

# WORLD TRADE ORGANIZATION

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## WORLD TOURISM ORGANIZATION

Statement Circulated by Mr Francesco Frangialli  
Secretary-General

*(As an Observer)*

The Ministerial Declaration adopted at Doha emphasizes development and sustainability in the global trading system. Tourism trade can be one of the most decisive factors to achieve such goals - particularly in the world's poorest countries. Now is the moment to stress what we call "tourism liberalization with a human face" - prioritizing poverty alleviation along with fair trade and triple bottom line sustainable development. In order to do that, the Members of the World Trade Organization must make substantial progress in the way they deal with this complex cross-sectoral phenomenon of tourism. The World Tourism Organization is committed to assisting in that process and as a new United Nations specialized agency will be well positioned for the challenge.

Since the adoption of the Doha Development Agenda, the United Nations, the Bretton Woods institutions and the OECD have established concrete poverty reduction targets. With the "Millennium Declaration" they adopted a timeline for the achievement of these objectives. Governments and agencies of the United Nations family have been asked to pool their efforts in order to attain these goals. Unfortunately, as the Administrator of UNDP underlined when presenting this year's Human Development Report, it seems that we are already behind schedule and there is a real danger that we will miss our targets.

Now is the time to consider the opportunities we have failed to seize and the instruments we have left unused. This is equally applicable to the Doha Development Agenda as it is to other international economic activities.

Tourism represents one such opportunity - perhaps over the long term, the most significant one in terms of size, scope, diversity and creative socio-economic impact. It is from this perspective that the WTO-OMT views with optimism the continuously confirmed consensus that in the field of services negotiations special attention should be paid to the sectors and modes of supply of export interest to developing countries. In this regard tourism, the most ubiquitous and significant sector of world trade and a complex and crosscutting service industry equalling or outperforming agriculture, petroleum and automobiles in world exports should be given an increased consideration.

Tourism equals other competing activities by creating added value, but is much less destructive and disruptive to the natural and human environment as long as it is developed rationally and respects the carrying capacity of sites.

We are aware of the fact that in the proposal phase of the negotiations, the proposals by developing countries initially covered tourism, while in the request-offer phase among a few dozen

offers submitted so far, few developing countries have identified their specific sectoral and modal interests, including in tourism. This reflects the difficulty in assessing reciprocal benefits from tourism trade liberalization and the overall balance of concessions across the whole services spectrum in the context of the objectives of GATS Article IV.

Given these partial results of the current Doha Development Agenda (just as in Seattle and Doha itself), the potential of the tourism sector and its real trade impact may again be overlooked, or not properly grasped in the negotiations, particularly in relation to the objectives of sustainable development.

From the World Tourism Organization's point of view, three elements should be taken into consideration:

- The specificity of the tourism sector resulting from the distinctive treatment required for a service which is ultimately supplied and consumed abroad, which implies the movement of consumers across national borders, hence the importance of "consumption abroad" measures and commitments, their transparency and monitoring;
- the capacity of tourism to act as a powerful driver for many upstream and downstream economic sectors, thus making tourism interdependent and complementary to other sectors;
- tourism's comprehensive and ubiquitous nature which either results in multiple classification, or the limited one, such as "tourism and travel-related services" in W/120, which in turn reduces the potential for tourism trade liberalization, "hides" some key parts of the tourism sector from the negotiators' focus or even dissociates them from the tourism sector in clear contradiction of the sector's everyday reality.

The strong and sustained rise of tourism over the past 50 years constitutes one of the most remarkable economic, social and cultural phenomena of our time. The events of September 11, the wave of terrorist attacks, the war in Iraq, and the SARS epidemic dealt severe blows to this major industry. However, it is already back on the path of growth. The number of international tourist arrivals has grown from 25 million in 1950 to 715 million in 2002. This is equivalent to an average annual growth of 7 per cent over a period of 50 years. It demonstrates an enormous resilience and adaptability to external shocks - including those of the recent past.

The revenues generated by these arrivals - not including airline ticket sales and revenues from domestic tourism - reached US\$480 billion in 2002, making tourism one of the largest categories of international trade.

It should be recalled that 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.

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, we can observe the 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.

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.

With very few exceptions, LDCs possess remarkable potential for tourism. The central questions are whether this potential can be harnessed to contribute to poverty alleviation and whether progressive, negotiated, balanced and equitable trade liberalization can contribute to this objective. The initial signs indicate that these outcomes are indeed possible.

As with every human activity, optimal growth in the sector and its contribution to development pose substantial challenges, in which trade negotiations can help if the potential of tourism is objectively assessed and the critical issues properly addressed in the overall negotiations - particularly from the viewpoint of poor countries. These issues include:

- The reliance of tourism on other services, in particular infrastructure-related, business, environmental and telecommunications services which may be weakly organized or lacking, yet which are pivotal for developing countries' tourism;
- deficiencies in the organization of public services, lack of new information technology skills or the need for enhanced human resource development;
- the insufficient diversification of certain economies, especially in the case of island countries;
- inadequate attention to genuine sustainability in areas where tourism growth is significant or where natural, cultural and heritage conditions are particularly vulnerable. This point was underscored in Johannesburg last year, where, for the first time, tourism was clearly included in the agenda and in paragraph 43 of the Plan of Implementation adopted by the Summit;
- excessive leakages attributable to the unreasonable repatriation of profits or induced imports, which prevent the full benefits of the tourism spending multiplier effect from materializing.

To date, despite its coverage in the GATS and the impressive content in national schedules of specific commitments as the result of the Uruguay Round and the accession of new Members to WTO-OMC, tourism has not played a significant part in the trade negotiations. Rather than effectively liberalizing, the process is seen as merely binding some of the liberalization measures already in place.

The reality is that the instrument is not yet effectively working for the sector or for the economy at large. The consumer of tourism services has to move to the place of consumption and while "consumption abroad" is a recognized component of the framework, the rules have not been

adequately developed to ensure that this is done in a way which is fair and equitable for suppliers and consumers of the service. Nor have the essential interfaces with related sectors been effectively identified and structured. Finally, these aspects have not been specifically tailored to prioritize development and sustainability.

Certain developing states and private sector organizations, in cooperation with the WTO-OMC, WTO-OMT and UNCTAD secretariats, have worked together to underscore the relevance and to explore the idea of an Annex on Tourism to the GATS, or other approach to reflect both the specificity of the product and its complex interrelationship/crossover with other sectors. But little progress has been made until now. 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, WTO-OMT is convinced that 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:

- The need to eliminate all barriers to tourism growth affecting the total supply chain, as identified in the United Nations statistical classifications and the "tourism satellite account". Here the very definition of tourism employed in the negotiations is deficient and must be addressed;
- the need to ensure that liberalization creates fair conditions of competition ensuring a level playing field for growth of all countries' tourism services and effective safety nets for developing markets;
- the importance of including in the assessment of trade in services the identification and mitigation of so-called "leakages" of revenue to origin market travel companies, since the leakage phenomenon results in inequitable returns for destination service suppliers and minimizes the positive effects of tourism on economic and social development. Their reasonable reduction by corrective measures and the development of linkages to other support services and goods, have to be undertaken;
- the need to remove all unjustified obstacles to cross-border movements of tourism consumers, create equal tourism promotion opportunities for all, and address the issue of Government "travel advisories" on tourism destinations, all of which possibly could be dealt with under mode 2 of "consumption abroad";
- to recognize, irrespective of services classification, the vital reliance of tourism on liberalization commitments favouring free-flowing transport systems, full and fair access to distribution networks and information channels, and ensuring provision of adequate infrastructure and systematic elimination of barriers to efficient operations;
- to specially recognize the dependence of developing states' tourism on air services: the impact of different regulatory treatment for air service liberalization and the importance of providing incentives for investment or commercial presence in air service, distribution and infrastructure in developing markets.

These themes are encompassed in our concept of "Tourism Liberalization with a Human Face" that WTO-OMT has developed and presented at the WSSD in Johannesburg last year.

We take note that specific services sectors, such as tourism, are not singled out in the Draft Cancún Ministerial Text. However, given all the arguments and expectations in favour of this tourism, WTO-OMT and the whole tourism sector would appreciate it if it were referred to in the case of services negotiations and LDCs in the final text, thus establishing a good basis and incentive for our future work.

Under the concept of "liberalization with a human face", WTO - OMT stands ready to support the accelerating evolution of trade in tourism services - particularly in respect of development, sustainability and poverty alleviation.

First and foremost, within the framework of the Doha Development Agenda itself, to work even more closely with WTO-OMC to address the underlying pivotal issues identified above - through a structured review of their relevance to development and sustainability. We stand ready to join forces with WTO-OMC in 2004 to undertake a structural evaluation of the role of tourism in services trade, and to come up with an adequate instrument seeking to remove the remaining obstacles to a balanced development of trade in this sector.

Second, by working with other interested institutions such as:

- The World Bank and the Regional Development Banks that are capable of using tourism as a weapon in the fight against poverty and in favour of sustainable development through the agreements already in place or under preparation between these institutions and WTO-OMT;
- UNDP, where we have expanded our traditional "executing agency" activities - particularly in the case of post-conflict regions and in relation to sub-Saharan Africa where most LDCs are situated. WTO-OMT considers unacceptable the fact that Africa, with its potential, receives only 3 per cent of international tourist arrivals and just 2 per cent of receipts, and that half of this 3 per cent and 2 per cent is captured by just three countries of the continent. Our specific programme for sub-Saharan Africa is aimed at removing some of the most serious obstacles to the tourism development of African destinations, especially with regard to image, product marketing, and air services;
- UNCTAD, with which in 2002 we signed an agreement to implement the STEP (Sustainable Tourism for Eliminating Poverty) initiative. The strategy adopted in STEP consists of harnessing new funds, promoting linked social science and industrial research so as to seed fund replicable pilot projects based on our Organization's experience in the most disadvantaged countries;
- ITC, with which we are jointly developing tools for capacity-building for the public and private sectors in developing markets with an emphasis on promotion of tourism as a services export;
- ICAO, in relation to key transport and related infrastructure issues - where we have already embarked on detailed joint study of the application of traditional industrial safety net mechanisms to foster what we call "Essential Tourism Development Routes";
- The European Union, which finances our activities in the fight against sexual exploitation of children in tourism.

Third, by strengthening our established programmes to ensure that they incorporate the concept of "Tourism Liberalization with a Human Face" and the principles of the United Nations Millennium Development Goals and our 1999 Global Code of Ethics for Tourism. On the basis of these two instruments, WTO-OMT is ready to provide an analysis of positive support measures for WTO-OMC, to facilitate progressive liberalization in the sector with an emphasis on development and sustainability.

The transformation of the World Tourism Organization into a specialized agency of the United Nations, which is currently in progress and which is expected to be completed by the end of the year following the "green light" given by ECOSOC, will represent an opportunity to reaffirm two of the aims enshrined in the Organization's statutes and in the new agreement to be concluded between WTO-OMT and the United Nations, namely to pay particular attention to the contribution of international tourism to the economies of developing countries and to underscore the vital importance of sustainable development.

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