusted during the study so that it might reflect only a voluntary plurilateral agreement, where most if not all developing countries would not be a party.

12.8. Cross-cutting relationships

The sustainability impacts of an agreement on competition policy will occur largely through its interactions with other sectors. Significant interactions are expected to occur with market access for agricultural and non-agricultural products, trade in services, TRIPS, investment, government procurement, and implementation in developing countries.
13. TRADE FACILITATION

13.1. Characteristics of sector

The increase in both volume and complexity of trade has heightened awareness of the need for effective procedures for processing trade transactions. Trade facilitation involves reducing the transaction costs associated with the enforcement, regulation and administration of trade policies. The objective of trade facilitation is therefore to reduce the costs associated with cross-border transactions. One means of achieving this is the implementation and convergence in procedures and customs operations, based on international standards (Rege, 2002; Sharples, 2002).

Various approximations have been made of the additional transactions costs resulting from inefficiencies in trade facilitation procedures. Messerlin and Zarrout (1999) suggest that these excess transaction costs may be up to 2 percent of the value of goods shipped in a developed country, and “a multiple of this” in a developing country environment. Pressure for WTO negotiations on trade facilitation has come mainly from non-governmental entities, including the International Chamber of Commerce. Developing countries have also been concerned about customs regulations and procedures (including rules of origin and technical regulations and standards) which may act as an impediment to their export trade (UNCTAD, 1999).

Good practices in customs procedures have been identified and agreed multilaterally under the auspices of the World Customs Organisation, and are contained in the International Convention on the Simplification and Harmonization of Customs Procedures (the Kyoto Convention) (Rege, 2002). However, many developing countries are constrained in achieving the level of good practice laid out in the WCO convention, by weak institutions, lack of modern communications and information systems and inadequately skilled human resources (Hoekman, 2001).

13.2. Negotiation issues

Trade facilitation was added to the WTO Agenda at the Singapore Ministerial Meeting, which directed the Council for Trade in Goods (CTG) to undertake work on the simplification of trade procedures in order to assess the scope and need for introducing WTO rules in this area. This objective of trade facilitation is to reduce the transaction costs in trade, and is defined by the WTO as ‘the simplification and harmonisation of international trade procedures’ with trade procedures being ‘activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade (WTO, 1999).

Subsequent to the Singapore meeting, the CTG has considered, inter alia, the following issues: import and export procedures and requirements, physical movement of consignments (transport and transit), and electronic facilities and their importance for facilitating international trade. Elements relating to the simplification and harmonisation of trade procedures are included in a number of the Uruguay Round agreements, including Agreements on Customs Valuation, Import Licensing, Pre-Shipment Inspection, Rules of Origin, Technical Barriers to Trade, and the Agreement on the Application of Sanitary and Phytosanitary Measures.

The Doha Ministerial Declaration recognised the case for further expediting the movement, release and clearance of goods, including goods in transit, and the need for enhanced technical assistance and capacity building in this area. It was agreed that negotiations would take place after the Fifth Ministerial Conference, on the basis of a decision to be taken at that Session on modalities of negotiations. In the period before the Fifth Session, the Council for Trade in Goods is to review and as appropriate, clarify and improve relevant aspects of Articles V, VIII and X of the GATT 1994 and identify the trade facilitation needs...
and priorities of members, in particular developing and least developed countries. This was accompanied by a commitment to ensure adequate technical assistance and support for capacity building in this area.

13.3. Assessment approach

The prime aim of the assessment of trade facilitation is to consider the economic benefits and costs that would follow from agreement to implement the procedures proposed in the Kyoto Convention. The benefits will occur across all trade, and should be reflected in the sector-specific SIA assessments. The costs will impact mainly on the public sector, through any loss of tax revenue and the additional costs of implementing the new procedures – Canada, a country with ample resources, took five years to complete its implementation of the WCO Customs Valuation Agreement (Staples, 2002).

13.4. Influence of country characteristics

The potential benefits and costs of adopting trade facilitation measures are likely to be different in developed and developing countries. The best practices for customs procedures are increasingly being adopted by industrial countries, with verification of prices on the basis of risk assessment techniques. However, as Finger and Schuler (2000) note, shifting to a risk-based valuation system that depends on examination of a sample of shipments may increase rather than reduce the number of shipments on which importers attempt to under-invoice. This is more likely to occur where tariffs are high and where access to electronic information is limited. These considerations suggest that the assessment of the impact of adopting trade facilitation measures will need to take into account the trading environment and institutional capacities of different country groups.

13.5. Methodological issues

Given that the potential benefits of trade facilitation will be spread over all trade flows, attention will need to be given to the process of diffusion of benefit at the sector level. The incidence of the benefits – who receives the benefit – will also need to be considered, and may vary with the degree of market competition in the sector.

The costs of implementing new procedures may be significant for countries with limited institutional and human resource capacity, and are likely to be spread out over time.

13.6. Potential impacts of concern

The existence of the single market in the EU implies that the opportunity for further gains from trade facilitation measures would be limited. For developing countries, the economic benefits are potentially significant, both in short-term allocative efficiency gains and reductions in rent-seeking activities, and in longer term increase in investment and trade inflows. However, the implementation of trade facilitation measures is likely to require significant investment in physical infrastructure and institutional reform. Whether these investment costs are mitigated by proposed capacity building initiatives will determine the net economic impact. Where the implementation of trade facilitation measures causes a diversion of scarce resources from higher priorities, the gains to developing countries could be negligible (Winters, 2002).

Social impacts are unlikely to be significant, although any reduction in corruption and other rent-seeking activities could have a marginal income redistributive impact. There are no obvious environmental impacts associated with improvements in trade facilitation procedures.
13.7. Scenarios

*Base Scenario:* there have been no significant developments in trade facilitation that would necessitate changes in the screening of impacts for the base scenario that was presented in the Phase Two Report. However, there are provisions within existing WTO Agreements affecting trade facilitation that have not yet been fully implemented.

The *Further liberalisation scenario:* represents agreement to implement a degree of simplification in trade procedure in member countries. This will need to be accompanied by capacity building and technical assistance, in the case of developing and least developed countries.

13.8. Cross-cutting relationships

Trade facilitation has direct implications for a number of WTO agreements, including the Agreement on Rules of Origin, the Customs Valuation agreement, the Agreement on Import Licensing Procedures, the agreements on Technical Barriers to Trade and on Sanitary and Phytosanitary (SPS) Measures, GATT Articles v (freedom of transit), VIII (simplification of fees and formalities related to the importation and exportation of goods) and X (requiring the timely and comprehensive publication of laws and decisions affecting imports or exports), and the Agreement on Pre-shipment Inspection (PSI).

The assessment for trade facilitation will be related, therefore, to the analysis of these sectors in the Overview Report.
14. TRANSPARENCY OF GOVERNMENT PROCUREMENT

14.1. Characteristics of sector

Government spending has become a major proportion of all countries’ GNP, with preference often given to domestic suppliers. This discrimination has in part been used to support Keynesian macroeconomic policies, in order to maximise the increase in national income arising from increased government expenditure (Evenett 2002). Partly for this reason government procurement was initially excluded from GATT, but since the mid-1970s increasing pressure on government budgets, together with associated moves towards privatisation, has led to a greater acceptance of liberalisation by developed countries. The Tokyo round of trade negotiations included a code of conduct for government procurement, and the Uruguay Round’s Government Procurement Agreement (GPA) extended the agreement and included services as well as goods.

The GPA defines thresholds and procurement procedures, with provisions for transparency and avoiding the use of technical specifications as barriers to trade (Laird 2002). It is a plurilateral agreement, separate from GATT’s single undertaking, and therefore binds only its signatories. Many developing countries have not entered the agreement for a variety of reasons (Laird 2002), which include fear of foreign companies using their market power to drive out domestic ones, loss of control over macroeconomic policy, and the costs of international tendering procedures. In some circumstances, exporters may circumvent discriminatory policies by establishing local subsidiaries, although the status which they are afforded is not always clear (Sauve 2002).

Preference for domestic suppliers also remains common in developed countries, where it may be used to favour particular regions or types of supplier, such as small firms (Evenett 2002). It is also common practice for developed countries to tie their bilateral development aid to procurement from the donor country (Sauve 2002).

14.2. Negotiation issues

The Doha Declaration recognises the case for a multilateral agreement on transparency in government procurement. Negotiations are to take place after the Fifth Session of the Ministerial Conference on the basis of a decision to be taken, by explicit consensus, at that Session on modalities of negotiations. Negotiations are limited to the transparency aspects and explicitly will not restrict the scope for countries to give preferences to domestic supplies and suppliers. The built in agenda in the GATS negotiations under Art. XIII:2 for government procurement has not been mentioned in the Doha Declaration.

14.3. Assessment approach

On the basis of studies reported in the literature, the assessment will evaluate the direct economic benefits and costs associated with liberalisation of government procurement, and the extent to which actual procurement practice can be expected to change in response to greater transparency. From this, analysis of causal linkages will be used to identify potential social and environmental effects and interactions with other sectors, with reference to reported studies (see Section 14.6).

14.4. Influence of country characteristics

The principal variations in the impacts of greater transparency in government procurement are expected to correlate with the main country groupings, of developed countries, developing countries and least developed countries. Within individual countries the sustainability impacts will vary according to existing procurement policy and the nature of the principal goods and services purchased (or available for export), but the issues identified are expected to be applicable to most countries in each group.
14.5. Methodological issues

No major methodological issues are expected for this sector.

14.6. Potential impacts of concern

Arrowsmith (2000) provides a general overview of the regulation of public procurement. There is one chapter that comprehensively reviews international government procurement regimes including the GPA in the WTO. Another chapter looks at the industrial, social and environment concerns over public procurement. On industrial impacts, it refers to the numerous objectives in public procurement policies aimed to: support domestic industries against competitive imports; correct market imperfections; address the need to pay economic rents; and to create a comparative advantage. Social and environmental objectives in public procurement pertain to the need to ensure compliance with fair labour practices; development of disadvantaged groups and law and policy implementation. There is a specific section dedicated to the impact of trade agreements on social and environmental objectives.

Another volume on public procurement was prepared by Arrowsmith and Davies (2002). There is some analysis on the EU regime as it relates to the GPA (Gordon et al, 2002). In addition, there are chapters concerning the implementation of the UNCITRAL Model Law on Procurement of Goods, Constructions and Services and its Impact on Procurement Reform in developing and transition economies (Hunja, 2002), as well as country specific discussions on procurement regulation for Laos and Bhutan (Trepte, 2002). Environmental and social policy issues in public procurement are also covered (Kunzlik, 2002; McCrudden, 2002). McCrudden (1999) in a separate article addresses the consequences of introducing selective government procurement laws based on concerns for the protection of human rights.

How an international government procurement agreement will affect developing countries is covered by Reggen (2001). This article maintains that developing countries have little interest in becoming parties, when trying to maintain a balance between opening up procurement opportunities to foreign competition and the associative administrative burden and economic costs incurred in changing laws and procedures. Developing country resistance is mainly due to the: limited ability of domestic companies to compete and meet criteria in other countries; increasing difficulty for domestic suppliers in competing with international bidders in their own country; resulting higher dependency on foreign suppliers; lack of necessity for developing country engagement in international trade. Furthermore, access to procurement opportunities in developing countries already exists for suppliers from industrialised countries since they have the technology and products needed by developing country governments or government procurement is tied to Overseas Development Assistance. Generally, developing countries will experience difficulties in streamlining their procurement laws and regulations in accordance with an international regime. The author notes that there are some benefits for developing countries to join the GPA being: the institution of fair and equitable criteria for awarding contracts; goods and services are obtained at the most efficient economic price; and the reduction in levels of corruption.

14.7. Scenarios

The Base Scenario assumes no revision to the GPA, and that no additional measures are agreed. The scenario does however imply a degree of further liberalisation (Kirkpatrick and Lee 1999), because of the effects of the GPA monetary thresholds, new members joining the GPA, and the built-in agenda for negation of further liberalisation of services procurement within GATTS.
The *Further Liberalisation Scenario* assumes that a multilateral agreement is reached on transparency in procurement, with expanded coverage in both goods and services.

### 14.8. Cross-cutting relationships

Significant interlinkages are likely to arise with the negotiations on services, trade and investment, competition policy, TRIPs, and trade and environment.
15. OTHER MEASURES

15.1. Characteristics of sector

The Doha Declaration identified seven other measures for which a WTO work programme was established, but with no commitment to negotiations. These are:

**Electronic commerce.** The volume of global business-to-business e-commerce in 2000 has been estimated to be between 200 and 600 $ billion (UNCTAD 2001). Most of this activity has grown since the adoption of GATS (Kirkpatrick and Lee 1999), such that GATS rules are not necessarily appropriate to deal with this type of trade.

**Small economies.** Small economies face particular problems in participating in world trade, such as limited economies of scale and access to natural resources.

**Debt and finance.** Many developing countries are encumbered with high external debts. In addition to the immediate effect on poverty and the dangers of financial crises, this strongly influences these countries’ trade policies.

**Technology transfer.** One of the most significant potential benefits to developing countries of international trade is the contribution it can make to their technological development. Trade rules do not necessarily encourage these benefits to be realised.

**Technical cooperation and capacity building.** Developing countries often face considerable difficulties in meeting the commitments they are expected to make under a trade agreement, and in implementing policy measures to mitigate potentially adverse effects.

**Least-developed countries.** The least developed countries have the greatest need to benefit from international trade. They may be considered to warrant favourable treatment in gaining membership of the WTO and in the negotiation of trade agreements, particularly in achieving market access for their exports.

**Special and differential treatment.** Existing trade agreements include a number of special and differential treatment provisions for developing countries. Not all of these are mandatory or sufficiently precise, and may not be strong enough to achieve their objective of promoting these countries’ development.

15.2. Negotiation issues

The issues to be discussed by the WTO work programme are as follows:

**Electronic commerce**

The WTO adopted a work programme on global electronic commerce in 1998, following the Second Ministerial Conference in Geneva. The Doha Declaration continues this work, and restates the recommended practice of not imposing customs duties on electronic transmissions, until the Fifth Ministerial Conference in 2003.

One of the main aims of this work is to decide whether and how special provisions for e-commerce should be included in the negotiations on services, with particular reference to whether mode 1 (cross-border transactions) or mode 2 (consumption abroad transactions) is more appropriate (Tinawi and Berkey 1999, WTO1991).
Small economies

The Doha Declaration mandates the WTO to examine problems faced by small economies in participating in world trade. The work will lead to recommendations at the next Ministerial Conference on trade-related measures to improve the integration of small economies.

Debt and finance

A working group on Trade, Debt and Finance was established in Doha, to consider trade-related measures which might contribute to addressing developing countries’ external debt problems. The group will report to the 5th Ministerial Conference in 2003.

Technology transfer

The Doha conference agreed to establish a working group to examine how the references made in various WTO agreements to promoting technology transfer to developing countries might be given more substance. A report will be made to the next conference in 2003.

Technical cooperation and capacity building

The Doha Declaration recognises difficulties faced by developing countries in meeting its commitments, and promotes technical assistance to help overcome them. The sections on market access for non-agricultural products, trade and investment, competition policy, transparency in government procurement, trade facilitation and environment all include reference to this need, and further paragraphs in the agreement give general consideration to technical cooperation and capacity building and the needs of least-developed countries. Meanwhile, developing countries are encouraged to include trade measures in their development strategies. The agenda gives priority to small, vulnerable, and transition economies, and calls for coherence between the WTO and other relevant international organisations in their technical assistance.

Following the Doha conference the WTO General Council increased its own budget for technical assistance and established a Doha Development Agenda Global Trust Fund (WTO 2001). Further progress is to be reported to the 5th Ministerial Conference in 2003.

Least-developed countries

The Doha declaration commits members to the objective of duty-free, quota-free market access for products of least developed countries, and to consider measures to improve market access for these countries’ exports. Members also agreed to help make it easier for least-developed countries to negotiate WTO membership. A WTO work programme on these issues was established.

Special and differential treatment

The Doha Declaration commits members to reviewing all special and differential treatment provisions for developing countries, with the aim of strengthening them and making them more precise. These provisions include longer time periods for implementing agreements, and commitments or measures to increase trading opportunities for developing countries.

Together with the Decision on Implementation, the Declaration mandates the WTO to identify which special and differential treatment provisions are mandatory, and to consider the implications of making mandatory those which are currently non-binding. Recommendations were required to be made to the WTO General Council by July 2002.
15.3. Assessment approach

In view of the low priority attached to these measures in the Doha agenda, the assessment will be confined to a broad overview of the potential impacts in each of the measures in the group. The assessment approach for electronic commerce will be broadly similar to that for trade in services, with particular reference to the issues raised in this part of the sector. The remaining measures relate primarily to mitigation and enhancement for developing countries, in relation to agreements made under other measures. Their analysis will be based largely on a review of the issues raised, in association with the findings of the other sectoral analyses.

15.4. Influence of country characteristics

No major differences are expected within the country groupings of developed, developing and least developed countries.

15.5. Methodological issues

No major methodological issues are expected for this sector.

15.6. Potential impacts of concern

Apart from electronic commerce, the other measures that have been proposed for inclusion in the Doha Development Round address the needs of developing countries, and can be expected to have similar impacts to those identified for implementation issues (Section 4.8 above).

As noted in the Phase Two report, if electronic services are classified as mode 1, WTO members could have the ability to apply regulatory measures to e-commerce, which could represent market restraint or safeguard measures on foreign suppliers. It is anticipated that this problem may become more acute as the use of e-commerce expands. This expansion also raises concerns about fiscal implications, where duty-free e-commerce may erode sources of tax revenue, particularly in developing countries.

15.7. Scenarios

The Base Scenario is equivalent to the current situation.

The Further Liberalisation Scenario assumes that agreement will be reached on levying customs duties on e-commerce, within the framework of GATS. For the remaining issues the scenario assumes a clarification and strengthening of agreements to take account of the needs of developing and least developed countries.

15.8. Cross-cutting relationships

Although e-commerce is an aspect of trade in services, the analysis of a potential agreement is largely independent of the negotiations on non-electronic services, and no other major interlinkages with other measures are anticipated.

Most of the other measures in this group relate to M&E for other agreements, with strong interlinkages with most of the other measures considered in the study.
16. OUTLINE CONTENT OF MID-TERM AND FINAL REPORTS

Mid-term Report

As required by the task specification for the project, the mid-term report will summarise the work that has been undertaken on the project and its principal outcomes. In particular, it will describe:

- Implementation of the methodology: a summary of the process of which the methodology has been implemented for the qualified preliminary assessment.
- Information on communication activities.
- Outcomes regarding the screening/scoping phase, and mid-term outcomes of the qualified preliminary assessment study.
- Further action to complete the study.

The mid-term report will be submitted to the Commission on 18 November 2002.

Final Report

The final report will include the following elements:-

- Methodology used for the qualified preliminary assessment, including any revisions to the methodology for use in the Phase Three Sector studies.
- The outcomes and results of the qualified preliminary assessment.
- Identification of sectors for detailed sectoral assessment, to be undertaken during the next phases of the Framework Agreement.
- Communication actions and networking.
- Conclusions.
- References and key sources.

The final report will be submitted on 17 March 2003.
17. DEVELOPMENT OF THE CONSULTATION PROCESS: UPDATE ON EXPERTS’ NETWORK, WEBSITE, DISSEMINATION AND CONFERENCE PARTICIPATION

Two important goals of the SIA of WTO Trade Negotiations programme are:

- To contribute to the dialogue concerning SIA with all interested European stakeholders.
- To contribute to the development of an international network of SIA experts and to participate in the SIA policy debate with experts in other countries and organisations.

The task specification for the current project also requires the consultant to make proposals to develop the consultation process by which the Commission can ensure the transparency of the SIA process and enable civil society and other stakeholders to provide input during the study, in particular in the screening/scoping phase. These proposals should include:

- Development and use of networks with key constituencies
- Organisation of meetings
- Use of electronic means
- Feedback processes

In this inception report, we summarise the activities undertaken since the submission of the Methodology Report (Kirkpatrick & Lee, 2002) on 5 April 2002, and present a number of proposals for enhancing these activities, and for developing the consultation process during the current project.

Contribution to Dialogue on SIA with interested stakeholders

Two public meetings were held back-to-back on 6th May 2002 in Brussels, with civil society representatives, to discuss the final Methodology Report, and to launch Phase Three. The contractor made presentations at both meetings. The discussion at the first meeting focussed on the methodology to be applied during Phase Three. A paper prepared by WWF and Oxfam was tabled at the meeting, commenting in detail on the methodology report (WWF-Oxfam, 2002).

At the meeting to launch Phase Three, the Commission summarised the SIA work programme, which comprises SIA studies of all major trade agreements, including MERCOSUR, EU-ACP, EU-Gulf States, in addition to the WTO Phase Three studies. A presentation was also made by Stockholm Environment Institute on a sectoral study for agricultural products undertaken to test the SIA methodology.

The approach to be used in Phase Three was discussed, focusing on the criteria for selection of sectors and the need for effective consultation and communication with interested stakeholders. Subsequent to the meeting, the contractors have been in communication with a number of the stakeholders present at the meeting, and have had detailed discussions on particular issues of concern relating to the three sector studies.

Website

The IDPM website dedicated to SIA studies (http://idpm.man.ac.uk/sia-trade) has been maintained and updated. A feedback-comment function is incorporated to facilitate dialogue, and the IDPM SIA team can also be contacted directly at the project’s dedicated email address (CHK@man.ac.uk). A total of 236 communications have been received so far.

Details of the first period work programme for Phase Three have been added to the website. Additional links have been established between the SIA-Trade website and other websites...
with related interests, including other contractors working on the EC SIA studies. There are now 41 reciprocal links with other websites.

The website has had an average of 295 ‘visits’ per month since commencement of the Methodology Study, in October 2001. Tables 17.1 and 17.2 below show the number of ‘visits’ to the website per month and the number of times the online reports have been accessed to date.

Table 17.1. Number of ‘visits’ to the IDPM-SIA website per month

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Table 17.2. Number of times that online reports have been accessed

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This Inception Report will be placed on the SIA-Trade website, following approval by the European Commission.

International Experts Network

Additional names have been added to the experts’ network, which now contains 305 names, 45 of whom are located in developing countries. The network covers non-government organisations, academic and research institutions, government, inter-governmental and international organisations, consulting organisations and independents. Table 17.3 below provides a breakdown of the number of experts into EU based (EU), Non-EU developed countries (Non-EU), Developing Countries and Least Developed Countries.

Table 17.3. Number of Experts separated into regions

<table>
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<th>Region</th>
<th>Number of Experts from the region.</th>
<th>Percentage of Experts from each region (%)</th>
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<td>63</td>
</tr>
<tr>
<td>Non-EU Developed Country</td>
<td>69</td>
<td>23</td>
</tr>
<tr>
<td>Developing Country</td>
<td>32</td>
<td>10</td>
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<tr>
<td>Least Developed Country</td>
<td>13</td>
<td>04</td>
</tr>
<tr>
<td>Total number of Experts</td>
<td>305</td>
<td>100</td>
</tr>
</tbody>
</table>
The experts network has received copies of the Methodology Report, and will receive copies of the inception, mid-term and final reports for the current projects. Comments will be invited, and replies received will be summarised in the mid-term and final reports.

**Participation in Policy Dialogue**

The contractor has continued to engage in the wider policy debate on issues relating to sustainability impact assessment, through policy dialogue and conference participation. The following contributions have been made or planned, since the completion of the Methodology Report in April 2002:

- Presentation on ‘The SIA and WTO Trade Negotiations Project’, at DFID workshop on Sustainability Appraisal and Trade Policy, 26 June 2002.

**Development of the Consultation Process**

The following proposals are made to improve the consultation process and thereby ensure the transparency of the SIA process and enable civil society and other stakeholders to provide inputs during the study:

- Produce an electronic SIA-Trade Newsletter that would disseminate information and stimulate discussion on the methodology and application of SIA to trade policy.
- Extend the contact list for civil society and other stakeholders. Individuals in the following stakeholder groups are being contacted and invited to participate in the consultation process:
  - Commission
  - EU Institutions
  - Member States
  - NGOs
  - Selected Developing Countries
  - International Institutions
- Make contact details of experts on the network available to other members of the network.
- Consider feasibility of organising a conference on SIA and Trade Policy for researchers, experts and practitioners, as follow-up to the SIA conference held at University of Manchester in November 2000.
18. ISSUES FOR DISCUSSION

In undertaking the SIA studies, the contractor is actively seeking to engage with stakeholders and other interested parties, and information, opinion and advice received will help to shape the SIA work. Comments should be sent, preferably by 18 October 2002, to Colin Kirkpatrick or Clive George at chk@man.ac.uk.

Comments and suggestions are invited on the issues identified below. The list is not intended to be comprehensive and views or proposals relating to other aspects of the study are also welcomed.

- Does the inception report satisfactorily describe the main issues which need to be considered in the qualified preliminary SIA of the DDA?
- What are your views on the scenarios proposed for the assessment?
- What advice would you offer on conducting the scoping and assessment stages of the study?
- Are there any key data sources or publications that you would recommend?
- Do you have any comments on the proposed structure and content of the mid-term and final reports?
- What views and suggestions do you have on proposals for disseminating the study’s findings, for strengthening stakeholder dialogue relating to these, and for incorporating contributions from a wide range of experts?
19. SELECTIVE REVIEW OF LITERATURE AND REFERENCES TO BE USED

General


Agriculture


European Commission (1999a) The EU Approach to Agriculture (Internal paper).


Fontagné L, von Kirchbach F and Mimouni M (2001), A First Assessment of Environment-Related Trade Barriers, Working Document 01-10, CEPII


WTO (2001a) *Market access: unfinished business post-Uruguay round: inventory and issues* Special studies 6, WTO Geneva


**Market Access – Non-Agricultural Products**


Services


Barth D (1999) The Prospects of International Trade in Services Friedrich Ebert Foundation, Bonn, Germany


Hertel, T. W. et al., 2002. Developing Countries and a New Round of WTO Negotiations. World Bank Research Observer 17(1), 133-140


WWF (2001) Preliminary Assessment of the Environmental & Social Effects of Trade in Tourism, WWF, Gland


**Trade and Environment**


Fontagné L, von Kirchbach F and Mimouni M (2001), A First Assessment of Environment-Related Trade Barriers, Working Document 01-10, CEPII


Motaal, D.A. (2001), ”Multilateral Environmental Agreements (MEAs) and WTO Rules - Why the 'burden of accommodation' Should Shift to MEAs”, 35:6 J. of World Trade 1215-1234.


UNEP (2001), Enhancing Synergies and Mutual Supportiveness of MEAs and the WTO -- contribution by UNEP(WT/CTE/W/213).


http://www.wto.org/wto/english/tratop_e/dda_e/dohaexplained_e.htm


Dispute Settlement

http://www.asil.org/ilm/nancy.htm

http://www.ciel.org/Tae/shrimpturtle.html


http://www.standardandpoors.com/Forum/RatingsCommentaries/CorporateFinance/Articles/031502_steel.html


WTO (2001b) *European Communities – Transitional Regime for the EC. Autonomous Tariff Rate Quotas on Imports of Bananas*. WT/MIN(01)/16


**TRIPS**


Balasubramaniam, K., (2002), *Access to Medicines and Public Policy Safeguards under TRIPS* (Health Action International – Asia Pacific (Sri Lanka)).


WTO Rules


Brink, L (2000), Domestic Support Issues in the Uruguay Round and Beyond, (Ottawa: Agriculture and Agri-Food Canada).


Rude, J (2001), Under the Green Box - The WTO and Farm Subsidies, 35:5 Journal of World Trade 1015-1033.


Implementation


Trade and Investment


Competition Policy


Department for International Development (2001), Competition Policy, Law and Developing Countries (Background Briefing, United Kingdom).


Institute of Development Studies (2001), International Competition Policy (Background Briefing No. 5).


Trade Facilitation


Transparency of Government Procurement


Other measures

Coalition of Service Industries (2001) Synopsis of WTO Members' E-Commerce, Telecommunications, Computer-Related Services Negotiating Proposals as of 7/2/01


Tinawi, E. and Berkey, J.O. 'E-services and the WTO: the adequacy of the GATS classification framework', mimeo.