

The WTO General Agreement on Trade in Services (GATS) and Sustainable Tourism in Developing Countries – in Contradiction?

Position paper by the Berne Declaration and the Working Group on Tourism and Development, Switzerland

on the World Trade Organization's Policy of Liberalising the Tourism Sector

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Preface

At the World Trade Organization (WTO), negotiations are currently underway to liberalise the service sector. In the current round, industrialised countries – including Switzerland – are requesting developing countries to open up important utilities such as water and energy supplies as well as their financial and tourism markets to foreign investors and to abolish various regulations defined as barriers to trade. While for several years requests to liberalise and deregulate public services have been strongly criticised by NGOs, the impact of further liberalisation of the tourism sector has hardly been an issue.

Thanks to growth rates higher than in most other sectors and in spite of crises and recessions, tourism has during the past few years become one of the world's leading industries. That's why especially developing countries have been placing high hopes in tourism in order to to earn foreign exchange and create jobs. They are actively encouraged by international organisations such as the International Monetary Fund (IMF), the World Bank, the World Trade Organization (WTO-OMC), and the World Tourism Organization (WTO-OMT).

In its latest reports, the World Tourism Organization, which has recently been transformed into a specialised agency of the United Nations, emphasises the role of tourism in alleviating poverty. It refers to the increasing number of initiatives that are working for environmental sustainability and social responsibility in tourism – a kind of tourism that actually benefits local communities in tourist destinations and contributes to sustainable development. However, as experiences from various parts of the world have shown, these kinds of initiatives are exactly the ones which are repeatedly under threat by new liberalisation and deregulation, leading to privatisation, speculation and the exploitation of nature and people in tourist destinations.

Experts agree that tourism has already been liberalised considerably, also thanks to the extensive opening up of markets in this sector which many countries had agreed to when the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) was concluded in 1994. To date, there has been no comprehensive assessment of the impacts of this liberalisation. Tourism is a very complex sector, closely linked to a broad range of other economic sectors. It has profound influence on the social structures and people's ways of living in the tourist destinations. In view of the ongoing GATS negotiations, there is an evident need for a more detailed discussion. In this position paper, the Berne Declaration and the Working Group on Tourism and Development want to show why such policies of liberalisation and deregulation run counter to effective strategies for poverty alleviation.

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I. Booming Tourism Sector in Developing Countries

Tourism is considered to be one of the world's most important and fastest growing economic sectors. Especially international (long-haul) tourism to developing countries has over the past two decades experienced a real boom. While in 1978 a mere 27.3 million international arrivals were counted in developing countries, by 1998 the figure had risen to 189.7 million. The share of developing countries in the global tourism market has over the same period of time increased continually, from 11 to 30.34 percent. The terrorist attacks of 11th September 2001 in the United States, the bomb attacks on tourist destinations (such as Bali and Djerba) and the outbreak of SARS temporarily slowed down this trend. However, demand recovered very soon.¹ In 2003, about 700 million international arrivals were counted, with tourist spending amounting to a total of US\$ 514 billion, almost 8.5 percent more than in the previous year. The World Tourism Organization (WTO-OMT) expects the number of international tourist arrivals to rise to more than 1.56 billion by 2020.² According to WTO-OMT estimates, tourism already accounts for about one third of the global trade in services. Industrialised countries have the largest share in the market. In Switzerland, for example, tourism is the third largest export sector and generates seven percent of export revenues.³ In many developing countries, tourism is also important as a source of foreign exchange and in order to creating jobs. Tourism as a labour intensive industry is, according to experts of the «World Travel & Tourism Council»⁴, the most important employer in the world, with an estimated 200 billion employees.

Tourism as an Instrument of Poverty Alleviation?

It does not come as a surprise that tourism is seen as a beacon of hope in all the regions of the world fighting crises and indebtedness and trying to generate jobs and foreign exchange by promoting tourism. Such hopes are actively encouraged by international organisations such as the International Monetary Fund (IMF), the World Bank, the World Trade Organization (WTO-OMC), and the World Tourism Organization (WTO-OMT).

In its latest reports, the World Tourism Organization, which has recently been made a specialised agency of the United Nations, emphasises the role of tourism in alleviating poverty world-wide.⁵ Tourism is said to significantly contribute to the United Nations Millennium Development Goals which include poverty alleviation as a central objective: To reduce the proportion of people living on less than \$1 a day to half the 1990 level by 2015.

For tourism to help the poor, the World Tourism Organization mentions the following points to be taken into particular consideration:

¹ Beyer, Matthias: Tourismus und Entwicklungszusammenarbeit – wi(e)der besseren Wissens?! In: TRIALOG 79, Zeitschrift für das Planen und Bauen in der Dritten Welt, 4/2003.

² WTO-OMT news 4, website of the World Tourism Organization www.world-tourism.org, 16/08/2004.

³ Schweizer Tourismus in Zahlen, Bundesamt für Statistik, GastroSuisse, hotelleriesuisse, Schweiz Tourismus, Schweizer Tourismus-Verband, July 2004, www.swisstourfed.ch; Die Schweizer Reisebranche. Schweizerischer Reisebüro-Verband, April 2004, www.srv.ch.

⁴ The World Travel & Tourism Council (WTTC) is a global association of about eighty tourism leaders from all branches of the industry; WTTC: Travel & Tourism – Jobs for the Millennium, 1997 and ff. www.wttc.org

⁵ World Tourism Organization: Tourism and Poverty Alleviation. Recommendations for Action, 2004.

- Jobs should be created particularly for the local and poor population, and should provide opportunities for them to obtain skills and qualifications.
- Goods and services should to a large extent be purchased locally in order to increase the value added in tourism.
- Special emphasis must be given to establishing small and medium sized enterprises as well as community-run enterprises.
- Tax systems should be designed in such a way as to benefit the poor.
- Tax incentives meant to lure foreign investors must be handled with care.
- Investment in infrastructure must benefit the poor.
- The local population must have a right to information and participation in decision-making on tourism projects.
- Property rights, specifically for women, must be strengthened.

The report of the World Tourism Organization (WTO-OMT) especially emphasizes the need for legislation (including employment legislation), taxes, regulative fees, and investment conditions to the benefit of the local population, as well as environmental regulation, as preconditions for the equitable distribution of the benefits derived from tourism.

Most of these demands are the results of recent studies and projects of the «pro-poor tourism» programme of British Department for International Development (DFID)⁶ as well as first approaches by fair trade initiatives in tourism⁷. They also reflect the principles laid down in international declarations and agreements such as the «Global Code of Ethics for Tourism» or the recently passed guidelines on the sustainable development of tourism under the Convention on Biological Diversity. They are, however, in stark contrast to the current liberalisation and deregulation drive in tourism and the concepts of the World Trade Organization (WTO-OMC), which, in the upcoming GATS negotiations, are also being advocated by the World Tourism Organization (WTO-OMT). So far, the World Tourism Organization has not explained how exactly it is planning to coherently integrate its policy of «poverty alleviation» with its policy of liberalisation.⁸

Poverty Alleviation Requires Equitable Development and Participation

Various case studies from tourist destinations around the global provide evidence of the fact that weaker, socially disadvantaged groups of the population – indigenous peoples, ethnic minorities, the landless, women and children - are at the losing end as tourism continues to flourish, and are increasingly becoming subject to exploitation. Studies on «pro-poor-tourism» have shown that especially the poorest of the poor usually do not benefit much from tourism unless they receive specific support, for example in the form of education and access to start-up loans at affordable rates. Tourism does provide jobs,

⁶ www.propoortourism.org.uk.

⁷ For example in South Africa, see www.fairtourismza.org.za, in the UK see www.tourismconcern.org.uk, in Switzerland see www.akte.ch.

⁸ «Democratise Tourism!», In: Kurznachrichten 2/2004, Arbeitskreis Tourismus& Entwicklung, April 2004.

but as ILO reports have shown, even in the formal sector working conditions are often precarious and wages low. According to ILO estimates, ten to 15 percent of the employees in tourism are children and youth under the age of 18.⁹ Tourism does not only create jobs, it also contributes to a loss of jobs in traditional sectors such as fishing and agriculture. Ensuring basic rights for people in tourist destinations, such as the right to basic services and lives in dignity - as well as democratic participation in the development of tourism are clear preconditions for communities to have a fair share in tourism and to be able to benefit from it.

Women in Tourism

According to estimates by the International Labour Organization (ILO), women account for 60 to 70 percent of the labour force in global tourism. Tourism thus seems to be a sector that offers women, who are specifically affected by poverty, real opportunities. However, women in tourism are usually in much worse a position than men: While men dominate the formal sector, women are more often hired as casual workers and have a larger share in the low-paid jobs, for example as cleaners and un-skilled workers. They do the laundry, work as receptionists, child-minders or as un-skilled assistants in restaurants.

But even in comparable positions, they earn, on average, 20 to 30 percent less than their male colleagues. Women predominate in small travel agencies while men dominate important sectors such as airlines, railways, hotel chains, car rentals and travel magazines. Women with good education and some capital, e.g. their own house to establish Bed & Breakfast, can effectively benefit from tourism, as it offers them job opportunities and improved financial independence. But many others suffer a heavier burden and increased exploitation. Women play a major role in the marketing approaches taking by tour operators. In many countries, sex tourism and prostitution have become one of the most lucrative possibilities for women to earn an income. Because of the existing gender disparities, governments are called upon to empower women by introducing targeted measures, such as specific training, qualified jobs and improved access to credit facilities for self-employed women.¹⁰

The Future Is Uncertain

Deregulation and liberalisation have led to dramatic changes in the whole of the tourism industry. In the airline industry, deregulation is particularly advanced and has over the past few years resulted in excess capacities and significantly lower fares (no-frills). Due to fierce competition and pressure on prices in all branches of the tourism industry, concentration has been increasing at a fast rate. A small number of integrated transnational corporations have come to dominate the global tourism market. Companies from other sectors, such as electronics, food processing and even the steel industry (as in the case of the powerful TUI) have entered the profitable tourism

⁹ Plüss, Christine: Ferienglück aus Kinderhänden. Kinderarbeit im Tourismus, Rotpunktverlag 1999.

¹⁰ Williams, Mariama: The Political Economy of Tourism Liberalization, Gender and the GATS, auf www.coc.org/. Hemmati, Minu, Marsh, Lara: Gender & Tourism, Report for the UN Commission on Sustainable Development, 7th Session, 1999.

business. The players, structures and persons responsible are more and more difficult to identify.¹¹

After heavy setbacks in tourism in some countries during the past few years, experts agree that the future holds many uncertainties. Competition between companies and destinations continues to increase, (low) prices play a more and more important role.¹² This development will make it difficult especially for developing countries to rely on tourism as a reliable source of income.

The UN Conference on Trade and Development (UNCTAD) has estimated that of the price a tourist pays at home for a holiday abroad only an average of 50 percent will benefit the destination in a developing country.¹³ The less developed an economy is the more goods need to be imported to cater to the needs of the foreign tourists, and the less money will remain in the destination. Many small island developing states can retain only as much as ten percent or even less.¹⁴ In view of the leakages and the rather common unfair business practices of large tourism enterprises (pricing pressure on local suppliers flight, tax evasion, etc.), David Diaz Benavides of UNCTAD concludes «that some tourism destinations in developing countries might be subsidizing tourists from originating countries».

Leakages

As recent surveys in Germany have shown¹⁵, 80 percent of tourism to developing countries is organised by tour operators and carried out as package tours. The Working Group on Tourism and Development has calculated, on the basis of industry data, how much South Africa would earn from a package tour, using a South African carrier and middle class accommodation¹⁶: About one fourth of the price of 5215 Swiss francs at which the package sells will remain with the Swiss tour operator for packaging, marketing and sales. Three fourth is spent on the flight and services in South Africa. More than 40 percent, however, are leakages due to imports. South African Airways (SAA) uses 65 percent of its gross income to buy kerosene and to pay fees for its fleet of aircraft leased from Switzerland. Only about 500 francs are retained for administrative and personnel costs as well as taxes in South Africa. On the ground, the balance looks more favourable, as unlike many other developing countries South Africa produces a large part of the goods consumed in tourism domestically. Here, too, however, leakages amount to 30 percent of the gross income, mainly for the import of furniture, luxury equipment as well as license fees for hotels under the franchise of international chains. Only just about 42 percent of the price that Swiss tourists pay to the tour operator will benefit South Africa.

¹¹ Plüss, Christine: Tourismus und Liberalisierung. Forderungen und Fragen zur neuen Verhandlungsrunde über die Dienstleistungsabkommen GATS im Rahmen der Welthandelsorganisation, Juli 2000, Rio+10: Red Card for Tourism? 10 principles and challenges for sustainable development of tourism in the 21st Century DANTE – The Network for Sustainable Tourism Development 2002.

¹² WTO-OMT World Tourism Barometer, Volume 2, No. 1, January 2004.

¹³ Diaz Benavides, David: The Sustainability of International Tourism in Developing Countries. Paper presented at the OECD-Seminar on Tourism Policy and Economic Growth, Berlin, 6–7 March 2001

¹⁴ Fair handeln – auch im Tourismus. Bildungsmappe Arbeitskreis Tourismus & Entwicklung, 2004.

¹⁵ Tourismus in Entwicklungsländern, Antwort der Bundesregierung auf die Grosse Anfrage der CDU/CSU, Drucksache 15/2027, April 2004.

¹⁶ Frei, Marianne: fair unterwegs in Südafrika und Namibia, Arbeitskreis Tourismus&Entwicklung, 2002.

II. The WTO General Agreement on Trade in Services (GATS)

By the end of 2005, according to industrialised countries, a new round of liberalisation of the service sector, especially tourism, should have been achieved under the WTO's General Agreement on Trade in Services. In as early as 1994, when services were negotiated for the first time in international trade agreements, 119 out of 127 countries agreed to liberalise tourism and tourism-related services. There was no other service sector in which countries made as many commitments as in tourism. Developing countries especially opened up «Hotels und Restaurants» to foreign investors. In the coming round, further steps towards liberalisation are expected in the hotels and restaurants sector, with regard to travel agents and tour operators and in other services sectors related to tourism.¹⁷ Tourism and travel related services (category 9) under the GATS is divided into four sectors.

- hotels and restaurants (incl. catering)
- travel agencies (retailers) / tour operators services¹⁸
- tourist guide services
- other services

This classification is very general and incomplete, as almost any other service sector is related to tourism: for example transportation, any form of leisure, culture and sports, but also financial services such as credit cards, the services of banks and travel insurers, agriculture, construction, estate agents, education, communication such as postal services and telecommunications. Public services, including important ones such as water and energy supplies, as well as nature protection are affected.

When it comes to make further commitments, there is a need to analyse in detail which other sectors will be affected by these commitments.

In the upcoming GATS negotiations, developing countries are called upon to again submit offers for liberalisation to the WTO-OMC. Countries are reluctant to do so, as the most recent offer submitted by Brazil shows, for in practice commitments once made cannot be reversed. Due to the lack of offers to liberalise, the chairman of the WTO-OMC negotiations on services, Alejandro Jara, took drastic measures: In March 2004, he encouraged the service sector to call upon reluctant countries to submit offers as soon as possible. The service industry itself is thus to convince trade delegates of developing countries that an open services market will bring growth, prosperity and development – while the industry pursues its own objectives of maximum returns: Stefan Pichler, CEO of Thomas Cook, as chairman of the discussion group «Tourism Industry in Berlin» appealed to politicians to actively push for the dismantling of existing barriers to trade. He said it was necessary to acknowledge «business realities» at the international level.¹⁹

¹⁷ Tourism at the Crossroads. Challenges to Developing Countries by the New World Trade Order. EQUATIONS, India, EED Tourism Watch, Bonn, epd-Entwicklungspolitik: Materialien VI/99.

¹⁸ The main task of a tour operator is to organise holiday packages and to publish advertise them in a catalogue and/or brochure. The tour operator sells holiday packages directly or through retailers, e.g. its own chains and/or independent travel agents. The retailer (travel agent) sells, on behalf of a tour operator, individual services and/or holiday packages to customers. From: Die Schweizer Reisebranche. Schweizer Reisebüro-Verband, www.srv.ch, August 2004.

¹⁹ Fremdenverkehrswirtschaft 17, 12/7/2002.

There is a growing pressure on developing countries to make liberalisation offers in the fields of public services, financial markets and tourism. In as early as 1994, many countries readily opened up their tourism markets, often by arguing that in practice this sector already was liberalised to a major extent, but in many cases also because the negotiators, while skilled in financial matters, were hardly aware of the complexities of tourism and its extensive impacts on communities in the tourism destinations. However, the liberalisation already in place has never been evaluated. In view of the experiences made in the past few years, development experts fear that another round of liberalisation and deregulation will have the following consequences:

1. Unkept Promises by Industrialised Countries to Grant Developing Countries Market Access and Access to Technology

During the Uruguay round, many developing countries, some of them with weak tertiary sectors, opposed a WTO agreement on services. They were finally persuaded to agree, partly by the promises made by industrialised countries with regard to improving their international market access and access to new technologies and information systems. GATS article IV accordingly commits industrialised countries to improve developing countries' access to service technologies.

In practice, however, it is often quite the opposite that happens: access is made more difficult for them. A decisive example are the global reservation and distribution systems in tourism: tourism suppliers in developing countries strongly depend on computerised reservation systems (CRS) such as SIR, tels Star and One World as well as global distribution systems (GDS) such as Amadeus and Worldspan, which, via internet, provide access to the cheapest flight, hotel within a hotel chain, car rental, events, etc. Travel and tourism is in top demand on the Internet, and growth rates are considerable: In 2002, travel and tourism products worth more than four billion Swiss francs were sold globally via internet. The reservation systems are in the hands of airline and travel and tourism corporations or large independent commercial firms in the North. Tourism suppliers in developing countries have been complaining about not getting access to reservation systems, which means they are also denied the market access promised. This, in turn, means they are also denied the possibility of introducing their products in industrialised countries. To make matters worse, the increasing use of modern technology in tourism deepens the digital divide between North and South. While developing countries used to be competitive due to their favourable climate, access to the sea and cultural and biological diversity, access to international information and on-line reservation systems has now become the crucial factor.

2. Fear of Increased Concentration in Tourism

In many industrialised countries, concentration in the tourism sector is much more advanced than in poorer countries. While in the United States, three in four hotels belong to a hotel chain, in developing countries this applies to a maximum of one in ten hotels. In developing countries, small and family-owned businesses predominate.²⁰

²⁰ Caire, Gilles, Roulet-Caire, Monique: *Tourisme durable et mondialisation touristique: Une analyse critique de l'AGCS*, in: *Colloque «Tourisme et développement durable»*, Fort de France, 2003.

Small and mediums-sized players, as they are most common in the tourism sector, especially in the South, increasingly find themselves competing with financially powerful and technologically well-equipped multinationals.

In Germany in 2002/2003, the three leading tourism companies TUI Germany, Thomas Cook and Rewe Touristik had a market share of 68 percent in the sale of tourism products.²¹ Concentration is likely to increase in the future.²² While ten years ago many companies world-wide operated at national level, nowadays a small number of big tourism corporations have come to dominate the international tourism sector. They are more and more vertically integrated across the chain of production (conceptual design, tour operating, sales, marketing, transportation, accommodation, etc.). It is especially in the fields of travel agents (the retailers) and tour operators that industrialised countries request further liberalisation from developing countries in the GATS negotiations, but also in the hotel sector which has also become strongly integrated as well. Developing countries rightly fear that a further opening up of markets will lead to oligopolies by a few large tourism enterprises, which will increase the pressure on local companies and reduce their income opportunities.

3. Limiting Local Governments' Rights to Regulate

Even though the preamble of the GATS acknowledged the right of WTO-OMC member states «to regulate, and to introduce new regulations, on the supply of services within their territories in order to meet national policy objectives», GATS article VI demands that domestic laws and regulations «are administered in a reasonable, objective and impartial manner» and that they should not constitute unnecessary barriers to trade in services (Art. VI.4). In cases of conflict, it shall be left to the WTO dispute settlement system to judge whether a measure is to be considered reasonable, objective and impartial. This will significantly impair the possibility of governments to adequately regulate their tourism and investment policies at national, sub-national and local levels. Especially in tourism, which relies on attractive, unspoilt scenery and the generous hospitality of the local population, it is important that sustainable and fair initiatives can be given specific support. For example, local governments must be able to pass laws which favour local ownership and land tenure, or must be able to give concessions to hotels which employ a high percentage of staff from local communities, give preference to local building materials, food supplies and handicraft, and take a cautious approach to water and energy supplies. The inflexible WTO principles «national treatment» and the «most-favoured-nation requirement», which demand equal treatment of all investors (both foreign and domestic), prevent the promotion of and specific support for companies that are striving for sustainability. The fact that the GATS also applies at the local level causes serious setbacks to important processes of decentralisation under way in a number of countries. In India, for example, such a process that is to grant more competence to local self-governments found entrance into the constitution only in 1992: «Now that we have for a short time been learning to establish democracy at community level, these processes are endangered by the multi-lateral GATS agreement, which will have impacts even at the local level», says K. T. Suresh, co-ordinator of Equations,

²¹ Fremdenverkehrswirtschaft fvw-Dokumentation Deutsche Veranstalter 2003, 18/12/2003.

²² see Caire, Gilles, Rouillet-Caire, Fort de France, 2003.

Bangalore.²³

Examples of regulation to be abolished

In 2000, the United States requested under the WTO the following deregulations:

- Abolition of limitations to the share of foreign firms in a joint venture.
- Abolition of restrictions with regard to the sale or renting of property
- Abolition of the requirements of Economic Needs Tests
- Abolition of the imperative to collaborate with a local partner.
- Abolition of local players' access to government programmes or tax incentives
- Abolition of the imperative to employ local personnel
- Abolition of limitations to the repatriation of profits

The detailed requests submitted by the EU to all other WTO members have been leaked, and have thus also become known. According to the EU, the following regulations currently in place should also be abolished:

- Jordan requires foreign travel agents to have their tours conducted by local companies.
- Egypt limits the number of hotels and restaurants and demands an economic needs test. Casino services are permitted only in 5-star hotels.
- Barbados charges a special tax on the sale or purchase of land, shares and stocks by foreigners, according to the value of the transaction.

Furthermore, the EU is also trying to abolish restrictions that require foreign companies to collaborate with local partners. However, it is this kind of collaboration in tourism that can significantly increase the local and regional value added. Such regulations are also important in order to make it easier to hold companies accountable in cases of non-compliance. The assets of locally registered companies can be confiscated through local courts, while foreign multinationals are able to easily transfer their assets «off-shore».²⁴

4. Investment Incentives to Lure Foreign Investors, to the Disadvantage of the Local Population

The International Monetary Fund (IMF), the World Bank, the World Tourism Organization (WTO-OMT), and the World Trade Organization (WTO-OMC) are calling upon developing countries to promote tourism in order to earn foreign exchange and to «fight» poverty. To do so, countries should introduce various investment incentives to lure foreign investors. So in many cases foreign investors are being granted tax holidays for ten years or more, and are offered free imports and free repatriation of profits. Tax

²³ Suresh, K.T.: Why the GATS is a wrong framework through which to liberalise tourism, EQUATIONS Policy Briefing, WTO-OMT International Symposium on Trade in Tourism Services, March 2004.

²⁴ Wessen Entwicklungsagenda?: Eine Analyse der GATS-Forderungen der Europäischen Union, Brot für die Welt, EED, WEED, 2003.

revenues are being used to provide them with infrastructure (water, electricity, roads, etc.) the local population can often only dream of. This means public expenses while at the same time investment incentives, which are in effect government subsidies, represent a significant loss of income for the treasury - money that could actually have been invested directly in the social development of the people.

5. Increasing Trend Towards Privatisation

The policy to lure foreign investors at almost any cost goes hand in hand with liberalisation following the GATS agenda. It encourages the already existing trend towards privatisation. After the privatisation of utilities, tourist attractions such as natural and cultural sites are increasingly being privatised.

The Case of Peru

In trying to promote tourism, under pressure to repay debts, Peru privatised the tourist facilities around the famous ruins of Machu Picchu by giving long-term concessions to private companies. In 1996, Peru Hotels, a subsidiary of the US-based Orient Express, was granted, for the coming 30 years, the rights to the hotel on the «sacred mountain» adjacent to the ruins, as well as to the train from Cuzco to Aguas Calientes beneath the ruins. The same company is running a luxury hotel in Cuzco. Tourists are now made to bypass local traders and suppliers of tourist services, while for local people entrance fees and travel costs are no longer affordable. It is not yet clear how tourist flows can be regulated in the future. According to UNESCO, the world heritage of Machu Picchu is under acute threat.²⁵ The government of Peru is now planning to market Playa Hermosa near Tumbes, an almost untouched sandy beach in the North of the country, and to buy 1000 hectares of land from paddy and banana cultivators in the neighbourhood. Concessions shall be granted only to potential foreign investors, for a period of 50 to 60 years, to develop resorts and luxurious leisure facilities, including golf courses and tennis courts for high-class tourism. This will mean appropriation of land and loss of livelihoods for about 10,000 farmers and fishermen. The government also has similar plans for the fortress of Kuélap (Amazonas province), one of the most important archaeological sites in Peru that dates back to pre-Inca times. Both areas have been declared locations for private tourism business and laws have been amended accordingly without informing, let alone consulting the population affected.²⁶

The privatisation of land and the land speculation it entails leads to an increase in property prices, and above all takes away communal land from poorer sections of the local population, land which people can no longer use for the subsistence of the community.

More and more often, protected areas and even national parks are handed over to the private sector. Under increasing financial pressure, government authorities in several countries of Eastern and Southern Africa have for a couple of years been giving long-term concessions for entire national parks and related infrastructure for visitors to the parks, such as accommodation and catering, to the private sector. Private sector

²⁵ David Ugarte: Machu Picchu World Heritage - Its Current Problems regarding Protection, Conservation and Preservation over Time, Hanover 2003, www.dante-tourism.org; EED Tourism Watch Nr. 32, Nr. 31, Nr. 27, www.tourism-watch.de.

²⁶ Solifonds Informationsbulletin Nr. 38 / Juni 2004.

management of tourist facilities may make good business sense. The conditions, however, under which private businesses are being granted concessions, are hardly ever subject to public debate. In Zambia, for example, this led to fierce protest against the government, which, against the interests of the indigenous population who had been protecting the natural heritage for centuries, granted concessions to the private sector. Strong criticism was also voiced in South Africa where local initiatives working for more responsible forms of tourism that take account of social, economic and ecological aspects are often not being considered when it comes to granting concessions. At the World Park Congress in Durban in September 2003, the United Nations Environment Programme (UNEP) presented studies according to which the areas richest in biological diversity are also particularly threatened by tourism. In these extremely fragile areas, tourism has more than doubled, in South Africa it has even increased by as much as 500 percent.²⁷ Financing nature protection through tourism enterprises continues to raise a number of unresolved problems that government authorities need to handle responsibly and with care, especially in relation to indigenous peoples.

III. The Swiss Position in the GATS Negotiations: Liberalisation Requests to Developing Countries

In its communication to the World Trade Organization (WTO-OMC) on «Tourism and the travel industry», the Swiss State Secretariat for Economic Affairs (seco) notes: In this field, Switzerland is very competitive and has submitted a number of requests regarding hotels and restaurants as well as travel agents and tour operators. In this field, Switzerland requests the opening up of markets especially in cross-border trade (for example the sale of services in a third country from Switzerland)». ²⁸ It is not easy to follow the official argumentation that it is because of her own competitiveness that Switzerland also requests the opening up of the tourism sector in other countries, as the very same State Secretariat for Economic Affairs (seco) laments the lack of competitiveness of the Swiss tourism industry whenever it comes to tax relief (e.g. VAT for Swiss and out-going tourism) or subsidies - which goes generally uncontested.²⁹

In its communication to the WTO-OMC in May 2001, Switzerland criticised existing «barriers to trade» in developing countries, such as economic needs tests for hotels and restaurants, complaining that such needs tests constituted an anachronism. According to the Swiss communication, in a market economy the decision whether a country or region needs more hotels and restaurants should not lie with the government, but should be left to the market. From a development perspective, however, it does make sense to limit the number or even the quality of hotels in a region depending on its so-called «carrying capacity» as defined in various international agreements (such as the tourism guidelines under the Convention on Biological Diversity) and studies (e.g. by WWF, IUCN).

Furthermore, Switzerland would also like to improve market access for travel agents and tour operators, abolishing existing regulations which, however, remain

²⁷ www.iucn.org, www.ecoterra.net, Kurznachrichten 2/2004, Arbeitskreis Tourismus & Entwicklung, April 2004.

²⁸ Verhandlungen GATS 2000. Die Schweizer Begehren. Staatssekretariat für Wirtschaft, Dienstleistungspolitik und -handel, Bern, August 2002.

²⁹ Das Magazin (Tages Anzeiger/Bund) 9.10.2004; seco: Tourismusförderung des Bundes: Verbesserung von Struktur und Qualität des Angebotes, Bericht zur Vernehmlassung 2002, Stellungnahmen von akte und CIPRA 2002, www.akte.ch.

unspecified.³⁰

Very generally speaking, the Swiss requests for further liberalisation are about «requests regarding shares in the assets of companies, restrictions regarding the legal form of companies, limitations to the number of foreign companies or their size or the scope of their business, etc.»³¹

However, Switzerland is not ready to publicise its requests for further liberalisation in (developing) countries to which access is being sought, or to give details of the regulations to be abolished. This makes it difficult to discuss in detail which measures are absolutely necessary for a fair and sustainable development of tourism. In any case, the Swiss requests are inconsistent with the recent proposals by the World Tourism Organization to overcome poverty, advocating laws and investment regulations that focus on both the local poor as well as the environment - the only way to achieve the aim of reducing poverty through tourism.

Tourism Annex: No Guarantee for Fair Tourism

In September 2001, a few developing countries (Bolivia, the Dominican Republic, Ecuador, El Salvador, Honduras, Nicaragua, Panama, Peru and Venezuela) submitted to the WTO a draft for a tourism annex to the GATS.³² In the current negotiations on services, they would like to get this annex accepted by all WTO member states in addition to the commitments made under the GATS so far. According to recent information by the State Secretariat for Economic Affairs (seco), Switzerland might be ready to agree to this annex.³³

The annex contains some elements of major importance for the improvement of trade relations with developing countries. However, it does not go far enough so as to guarantee host countries a kind of tourism that benefits the poor. The annex opposes unfair competition by multinationals and demands access to information and reservation systems. These two aspects are worth supporting. It is also being mentioned that local communities should be involved in the process, and that the income earned from tourism should be reinvested in the country. However, no mention is made of the fact that the WTO principle of national treatment and the most-favoured-nation requirement might be in conflict with a policy that focuses on the local population. Neither is there any mention made of the fact that for tourism to be sustainable, there is a need for clear regulation at local and national level. Clusters undermine the flexibility of the GATS. In an annex to the Tourism Annex, all the services relevant to tourism are being grouped in a so-called cluster. Industrialised countries are especially interested in negotiating all these positions en bloc, as they can thus make sure that developing countries will open up markets in all areas relevant to tourism at the same time. This procedure undermines the flexibility that existed so far in the form of so-called positive lists that gave every country the possibility of selecting, in each area, which kind of liberalisation is considered useful. It is above all because of the possible effects of these clusters that

³⁰ Communication from Switzerland, GATS 2000: Tourism Services, World Trade Organization, S/CSS/W79, 4 May 2001, www.seco-admin.ch.

³¹ Verhandlungen GATS 2000. Die Schweizer Begehren. Staatssekretariat für Wirtschaft, Dienstleistungspolitik und -handel, Bern, August 2002.

³² World Trade Organization, communication by Bolivia, Dominican Republic, Ecuador, El Salvador, Honduras, Nicaragua, Panama, Peru and Venezuela. Draft Annex on Tourism. S/CSS/W/107, www.wto.org.

³³ E-Mail from the Swiss State Secretariat for Economic Affairs (seco) to the Berne Declaration, 22/12/03.

India, for example, has expressed strong criticism of the Tourism Annex.³⁴

IV. Summary and Demands

by the Berne Declaration and the Working Group on Tourism and Development addressed to the Swiss Government and the State Secretariat for Economic Affairs (seco)

In as early as 1994, many developing countries made commitments to open up their tourism markets and to abolish regulations. By the end of 2005, a new round of liberalisation is to take place. Industrialised countries, including Switzerland, request developing countries to remove existing «barriers to trade», without having assessed the impact of liberalisation in individual countries to date. Industrialised countries have not kept their promises of granting developing countries access to technologies.

In its report on «Tourism and Poverty Alleviation», the World Tourism Organization (WTO-OMT), recently transformed into a specialised agency of the United Nations, specifically mentions the importance of laws, taxes, regulative fees and investment frameworks to the benefit of the local population, as well as regulation to protect the environment. The Berne Declaration and the Working Group on Tourism and Development share the concerns of many development experts that further commitments for liberalisation under the WTO General Agreement on Trade in Services (GATS) will pose a threat to the increasingly numerous initiatives for responsible tourism that benefits the local population and helps protect their livelihoods.

Increased global competition in the travel and tourism industry will also increase concentration in the tourism sector, to the disadvantage of many small hotels, restaurants and tourism companies in developing countries that will not be able to withstand the competition. The possibilities to regulate at local and sub-national level are diminishing. The inflexible WTO principles of «market access», «national treatment» and the «most favoured nation requirement» do not allow individual, particularly responsible companies to be given preferential treatment. It is not possible to impose conditions on investors that would benefit the local population. A number of countries will suffer serious setbacks in their attempts to decentralise tourism. Foreign investors demand more and more investment incentives, including tax holidays, as well as infrastructure to be put in place which the poor population can only dream of, and which represents a burden on the national budget. In view of the leakages as well as common unfair business practices on the side of large tourism enterprises, David Diaz Benavides of UNCTAD concluded in 2001 that some tourism destinations in developing countries might even be subsidizing tourists from originating countries. This development must be reversed.

Switzerland supports the millennium development goals aimed at halving poverty by 2015. The reduction of poverty must be at the heart of any economic policy.

The Berne Declaration and the Working Group on Tourism and Development call upon the Swiss government as well as the State Secretariat for Economic Affairs (seco) to take all necessary measures to enable developing countries to adopt economic

³⁴ E-Mail of 14/02/04 from Benny Kuruville, Equations, Bangalore, to the Berne Declaration.

policies allowing for a sustainable development of tourism that benefits the poor in tourist destinations. Environmentally and socially responsible tourism initiatives must not be jeopardised by blind demands for liberalisation and deregulation. With regard to the current WTO negotiations on services, the Berne Declaration and the Working Group on Tourism and Development specifically call upon the Swiss government:

- *To publish* in detail their *liberalisation requests* addressed to developing countries,
- *Not to request any further liberalisation from developing countries until the impact of liberalisation* in tourism to date has been thoroughly *assessed*,
- To actively support *the enhancement of transfer of technology* as well as access to *international reservation and information systems* for developing countries,
- To take a stand *against clusters* in tourism which require simultaneous liberalisation in different areas,
- To actively support *a protection clause* that will enable developing countries to withdraw, if necessary, from liberalisation commitments previously made,
- To support developing countries in setting up *gender-disaggregated data bases* which allow for meaningful surveys in tourism.

Marianne Hochuli, Berne Declaration
Christine Plüss, Working Group on Tourism and Development

Berne Declaration (BD)

The Berne Declaration (BD) is an independent NGO without political or religious affiliation, working for solidarity in development. The BD informs the public about inequitable relations between the North and the South, between countries in Asia, Africa, Latin America and Switzerland in the fields of the economy, culture, nutrition, ecology and fair trade. The BD influences development policy in Switzerland and cooperates with partner organisations world-wide, intervening in the policies and practices of companies, the WTO, the World Bank, OECD and other financial and economic institutions. The Berne Declaration organises events, publishes books, acts as a pressure group and shows alternatives and possibilities to take action.

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Working Group on Tourism and Development (akte)

The Working Group on Tourism and Development (Arbeitskreis Tourismus&Entwicklung - **akte**) is concerned with the social, cultural, economic and ecological impacts of tourism on development. It aims to raise public awareness, advocates fair trade in tourism in a critical dialogue with the travel industry, and encourages travellers to be informed consumers. The Swiss NGO was founded in 1977 by a number of Swiss development organisations, among them Swiss Catholic Lenten Fund, Swissaid, Bred for all, HEKS and terre des hommes, which are still providing the main financial support for its activities. The Swiss Agency for Development and Cooperation (SDC) is a further source of support. Among the **akte**-members, there are several travel agencies, business associations and tourism schools.

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