

The Trade /Energy Interface and the Doha Round of Trade Negotiations

1. Globalisation is requiring that every country mobilise those factors contributing to its comparative advantage so as to face ever intensifying competition in world markets. Some countries build their competitive position on the basis of their ownership of technology and capital, others on abundant labour, energy rich countries must build theirs on their energy resources. The multilateral trading system is designed to provide security of access to markets and opportunities for each member to defend its rights. However, the multilateral trade rules also set the parameters within which member countries must develop their competitive strategies. The future multilateral trade negotiations, the scope of which were recently decided at the 4th WTO Ministerial Conference in Doha, Qatar, could have crucial implications for petroleum producing countries.

2. Petroleum producing countries did not see any interest in becoming contracting parties to the GATT, and issues related to petroleum and energy were not discussed in that forum. It is said that a “gentleman’s agreement” existed among the major trading countries not to discuss petroleum issues in the GATT in the fear that the strategic nature of petroleum trade and the importance of security concerns in petroleum products would “politicise” the debate. Security considerations greatly influenced trade policy in the energy sector, such as the decision of the United States to leave its tariff on crude petroleum unbound in its tariff schedule. In any case, it was only immediately before and during the Uruguay Round that petroleum exporting developing countries began to accede to GATT (some had become contracting parties to GATT under Article XVI. i.e. without negotiation). At present, six OPEC members are members of the WTO, three of them Arab countries. Four others are seeking accession including two Arab countries. However, many other petroleum producing countries, mainly former republics of the USSR, are also in the process of accession.

3. The multilateral trading system entails both constraints and opportunities for petroleum producing and exporting countries. Among the opportunities is the possibilities it offers for them to defend their rights under the dispute settlement mechanism. Until the initiation of the current negotiations on energy services, petroleum related issues arose in the GATT and WTO primarily in the context of three disputes, in each case the measure in question was linked to environmental protection but applied in a discriminatory manner. It is notable that the first case brought before the WTO dispute settlement body involved a successful challenge by an OPEC member country, Venezuela, to discriminatory measures against its exports of gasoline. Resort to the dispute settlement mechanism may prove particularly necessary in the future, given the possibility that environmental protection measures will again be used for protectionist motives.

4. At this point, when the **post-Doha negotiations** have just begun, it would seem useful to examine the various issues on the agenda to determine what could be the possible implications for energy producing countries.
5. Among such issues, UNCTAD will be assisting energy producing countries to assess the trade and investment implications of the Kyoto Protocol and suggest areas for future study and discussion.
6. The Doha Ministerial Declaration mandates negotiations on certain aspects of **trade and environment**, including the relationship between the rules and procedures of the Multilateral Environmental Agreements (MEAs) and the WTO. Only twenty of the around two hundred treaties for the protection of the global environment and conservation of natural resources contain trade provisions - for example they envisage the possibility of limiting trade through, *inter alia*, bans, quotas and notifications - for the effective achievement of their environmental goals. The MEA of greatest interest to energy exporting countries is the Kyoto Protocol which does not contain such trade provisions. However, measures that countries may take to implement the Protocol such as the introduction of energy efficiency standards, energy taxes, subsidies, or the use of specific environmentally sound technologies, eco-labels, and government procurement policies could have significant trade implications. The manner in which governments allocate emission allowances will affect the international competitiveness of their industrial sectors. Some of these actions could be challenged because of their possible inconsistency with specific WTO agreements, such as the Agreement on Subsidies or on Technical Barriers to Trade and there may be initiatives to modify these Agreements. Furthermore, the implementation of the Protocol will create new markets for specific goods (e.g. energy-efficient goods) and services (e.g. services related to the trading of emissions rights) for which market access will be negotiated under GATT and GATS.