LIBERALIZATION OF TRADE IN TOURISM SERVICES

Note by the Secretary-General

In the present report, the Secretary-General informs the Council on four new initiatives undertaken in 2004 within the strategy of "Liberalization with a Human Face" and refers to a new WTO position paper released in Geneva on this occasion and enclosed in this document.
LIBERALIZATION OF TRADE IN TOURISM SERVICES

Action

- To note measures taken to ensure that Members are adequately prepared to maximise the opportunities for Tourism expansion and progressive liberalization within the Doha Development Agenda.

- To support the Secretary General’s initiatives to raise the profile of Tourism in the final multilateral package and the long term process.

General Assembly Resolution A/RES/455(XV) endorsed the action taken to date to alert Members to the continuing developments in the multilateral trade negotiations around the Doha Development Agenda and recommended that actions be undertaken to better reflect the full impact of Tourism in Trade in Services within the strategy of “Liberalization with a Human Face”.

While the Agenda is currently under pressure because of central disputes between industrialized and developing countries on agricultural subsidies and the so called “Singapore Issues” the bilateral phase of negotiations continues and there are strong initiatives for return to the multilateral negotiating table. Regional and interregional negotiations continue unabated. And the nature of Trade Rounds always results in periods of issue polarization and ultimate reconciliation.

The existing World Tourism Organization policy framework continues to be the Liberalization with a Human Face approach, which integrates strategy on fair trade, poverty and sustainability: the “White Paper” on Trade Liberalization issued in mid 2002 and a web based series of supporting studies on the detailed aspects of the negotiations relevant to Tourism in such areas as competition, cross border movement, leakages/linkages and the like. These issues were also highlighted in the Secretary General’s paper circulated in Cancun.\(^1\)

In 2004 four new initiatives have been undertaken.

- A Symposium was held in Madrid in February designed to bring National Tourism Administrations up to speed on the state of the Round and prepare them to better interface with Trade Ministries in the ongoing bilateral negotiating phase. It was particularly focused on measures to support developing states and attended by more than 130 representatives from 30 states and 30 national and international organizations. The resultant recommendations are being circulated to allow Tourism Administrations to more effectively engage with their trade counterparts.

- A practical tool for helping developing countries maximise their trade export potential and improve their negotiating capacity has been prepared by ITC with\(^1\)

\(^1\) WTO has also followed closely the discussions on the Annex on Air Transport and in the absence of initiatives in this area has undertaken its own action with ICAO to explore ways to ensure low priced services for Essential Tourism Development Routes (ETDR’s) to the world’s poorest countries – with an emphasis on Africa.
UNCTAD and WTO-OMT support. This has been tested in the Caribbean and Africa and will be rolled out by ITC in the coming months.

- The Secretary-General and the Director General of the WTO-OMC have agreed to undertake joint work in the forthcoming phase and for subsequent rounds. This will elaborate on the positions outlined in the WTO-OMT White Paper with an initial emphasis on three areas:
  - Improving the position of developing states in tourism service exports through capacity and linkage building
  - Better aligning TSA’s and Trade classifications
  - Fully reflecting the impact of Tourism’s cross border consumption

- A tourism policy workshop\(^2\) was held on 27\(^{th}\) May as a component of WTO-OMC’s Annual Public Symposium\(^3\) for Trade Ambassadors and Negotiators. The goal was to underscore the real potential impact of Tourism Trade liberalization and particularly its central importance for developing countries as an anti poverty tool. During this session the Secretary General focused on 3 issues:
  - The economic impact of tourism in trade generally and in poor countries economies specifically
  - The importance of this in a "Development Agenda"
  - The opportunity in the multilateral phase of reflecting this as an ‘integrating component of the final package.

These points are the centre of a new WTO position paper released in Geneva on this occasion and enclosed at Attachment 1.

\(^2\) Trade, tourism and progressive poverty alleviation
\(^3\) Multilateral at a crossroads (Geneva, 25-27 May 2004)
LIBERALIZATION OF TRADE IN TOURISM SERVICES

ANNEX

World Tourism Organization workshop on Trade, tourism and progressive poverty alleviation

Position paper

World Trade Organization headquarters, Geneva, 27 May 2004

The Ministerial Declaration adopted at Doha emphasizes development and sustainability in the global trading system. The World Tourism Organization is committed to assisting in that process and as a new United Nations Specialized Agency, to do so in the context of the Millennium Declaration. Our strategy of “Liberalization with a Human Face” – prioritizing poverty alleviation along with fair trade and triple bottom line sustainable development responds to the imperative.

Tourism, over the long term, offers significant opportunities for pro development liberalization because of its size, scope, diversity and creative socio-economic impact. It is a complex and crosscutting service industry equaling or outperforming agriculture, petroleum and automobiles in world exports.

The strong and sustained rise of tourism over the past fifty years constitutes one of the most remarkable economic, social and cultural phenomena of our time. The number of international tourist arrivals has grown from 25 million in 1950 to nearly 700 million today. This is equivalent to an average annual growth of 7 per cent over a period of 50 years. The revenues generated by these arrivals are some US$ 500 billion, making tourism one of the largest categories of international trade.

It has demonstrated an enormous resilience and adaptability to external shocks – including those of the recent past like war, terror, economic slowdown and health crises – 900 million international arrivals are predicted by 2010.

Over the past decade, the annual growth of tourist arrivals in developing countries has been higher than the world average. The related strong growth in their international tourism receipts demonstrates a potential competitive advantage in their favour. Developing economies and those in transition enjoy a surplus in their tourism trade balance with OECD countries, something that can be said about very few other segments of their services sector.

Specifically, the tourism receipts of the least developed countries (LDCs) more than doubled during the 1990s. At the same time, tourism has become the main source of foreign exchange revenues for the forty-nine LDCs, not counting the oil industry, which in any case is concentrated in only three of these countries. Taking all the activities together, tourism accounts for more than a sixth of their non-petroleum exports, far surpassing their second and third largest export earners (raw cotton and textiles). Tourism has become one of the main components of these countries’ GDP, or, in many cases, the largest one.

In all developing countries, tourism has shown itself to be a highly labour-intensive activity that opens up opportunities for the small businesses that are engaged in or provide products and services to the tourism industry. Its impact is particularly strong
in the local farming and fishing industries, handicrafts and even the construction industry. In these countries, tourism constitutes exceptionally fertile ground for private initiative and job creation. It serves as a foothold from which the market economy can expand and flourish.

Furthermore, in all of these countries there is a crucial contribution of tourism-generated foreign exchange receipts to the balance of payments. Such revenues reduce countries’ foreign debt and their dependence on a single export sector, in most cases a raw material with low value and fluctuating price.

With very few exceptions, LDCs possess remarkable potential for tourism. The central questions are how this potential can be harnessed to contribute to poverty alleviation and whether progressive, negotiated, balanced and equitable trade liberalization can contribute to this objective. Yet the potential of the tourism sector and its real trade impact may again be overlooked in the negotiations, particularly in relation to the objectives of development and sustainability.

To date, despite its coverage in the GATS and the impressive content in national schedules of specific commitments, tourism has not played a significant part in the trade negotiations. The definition and classification of tourism employed in the negotiations hides key parts of the tourism sector from the negotiators’ focus or dissociates them from the tourism sector in contradiction to market reality. The essential interfaces with related sectors have not been effectively identified and structured. And these aspects have not been specifically tailored to prioritise development and sustainability.

The instrument is not yet effectively working for the sector or for the economy at large. Considering the speed with which the tourism industry is developing all over the world and the potential of developing countries in general, and that of LDCs in particular, these issues should no longer be left on the periphery of the negotiations.

Clearly it is important that the processes of the Development Round are structured, to capitalize on the strengths of tourism - to amplify them wherever possible and to address and minimize the weaknesses. Of particular importance in this respect are the following:

- To recognize tourism as a powerful driver for many upstream and downstream economic sectors and eliminate barriers to tourism growth affecting the total supply chain, as identified in the United Nations statistical classifications and its “tourism satellite account”;
- To consider tourism as a service supplied and consumed abroad, which implies the movement of consumers across national borders and remove all unjustified and hidden obstacles to cross-border movements of tourism consumers;
- To recognize, irrespective of services classification, the vital reliance of tourism on liberalization commitments favoring free flowing transport systems, full and fair access to distribution networks/information channels, and ensuring provision of adequate infrastructure and systematic elimination of regulatory barriers to efficient operations; In this context to specially recognize the dependence of developing states’ tourism on air services and related infrastructure;
Annex

- To ensure that liberalization creates fair conditions of competition with a level playing field for growth and effective safety nets for developing markets;
- To mitigate inequitable “leakages” of revenue to origin markets, marginalizing returns for destination service suppliers and minimizing tourism’s positive effects on economic and social development. And to encourage linkages to local support services and goods;
- To minimize the negative impact of tourism on local communities, natural environment and biodiversity.

The World Tourism Organization stands ready to support the accelerating evolution of trade in tourism services – particularly in respect of development, sustainability and poverty alleviation: to work even more closely with WTO-OMC to address underlying structural issues surrounding the role of tourism in services trade in relation to development and sustainability.

We are also committed to join forces with supporting institutions including other UN Agencies such as UNDP, UNCTAD & ICAO; the Bretton Woods Institutions & Development Banks; the ITC and similar capacity building organizations to help achieve the objectives of the Round.