



FRIENDS OF THE EARTH-U.S., 1025 VERMONT
AVENUE, NW, WASHINGTON, D.C. USA 20005
TEL: (202) 783-7400 FAX: (202) 783-0444
WWW.FOE.ORG

A DISSERVICE TO THE EARTH:

THE ENVIRONMENTAL IMPACT OF THE GENERAL AGREEMENT ON TRADE IN SERVICES (GATS)

Services are frequently thought to involve just those sectors – such as finance or insurance, education or health – that have only indirect or limited effects on the environment. But the reality is that multinational service operations – including the activities involved in **oil exploration and drilling, electricity generation, waste disposal, water collection and extraction, and transport and travel** – are already causing substantial environmental impacts in every country in the world. The activities of service corporations that have a major effect on the environment – from oil companies to waste disposal businesses to private water companies – make up more than two-thirds of all international trade in services.



Expanding the WTO's General Agreement on Trade in Services (GATS) will make it increasingly difficult for governments to limit multinational investment in these activities or regulate them to protect the environment. Major countries are proposing that the GATS rules include a wide new range of service operations, requiring that governments open their markets to foreign service operators and imposing restrictions on the laws and regulations that governments can use to protect the environment.

Yet the GATS lacks any provision giving countries an exception from the rules in order to protect exhaustible natural resources. That kind of exception is included in the WTO's agreement on goods (GATT) and was used to defend the U.S. Shrimp-Turtle law, but it does not appear in the GATS.

The result of an expanded GATS is therefore likely to be a substantial increase in environmental damage as harmful service operations expand. For example, **oil exploration and drilling** are already among the leading causes of forest destruction worldwide. **Garbage incineration and toxic waste dumping** release substantial amounts of toxic chemicals into the environment. Water extraction and supply services will be increasingly privatized, even in areas where private operators may deplete **scarce water supplies**.

SEE OVER

The key provisions of the GATS will result in the following:

- Governments – including local or state governments – could be prohibited from setting limits on the size or quantity of service operations, including environmentally-harmful operations such as oil rigs and pipelines, water extraction, and garbage incineration.
- Governments could be required to prove to international tribunals that their environmental laws and regulations are the ones least burdensome to multinational service corporations.
- Governments could be required to give more leeway to foreign corporations than to domestic ones if a foreign operator stands at a competitive disadvantage because of an environmental law or regulation. This is true even if the environmental standard was intended to treat all service operations similarly and is the most effective way to protect the environment.

Some possible scenarios under the GATS include the following:

- A country or local government could be forced to let a foreign energy corporation build an unlimited number of oil rigs or drill to an unregulated depth in a specific regional area.
- A local government could be required to eliminate restrictions on the size or operating capacity of waste disposal operations, including landfills and incinerators.
- Restrictions on the amount of water that could be processed from an underground aquifer could be prohibited.
- Requirements that a percentage of electricity be produced from environmentally-friendly energy sources (Renewable Portfolio Standards) could be found to “discriminate” against another countries’ utility operators.



For more information, contact David Waskow at Friends of the Earth at (202) 783-7400 x108 or dwaskow@foe.org.