

*Meeting on the Trade and Development Implications of  
Tourism Services for Developing Countries:  
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**TOURISM DEVELOPMENT, REGIONAL INTEGRATION AND  
WTO GATS NEGOTIATIONS ON TOURISM**

**A PRO-DEVELOPMENT APPROACH**

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The views expressed are those of the author and do not necessarily reflect the view of the United Nations.

## Introduction:

- Discussions in the "**Meeting on the Trade and Development Implications of International Tourism for Developing Countries**" have highlighted the economic and **development potential of international tourism**. For example, the tourism sector currently accounts for a significant 7 percent share of DCs' exports in goods and services. It also accounts for 45 percent of their commercial services exports, making it developing countries' largest single services export sector. The figures are even higher for LDCs (9 and 65 % respectively). Moreover, growth in arrivals is greatest in DCs. Also South-South trade in services is becoming increasingly important (intraregional services trade accounts for most of DCs' South-South services trade).
- Discussions in the meeting have **also highlighted challenges when it comes to realizing the development benefits** of tourism trade. Such challenges include the need to reduce leakages; to avoid anti-competitive practices; to meet quality standards; to promote spill-overs to the domestic economy and to promote truly sustainable and pro-poor tourism, including by generating pro-poor outcomes, including decent work.
- This underscores the **importance of a proper regulatory framework** for harnessing this development potential so that ultimately, tourism development would contribute to realizing the MDGs.
- Discussions have also focused on the **importance of services sectors connected to tourism**, either at the upstream level (e.g. telecom, transport, construction and other basic infrastructure) or at the downstream level (entertainment, recreational, IT, etc.). Importantly, in addition to the services sector, also the goods sector is connected to tourism. The case of agricultural goods - most importantly food - serves as an example.
- **Finally, also FDI matters**. While it is difficult to accurately define the level of FDI flowing to DCs' tourism sector *per se*, inward FDI stock in DC in the 'hotels and restaurants' sector has risen nearly six-fold from 3.8 \$b in 1990 to 21.6 \$b in 2005. However, not only attraction of FDI is important: what matters is to ensure that FDI generates positive, pro-development outcomes. Again, this would depend on the right regulatory and policy framework.
- Bearing all this in mind, there is a **need to carefully determine countries national policies** with respect to tourism development. Frequently, DCs do so by designing an overall strategy for tourism development - sometimes part of a so-called services master plan. Clear information and facts (e.g. generated through services assessments) can help in the development of appropriate, best-fit national policies. Similarly, multi-stakeholder consultations, allowing for a wide variety of views to be heard, are essential in that context. In this context, I would like to refer to **UNCTAD country assessments and case studies** on the tourism sector.
- Clearly, **WTO negotiations on services trade liberalization have an impact** on developing countries' tourism potential. But also **regional trade integration** (e.g., through RTAs or FTAs) and South-South cooperation have a great potential for promoting tourism and generating development benefits.
- **The question is: how would a pro-development approach to WTO negotiations on tourism service look like?**

**First, it would pursue liberalization in a sequenced and sensitive manner, allowing DCs (and particularly LDCs) to carefully circumscribe commitments.** This overall objective is in line with fundamental GATS provisions, such as Article IV on the "increasing participation of DCs" in international services trade and Article XIX, which under the title of "progressive liberalization" flags the flexibilities the GATS grants to DCs: flexibility to pursue liberalization in light with their levels of development and national policy objectives.

- Along these lines, such a pro-development approach would include **attaching the necessary pro-development conditions and limitations** to their offers (e.g. requirements for technology transfer and staff training, local employment – including at managerial level, local sourcing, use of local partners to establish in the market; but also government programs targeted at

strengthening domestic service providers, and zoning and land use regulations aimed at preserving natural environments).

- This would also include that **DCs can truly chose in which sectors (e.g., those connected to tourism) they may wish to make commitments.** While a well working financial services sector is an important pre-condition for development - including tourism development - the policy choice about liberalization or not of financial services may need to be based on the merits of liberalizing the sector, and not only because of its connection to tourism. Similar considerations would arise regarding environmental (e.g. water) or other infrastructure services.
- The GATS (with its bottom up approach), the 2001 Negotiating Guidelines and the 2005 HKMD **grant such flexibility**, and any possible "services text" should also preserve such flexibility;

**Second, it would result in the establishment of a framework for tourism service, which effectively addresses – and reduces – the anti-competitive practices which are prevalent in the sector.**

- Already earlier in the negotiations, some Members have highlighted that making more **specific commitments would not suffice to ensure sustainable development of tourism trade.** Instead, there must be additional disciplines to overcome those obstacles to trade in tourism which are caused by anti-competitive practices (e.g., travel agencies; tour operators; wholesale tour operators; computerized reservation systems; global distribution systems).
- **The draft Annex on Tourism** (proposed by Bolivia, Dominican Republic, Ecuador, El Salvador, Honduras, Nicaragua, Panama, Peru, Venezuela <sup>1</sup>) <sup>2</sup> **suggests tackling anti-competitive practices** by adopting a series of measures to prevent: (i) abuse of dominance (through exclusivity clauses, refusal to deal, tied sales, quantity restrictions or vertical integration); (ii) discriminatory use of information networks, ancillary services to air transport, predatory pricing or the allocation of scarce resources; and (iii) misleading or discriminatory use of information:
  - **One suggestion was to devise "additional disciplines"** applicable to the tourism sector. The EC, for example, suggested commencing with an assessment of the rules contained in the telecom RP and its relevance to core tourism sectors.
  - **The proponents of the Tourism Annex also call for international cooperation mechanisms to ensure a pro-competitive environment in the sector.** Lessons could be learned from regional and other integration processes, where cooperation, including on regulatory and competition related issues are a central element to generate pro-development outcomes.
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- It is widely acknowledged that liberalization alone will not generate pro-development outcomes (and enhance efficiency) - particularly in network services. Several tourism services exhibit characteristics of network services.
- WTO legal framework has to be developed so as to more directly address this issue, Article XVIII could be a means to do so. .

**Third, it would aim at sustainable tourism, including providing for the necessary cooperation in that context.**

- Clearly, the concept of **sustainability (economic but also environmental & social benefits) is central for the tourism sector.** Ultimately, tourism is dependent on preserving the environment and on social well-being (and peace) in the destination country. Pro-poor tourism, including to ensure that the sector generates income and revenue also for the less privileged in society are an important aspect in that context. Again, a multi-stakeholder approach can help to properly define sustainable tourism policies.

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1 S/CSS/W/107.

2 See also S/CSS/W/9.

- **While some (e.g., EC, suggest to achieve sustainability through liberalization of sector such as environmental services (an area where the EC has a clear comparative advantage and export interests - see above issue of linkages), developing countries take a different approach.**
- **The proponents of the Tourism Annex, for example,**
  - first define what is meant by "sustainable development of tourism"<sup>3</sup> and then **focus on co-operation for such sustainable development.**
  - cooperation would aim to encourage the participation of developed and developing countries and their suppliers of network-related, business and environmental services in financing (including private financing) **programs in support of the sustainable development of tourism.**
  - this would be supported by collaboration in the **exchange of information** required for ensuring the competitive supply, the sharing of best practices and lessons learnt about **the regulation and the sustainable development of tourism.**
  - such co-operation would be encouraged at the international, **regional, sub-regional and bilateral levels.**
- **Again, cooperation is an area where lessons can be learned from regional integration** (and maybe also from multilateral environmental agreements); cooperation can include:
  - building **regulatory frameworks** that ensure the long term sustainability of tourism development (e.g. environmental protection, zoning laws, labour and social laws; and other standards etc.); and
  - cooperation to **build supply capacity** (e.g. to help tourism firms in developing countries to operate in environmentally and socially sustainable manners; to develop entrepreneurship; to offer training and staff development; assistance for SMEs, access to credit and microfinance are only some of the numerous examples) ;
  - reference can be made to DR negotiations, where DCs have requested **these two areas of technical assistance and capacity building;**

**Fourth, a pro-development approach to tourism liberalization would include effective and meaningful Mode 4 commitments, allowing DCs to reap benefits from temporary movement/circular migration, including brain gain and skill transfer.**

- This would include, amongst others, a **favorable response to the plurilateral request on Mode 4 and the two LDC Group requests**, all of which explicitly cover several sectors related to tourism.
  - The **plurilateral request on Mode 4**, for example, explicitly refer to: hotels and restaurants (CPC 641); travel agencies and tour operators services (CPC 7471); tourist guides services (CPC 7472); or sporting and other recreational services (CPC 964).
  - The **LDC request addresses:** hotels and restaurants (including catering); travel agencies and tour operators services; tourist guide services. But also other sectors suggested for coverage, e.g., entertainment services, sporting and other recreational service, transport related services (e.g. motor vehicle drivers) and street vendors for food and non-food products relate to tourism. The request also suggests two novel categories of movement, "artists, sportsmen or sportswomen or other suppliers of services taking part in public or private performances" and "fashion models" both of which are related to tourism.
  - The plurilateral request on tourism services asks for "elimination of Mode 1 requirements for commercial presence, and the **de-linking of Mode 4 access from commercial presence...."**

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3 Articles 3 and 9 of the Global Code of Ethics for Tourism approved by the World Tourism Organization at its 13th session (1999).

**Finally a pro-development approach to tourism trade liberalization, would also recognize/maximize the benefits to be derived from regional approaches, particularly the cooperative aspects there-under.**

Regionalism is on the rise:

- both in terms of increasing South-South trade and investment (including in the tourism sector) and in terms of an increasing number of regional trade agreements. Also South South services trade is on the rise.

Specificities of RTAs:

- on the liberalization/market access side regional approaches particularly when undertaken on a South-South basis - can also exhibit sensitivities to local conditions;
- however, regional approaches appeal also because of the **cooperation and institution building they include**. This could include regulatory cooperation (including aimed at facilitating Mode 4 type movement) and cooperation aimed at infrastructure building (e.g. transport, including air and road, or telecommunications), trade facilitation and institutional capacity building.

Several regional integration initiatives specifically address tourism, addressing together: cooperation and liberalization;

**SADC is an example in point, of combining cooperation and liberalization.**

- In the recently adopted SADC Protocol on trade in services, SADC members identified tourism services as one of the priority sectors for liberalization.
- Among the other SADC protocols, there is also the Protocol on the Development of Tourism (signed in 1998 and in force since 2002), which focuses less on liberalization but more on cooperation between SADC Member countries.
- The objectives of the SADC Protocol on Tourism are
  - to ensure equitable, balanced and complementary development of the tourism industry in the region;
  - to optimize resource usage through joint development of infrastructures,
  - to involve small and micro-enterprises, local communities and women and youth; and to facilitate travel through easing of visa restrictions.
- The Protocol also provides for a regional body to market the SADC region as a collective tourism destination and RETOSA (Regional Tourism Organization of Southern Africa) was established in 1998. Numerous projects give effect to the goals of the Protocol. This includes
  - the 2002 Okavango Upper Zambezi International Tourism Project (aimed at establishing coast to coast tourism, conservation and resource development);
  - projects to ensure all SADC members states participate and benefit from South Africa's hosting of the FIFA world Cup in 2010;
  - projects aimed at creating a universal visa system to help facilitate intra-regional travel, or the harmonization of immigration procedures and movement of international tourist in the region.
- Reference also has to be made to other SADC Protocols, such as the one on Transport or Health.

**Also the COMESA strategy for the tourism aims at developing a collective and coordinated approach to the promotion and marketing of tourism in the Common Market.**

- There is encouragement for COMESA Members to remove restrictions on the movement of tourists within the Common Market, to promote regional tourist circuits and to co-ordinate the policies governing the tourism industry.
- COMESA Secretariat and Member States work together to create the necessary regulatory and institutional framework necessary for regional promotion, development, co-ordination and supervision of the operations of the tourism industry.

- There is also work to establish a common code of ethics for private and public tour and travel operators, to standardize hotel classification and to harmonize the professional standards of agents in the tourism and travel industry within the Common Market.
- The regional tourism policy also aims at promoting joint ventures between local and foreign entrepreneurs; and focuses on the promotion of conservation practices in order to ensure that the environment is preserved.
- COMESA work on tourism has recognized the composite nature of tourism, suggesting that the sector establishes formal links with sectors like transport and communications, whose inputs the industry requires for a complete tourism product.

Finally, **also the North-South context is important, for example the** EPAs negotiations. A development approach would require focusing on the original EPA objectives, including development and cooperation. It would seem important to properly design a chapter on cooperation, including on infrastructure and other aspects.