



Economic Commission for Africa

Draft

# **Tourism in Africa and the Multilateral Trading System: Challenges and Opportunities**

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Background Paper

By

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**Abstract: An overview of tourism in general, and in Africa in particular, within GATS rules on Tourism is the starting point of this study to develop a number of considerations. Firstly, some of the bottlenecks and potential for Tourism development in Africa will be listed, as well as how the present state of WTO negotiations affect tourism development in the region. Secondly, this study will analyse commitments by African countries to WTO rules pertaining to tourism, trying to input this tentative outcome into a technical backstop for a continental negotiating stance by African countries for the maximum benefit of tourism to African growth**

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# Table of Contents

## **1. Introduction**

### **Section 1**

## **2. Current Status of Tourism in Africa**

### **Section 2**

## **3. Tourism in the General Agreement on Trade in Services**

## **4. Conceptual Issues for an Annex on Tourism in the Framework of GATS**

## **5. Tourism and GATS: the Position of African countries**

## **6. Which African Perspective on Negotiations in Tourism and Trade issues?**

## **7. Conclusions**

## 1. Introduction

The services sector has become an important contributor to overall development of many countries, both in terms of its contribution to foreign exchange earnings as well as to Gross Domestic Product (GDP). The world market for services has been growing at an average rate of 5 percent per year in the last decade, and it is projected to grow at about 3 percent in this decade (pre-11 September forecasting figures). Although Africa still remains at the periphery of trade flows in services, growth of trade in services was pre-September 11 expected to reach 5 percent per year in this decade.

One of the crucial institutions for trade is The General Agreement on Trade in Services (GATS), which is based on three basic negotiating objectives. These are to create a multilateral framework of principles and rules regarding services trade and elaboration of possible disciplines for individual services sectors; to expand trade in services in a transparent manner and through a continuous process of liberalisation; and to promote the economic growth of all trading partners and the development of developing countries through progressive services market opening

The General Agreement on Trade in Services classifies trade in services into four modes of supply. These are: *cross-border supply* - which is supply of services from the territory of one member to that of another member; *consumption abroad* - which is supply of a service in the territory of one member to the service consumer of another member; *commercial presence* - which is supply of a service by a service supplier of one member, through commercial presence, in the territory of another member; and *presence of natural persons* - which is supply of service by a service supplier of one member, through presence of natural persons of a member in territory of any other member. Furthermore, the main provisions of the GATS are related to four basic tenets: an obligation not to discriminate between service suppliers of other members (Most Favoured Nation obligation); the increasing participation in world trade in services for developing countries; complete coverage of all service sectors, with no service sector being excluded; and an obligation to provide national treatment and market access to services supplier of other members.

Within this context the main outcome of the Doha WTO Ministerial Conference was an agreement to launch a “new round of multilateral trade negotiations” to be completed by 2005. Specifically the Doha Ministerial Declaration states that negotiations on trade in services shall be conducted with a view to promoting economic growth of all trading partners and the development of developing and least-developed countries. The Declaration acknowledges the work already undertaken in the negotiations, initiated in January 2000 under Article XIX of the General Agreement on Trade in Services (GATS), and the large number of proposals that have so far been submitted by Members on a wide range of sectors and several horizontal issues, as well as on movement of natural persons.

Moreover, the Ministers re-affirmed in Doha the “Guidelines and Procedures for Negotiations” adopted by the Council for Trade in Services on March 2001 as the basis for continuing the negotiations, with a view to achieving the objectives of the General Agreement on Trade in Services, as stipulated in the Preamble, Article IV and Article XIX of that Agreement. Member states were requested to submit requests for specific commitments by 30 June 2002 and initial offers by 31 March 2003.

Under current negotiations on trade in services, countries are provided with leverage to decide on the content and pace of liberalisation in trade in services. There is no automaticity as regards sequencing and content of liberalisation of trade in services at the country level. Besides, the number of sectors that a country wishes to commit for liberalisation is not prescribed. Nonetheless, countries are required to provide a schedule of commitments, even if they commit only one sector.<sup>1</sup>

One of the key areas of services is tourism and its importance in developing economies cannot be understated. In this regard the United Nations has declared the year 2002 as the UN International Year of Eco-tourism and many workshops and conferences will be organised for this purpose. The Economic and Social Council of the UN stressed the need to promote tourism within the framework of sustainable development so as to meet the needs of present tourists and host

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<sup>1</sup>United Nations Economic Commission for Africa, African Economic Research Consortium, and Organisation of Africa Unity: Negotiations on Trade in Services, WTO Policy Briefs, October 2001

countries and at the same time maintaining essential ecological processes, cultural integrity and life-support systems.

Because of the importance of tourism as a component of trade in services, many African countries will wish to pay particular attention in formulating their negotiating strategies and more importantly in drawing up commitments as well as requests and offers, a formidable challenge especially for LDCs in view of their weak negotiating capacities. This study is intended to shed some light on the challenges African countries face in achieving the goal of expanding tourism in their countries and obtaining a balanced negotiating outcome in the context of GATS negotiations in the WTO.

In other words, this study will analyse the overall tourism industry potential with particular reference to Africa, in Section 1. In the second section it will place this potential within the GATS framework governing the tourism industry, identifying challenges and potential within these rules. Finally the paper will try to evaluate the sustainability of the tourism industry in Africa as one of the stated objectives of WTO.

## **Section 1**

### **2. Current Status of Tourism in Africa**

Tourism is a great contributor to Africa's development, both in terms of employment generation, contribution to Gross National Product as well as to export earnings. If this is the case in many African countries, there are misbalances among countries and sub-regions. The tourism industry in Africa has reached 27.6 million arrivals and receipts of US\$10.7 billion in 2000, yet the potential of the continent is much higher, both in strictly economic terms and also as a **unique opportunity for many African countries to attain meaningful poverty reduction and an improvement in the standards of living of their people.** For example in two-thirds of least developed countries (LDCs), tourism was among the first five exports in 1998 (DFID).

Despite these promising figures, a number of factors have undermined tourism development in many African regions. These factors include poor infrastructure, such as roads, electricity and water supplies; insufficient accommodation; unsatisfactory public health services; poor telecommunication facilities, and in a number of cases security problems. Furthermore, delays in applying more efficient management systems and the persistence of practices that impede their competitiveness have also contributed to slow development of the tourism industry. This is particularly evident in the pricing of tourism services. Another major weakness is the lack of a business environment able to set up a financial system suited to cater for the special needs of small and medium-sized businesses<sup>2</sup>, like the tourist ones.

Some of the reasons why tourism in Africa is not as developed as would be expected can also be found in the structural constraints and institutional weaknesses that impinge on the continent's growth. Income, institutions, the political environment and human capital have been identified amongst the critical contributors to Africa's development (UNECA), to help the continent to achieve its development goals, i.e. poverty reduction, social development, real per capita income growth, health improvement, equity distribution of resources, political stability. To accomplish those objectives, on the economic side Africa needs to sustain growth rates of at least 7%, against the current continental average of 4 % (UNECA). Fostering the private sector development, as the principal engine of growth, is one of the main challenges for the years ahead: it will take time before Africa will reach the international standards to compete on the world markets.

A negative factor impinging on tourism figures in the continent is certainly the political and social instability common to several African states. These countries will have to give serious attention to these problems and develop strategies oriented to improving safety, security and public health, while at the same time using the most effective promotional tools to enhance their image in generating markets. As a matter of fact, Africa is often seen as a region affected by violence and

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<sup>2</sup> Unctad is presently undertaking a study on tourism focussing precisely on: private sector; small and medium size enterprises and leakages

armed conflicts. The regional conflicts that sporadically break out and the insecurity in some countries are also affecting those nations that are not directly involved; many destinations are thus mistakenly caught up in this negative perception. The promotional activities launched to counteract these situations are extremely important in order to convey a correct portrayal of the situation at all times, gaining credibility and confining problems to their real dimensions.

The perceived instability of African countries has further increased after the September 11 events in the United States, which heightened worldwide security risks for tourists and other travellers. The impact of the September 11 on the worldwide tourist industry has not, however, been uniform. Some countries and regions have been much more negatively distressed than others by these events. The most negatively affected have been the Middle East and some Asian regions. While a global drop from 697 million tourists in 2000 to 689 million in 2001 was already a sign of cooling off of outbound tourist flows – due to the world economic slowdown - the last four months of 2001 decisively contributed to the negative trend, with a decrease of 11 percent worldwide. The Middle East recorded a decline of 30 percent after September 11<sup>th</sup>, followed by the Americas and Asia (-24 percent) and East Asia and the Pacific (-10 percent).

Africa, on the other hand, recorded a decline of only 3.5 percent in tourist arrivals for the period. In the first eight months of 2001, international arrivals in Africa increased by 3 percent, in line with international arrivals worldwide, which grew by 3 percent as well, more than one point lower than the average annual gain of 4.3 percent over the past ten years. These figures are in great part due to strong growth in North African countries Tunisia and Morocco during the early part of 2001. However, in the September 11 aftermath, tourism figures sharply dropped. For example, after a promising 8 percent rise in the period January to August, Morocco lost 6.9 percent in October 2001, 22 percent in November and 1.6 percent in December.

Taken individually, African countries reacted differently to the outcome of September 11 events. In some way the immediate effect was mitigated over time, but this has to be qualified by the origination markets of reference of the destination countries. For instance, Europeans tended to have resumed travel much quicker than their North American counterparts. Accordingly, South Africa had a drop of 1.9 percent in 2001 due to its high dependence on long haul USA market. Generally, those African countries that depended heavily on US outbound travel experienced a greater impact on their tourism industry from the September 11 events, than those that were less dependent on the U.S.A market. The crisis of the tourism industry in the Moslem world following these events also impacted negatively on the global industry and on some Muslim African states.

Notwithstanding the above, tourism has tended to develop, albeit unevenly in Africa, with some countries and sub-regions benefiting much more than others. This indeed is the case with countries such as Egypt, Kenya, Mauritius, Morocco, Tunisia and South Africa. For instance, the North African sub-region has gained much more from tourism than other sub-regions. As a general rule, African countries, which have had better overall economic performance over the years, have also done better in tourism. Tourism is in fact a relevant industry in all the five good performing African economies (G5), Morocco, Mauritius, Tunisia, South Africa and Botswana, which have been able to sustain reforms and achieve structural diversification.

A sub-regional analysis of tourism in Africa clearly reveals the structure and content of the industry in various sub-regions as well as the main origin of tourists arriving in African countries. For example, Northern Africa is still the sub-region that attracts most tourists from Europe, although it has lost more than 20 percent of its total share to South Africa, most likely because of its dependence on the European market itself (57 percent of all arrivals in Northern Africa), while only 8 percent of its share originates from within Africa. On the other hand, 71.2 percent of South Africa's tourist arrivals are intraregional.

The other sub-regions of Africa have different sources of tourism in general, with for example, Eastern Africa having the largest percentage of inter-African tourist arrivals. What comes to mind immediately is the possibility of two main areas of study:

- Regional co-operation to achieve a more equitable flow of tourism receipts
- A co-ordinated negotiating stance on trade in services for the tourism sector in the African continent.

At the political level this is recognised through NEPAD, one of the most important documents concerning Africa's development, which has identified the expansion of tourism as one of the principal engines for growth.

In operational terms, NEPAD goes on to suggest sub-regional and national objectives with continental action plans.

At the regional/national level NEPAD proposes the following:

- To identify key "anchor" projects at the national and sub-regional levels, which will generate significant spin-offs and assist in promoting interregional economic integration;
- To develop a regional marketing strategy;
- To develop a research capacity in tourism;
- To promote partnerships such as those formed via sub-regional bodies. An example is the Regional Tourism Organisation of Southern Africa (RETOSA).

Whilst the continental action plan is at the African level, namely:

- Forge co-operative partnerships to capture the benefits of shared knowledge, as well as provide a base for other countries to entering into tourist-related activities;
- Provide the African people with the capacity to be actively involved in sustainable tourism projects at the community level;
- Prioritise consumer safety and security issues;
- Market African tourism products, especially in adventure tourism, eco-tourism and cultural tourism;
- Increase regional co-ordination of tourism initiatives in Africa for the expansion and increased diversity of products;
- Maximise our benefits from the strong interregional demand for tourism activities, by developing specialised consumer-targeted marketing campaigns.

In this study a similar approach is taken, as will be seen later; namely the action plan for tourism should be at the continental level since this allows some form of economies of scale, regional integration and the sharing of development costs especially for infrastructure and marketing.

Strong bases for expanding tourism in Africa exists, but the current results of tourist arrivals, although on the increase, do not adequately reflect the continent's potential (See Figures 1&2). Africa's tourism strength is to be found in the diversity of its products, originality of destinations, natural and cultural assets and the fact, true for all tourist destinations that the tourist comes to the product.

As can be seen from Figure 2, the world market has been growing at an average rate of 5 percent per year in the last decade, and in 1997 Africa had the largest increase in tourism arrivals, compared to all the other regions of the world. The projections for the future are good, with the WTTC/Wharton Econometrics forecasting a growth rate of 5 percent in this decade, compared to a 3 percent growth rate worldwide. The projections go on to state that increasingly tourism will account for a large proportion of GDP in sub-Saharan Africa.

In this sense, tourism can help to unlock opportunities for the poor. Although poor countries only command a minority share of the international tourism markets, in 11 of the 12 poorest countries tourism is a significant part of GDP (DFID). The economic growth of this sector does affect the overall growth of the economy; this growth can also be equitable if certain strategies are adopted. The pro-poor nature of the economic growth of tourism is due to a number of factors, namely:

- The 'customer' comes to the product and creates opportunities for additional sales
- Tourism inherently is more labour-intensive and employs a higher proportion of women
- A tourism product based on culture, natural assets and local communities is precisely one based on the generally excluded economic groups
- Tourism has greater positive impacts in underdeveloped areas than other industries, due to its rapid development pattern and greater involvement of the informal sector
- Tourists come to the destination, reducing the financial, logistic, legislative and marketing problems related to targeting customers abroad
- Tourism often fit with existing livelihood strategies, representing an additional diversification to current activities, like grazing or farming, for instance providing extra cash or income during drought periods (Christie and Compton, 2001).



Figures1&2; Source WTO/OMT

Besides, in the last ten years, a series of changes have led to the rise of alternative forms of tourism, as confirmed by data that clearly indicate a fall in package holidays and a parallel increase in alternative forms of tourism, such as eco-tourism, adventure tourism, cultural tourism, rural tourism, community based tourism and others. Eco-tourism alone now represents between 2 and 4 percent of global tourism market (WTO). These new forms of tourism reflect western societies' rising interests for environmental and development issues. Consequently, due to demand driven necessities for tourists of customized products, there is a higher probability of controlling the "leakage effect", that is the amount of foreign exchange that leaves the destination country due to the high import factor. The customised tourism option allows in fact a more stringent control on flows within the economy than standardised holiday packages.

The flow of tourists to a particular destination is to a large extent determined by the global tourism industry in a rather complex pattern. This decides to a large extent the small margins earned by tour operators and other economic agents, whilst on the other hand, it permits customised tourism (including African destinations) to have higher margins. As can be expected this type of tourism is generally higher incomes oriented, but like other types of tourism must meet the competitive criteria of the industry itself.

Instead, the creation of a highly competitive product is due to a number of conditions, among the others: effective information, competitive prices and high standard customer service. Tourism is a demand driven market in an interactive way, where it is the tourists who, to a certain degree, decide the tourism trends, although the tourism industry itself is a good deal responsible for the direction that tourism flows will take. From here the importance of these key competitive factors for tourism practitioners.

Other competitive factors are more destinations specific, like the presence of natural and cultural resources, the existence of human resources and financial and technical infrastructures; as well as a government policy framework for tourism, a thriving private sector that provides primary services to the tourism industry, consolidated private-public partnerships, widespread good governance principles, among the others. In this sense, governments, more than the industry, create the basis for the competitiveness of the respective national tourism sectors on the world market, maintaining and enhancing the natural and built assets which attract visitors and guaranteeing their safety.

Thus an appropriate policy framework is crucial to create the conditions for a sustainable tourism development in the long run – sustainable in economic, social and environmental terms. For example, the prices of resorts and/or hotels in Africa have a price limit for their competitiveness, since the weight of the airfare, given poor airline infrastructures in Africa, is very high. This

determines bottlenecks on the supply side of pricing policies as well as a tendency to move away from mass tourism, although there have been and there are still African countries with high tourism arrivals, which are considered mass tourism destinations. The existence of bottlenecks on pricing policy as well as a deliberate choice to protect and limit the negative effects of tourism on the natural assets/environment on which it is built, give rise to a policy choice by African countries in favour of sustainable tourism.

Yet the most important aspect is that whether mass or sustainable tourism is identified, the economic cross-sectoral nature of the tourism industry is similar. This can be explained by the fact that tourism expenditures have a flow-through or catalytic effect on the economy in terms of production as well as employment. This process originates a demand for local suppliers of consumer intermediate goods depending on the level of economic development and capital equipment. The supply of such goods can stimulate the development of small businesses as well as create links with the informal sector. These links are not automatic but have to be enhanced.

Another crucial area is the institutional framework in which tourism investors operate, whether foreign or domestic. They will be attracted to invest in the tourism industry in a specific country or destination only if the macro-economic framework is conducive to private sector investments. In this sense, investors in tourism are not different from those in other sectors. Macro-economic policies that create such an enabling environment should foster stability, confidence and predictability by aiming at (Christie and Compton, 2001):

- A stable, inflation-free economy, in which growth of GDP shows an improving trend with a perceived sense of continuity in fiscal policies, with a tax system that is no more onerous than in competing destinations;
- A sound management of the balance of payments, with no restrictions on imports needed for construction and operation of private investment activity and a competitive exchange rate;
- Free movement of profits and capital;
- Open pricing policies;
- Incentives for private sector investment where necessary.

Within the macro-economic framework so defined, it is also highly desirable to aim for:

- An effective public sector and local administration through adequate wage and benefit policies, with penalties for inefficiencies, particularly corruption;
- A sound banking system with links to external markets, a credit system available to foreign investors and a local or regional capital market;
- Policies and/or incentives for the progressive removal of infrastructure constraints and the development of an efficient telecommunications system.

Investors will also evaluate critically the country's legislative and regulatory framework. Among the issues they will weigh in the balance are:

- Good governance and the absence of political upheavals;
- Effectiveness of and continuity in corporate and contract law.

Private sector investors should be able to enter into contracts with enforceable mechanisms for:

- Conflict resolution;
- Access to land and property titles, with a transparent cadastral registry system;
- Property laws must be enforceable with reasonable transaction costs;
- Labour laws that balance the interests of employee and employer;
- Licensing systems that are equitable and in which the licenses are obtainable at reasonable transaction costs;
- Laws that protect the safety and security of locals and visitors, with enforceable penalties;
- Through public education, a local population that is receptive to foreign visitors.

The policies described above, although particular to the tourism industry, are based on a "no-regrets" policy in terms of its "liberalising effect on the whole economy". In other words the policies delineated above have become "standard policy sets" for all economic activity. The overall

framework for tourism does not differ, although a pro-poor national policy option would envisage more distribution plus growth type of policies.

## Section 2

### 3. Tourism in the General Agreement on Trade in Services

International tourism has a very substantial impact on trade levels, as well as on foreign exchange earnings. Tourism ranks in the top five export categories for 83 percent of countries of the world economies, where direct spending by international tourists amounted to 8 percent of world exports in 1999. The estimate prior to September 11 was for tourism to generate worldwide 5.5 million jobs in this decade.

According to World Tourism Organisation tourism is a significant activity in almost half of the low-income countries and in nearly all the lower-middle income countries (over 5 percent of exports or 2 percent of GDP), employing one in ten workers worldwide.

Despite the importance of tourism in the world economy, many have criticised the manner in which tourism has been dealt within the framework of the General Agreement on Trade in Services (GATS). Some of the specific criticisms are exposed in this chapter.

In the General Agreement on Trade in Services, category 9 “tourism and travel related services” of the Services Sectoral Classification List (MTN.GNS/W/120) covers four sub-sectors:

A) Hotels and restaurants (incl. catering)	CPC 641-643
B) Travel agencies and tour operators services	CPC 7471
C) Tourist guides and services	CPC 7472
D) Other	

The World Tourism Organisation has expressed its will to revise this unsatisfactory classification in the current negotiations on trade in services. The basic argument is that the current definition of “tourism” in the GATS is wrongly based on the assumption that tourism produces or supplies a homogenous product or service like traditional industries, while instead it is a collection of products and services, ranging from airlines to catering, to entertainment, and many others. This view is also stressed by the Tourism Satellite Account, devised in 1993 at the UN Sustainable Development Committee, which takes the flow-through effect into consideration and which is based on a demand-side concept of economic activity. The TSA is a conceptual framework to measure the contribution of tourism to an economy in an internationally comparable way, breaking down visitors’ expenditures to analyse the direct and indirect effects of tourism in terms of generation value-added, employment, personal income, and government income.

Despite the significant amount of progress already accomplished in the tourism sector, a significant amount of limitations still remain. Around 120 Members (considering EU as one) have made commitments in the tourism sector, more than in other services sector. Nonetheless, the complete liberalisation of the industry is far from being achieved, even at the level of the limited classification W/120.

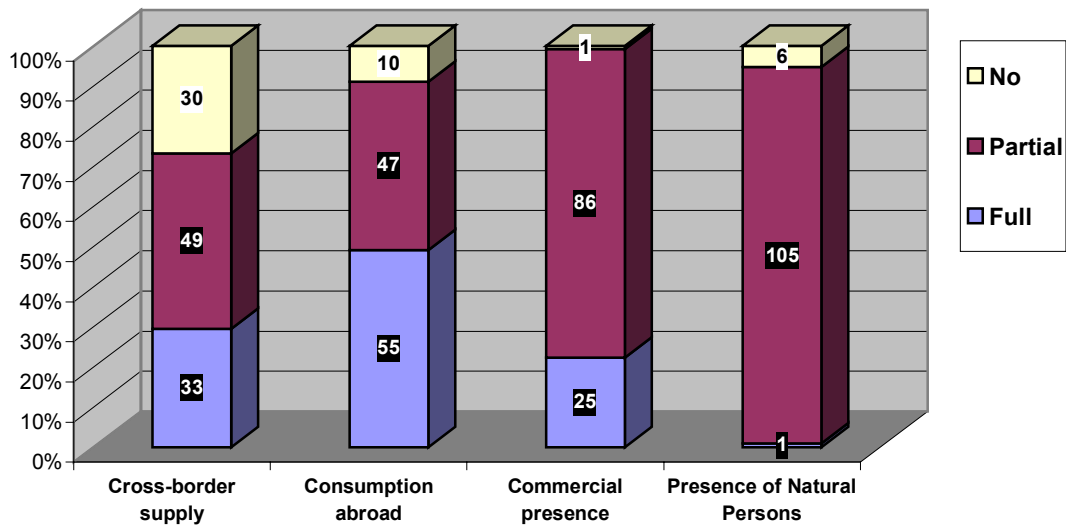
First of all, the WTO includes 144 countries, “only” 120 of which made commitments in tourism. The importance of GATS commitments in tourism is strictly connected to the promotion of domestic and foreign investment, because a greater number of commitments guarantee a more stable and favourable environment for potential investors.

Using charts 2 &3 and their feeding data as a reference, we attempted a first analysis of WTO Members’ commitments in tourism.

The charts show the level of commitments of WTO Members in tourism, respectively under market access - that guarantee a certain level of access to domestic market for foreign companies under GATS - and national treatment - that, in services, guarantee an equal treatment for nationals and foreigners where specific commitments have been taken - for each of the four modes of supply.

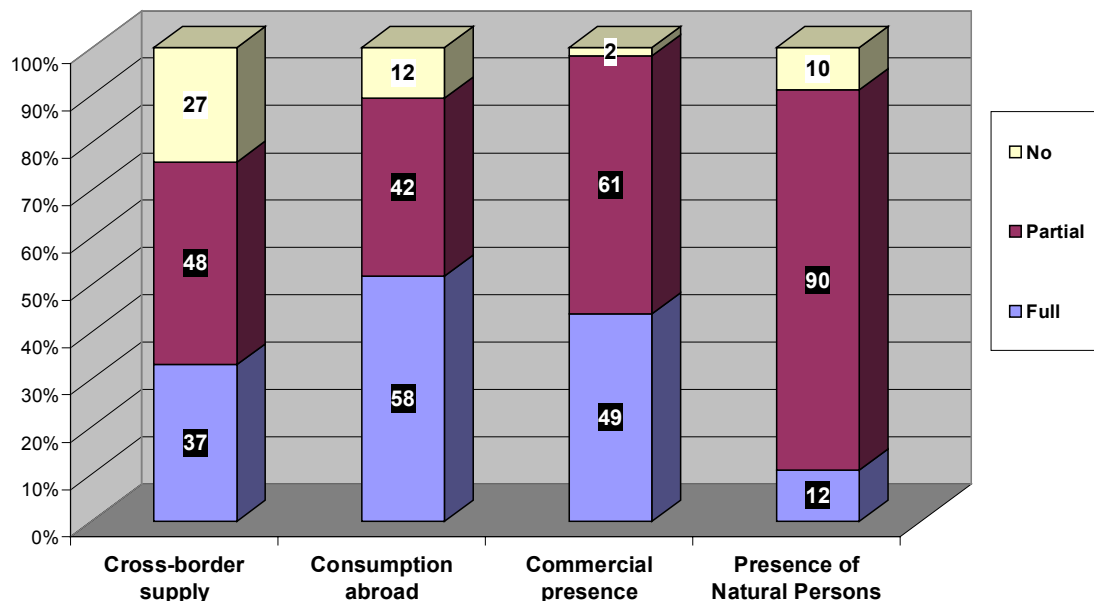
The level of commitment is full (purple) where no limitations are present; it is partial (red) where limitations are present or commitments have not been made in all sub-sectors and modes of supply; the yellow colour indicates that no commitment has been made (unbound).

**Chart 1 - MODE OF SUPPLY FOR MARKET ACCESS**  
Level of Commitment of GATS Members



- While Members with tourism commitments have all made commitments under the sub-category A (Hotel and restaurants), there are less than 100 commitments under “travel agencies and operators”, less than 60 under “tourist guides services”, and less than 20 commitments under the “other” sub-category. Of the 120 Members making tourism services commitments, only about one-half have made commitments in three or more sub-sectors.

**Chart 2 - MODE OF SUPPLY FOR NATIONAL TREATMENT**  
Level of Commitment of GATS Members



- Among the four modes of supply for services previewed by GATS – cross border supply, consumption abroad, commercial presence, and presence of natural persons – tourism is particularly represented in the mode of “consumption abroad”. A relatively high number of commitments under “consumption abroad” reflects the nature of the tourism product, which is a service supplied to foreign service consumers – the international tourists – in the territory of another Member. This means that foreign tourists are free to access a vast range of services in the destination country; still, many restrictions to their freedom to consume abroad persist, as in the case of limitations on foreign currency possession.

- In both “commercial presence” and “presence of natural persons”, there are more limitations under market access than under national treatment. This outcome is explainable with Article XX of 10

GATS, that under paragraph 2 clearly states that “Measures inconsistent with both Articles XVI (Market Access) and XVII (National Treatment) shall be inscribed in the column relating to Article XVI”, i.e. in the column of Market Access, although the inscription will provide conditions or qualifications to National Treatment as well.

The four modes of supply are applied in tourism only to the four sub-sectors mentioned above, while the overlapping of tourism with other sectors, such as transport, finance, telecommunications and construction, has not been addressed in the present agreement. For instance, Global Distribution Systems and Computerised Reservation Systems, car rental, hotel construction, are not included in the W/120 classification, as will be discussed later on in the paper.

Various events – such as the expert meeting on “Strengthening the Capacity of Developing Countries for Trade in Tourism Services” organised by UNCTAD in 1998, and the “High level Meeting on Tourism and Development in the Least Developed Countries” (Preparations for the Third United Nations Conference on the Least Developed Countries, 26-29 may 2001, Lanzerote, Spain) – have analysed the nature of tourism and the kinds of obstacles towards a progressive liberalisation of the sector.

There is the pressing need in the next rounds of service negotiations to ensure, through a progressive liberalisation of the tourist sector, an overall balance of rights and obligations and a promotion of the interests of all participants on a mutually advantageous basis. The significant comparative advantage existing in many Least Developed Countries (LDCs) with regard to tourism development, is often counterbalanced by the severity of handicaps they suffer in terms of physical infrastructures, communications, access to markets, trading conditions, and relevant skilled human resources.

GATS Article IV calls for an increasing participation of developing country Members in world trade, through the adoption of negotiated specific commitments by Members relating to:

- a) the strengthening of their domestic services capacity and its efficiency and competitiveness;
- b) the improvement of their access to distribution channels and information networks;
- c) the liberalisation of market access in sectors and modes of supply of export interest to them.

Article XIX states how the “process of liberalisation shall take place, with due respect for national policy objectives and the level of development of individual Members”, where appropriate flexibility should be guarantee for the pattern and mode of liberalisation of developing countries.

A number of factors constitute a barrier for the promotion of all Members’ interests on a mutually advantageous basis and for an overall balance of rights and obligations between them; these include lack of transparency, presence of anti-competitive practices and the types and patterns of restrictions in the tourism sector. Beginning from the restrictions imposed on market access and national treatment in the tourism sector, the most common limitations are represented by economic needs tests (especially in sub. A), citizenship requirements (sub. A and C), limitations on the participation of foreign capital as fixed equity limits (sub. A), licences requirements (sub. A and B), unbound due to lack of technical feasibility (sub. A), and limitations on the circulation of natural persons (sub. A and C).

Other problems emanate when specific commitments fail to eliminate the barriers to trade in tourism services, especially in relation to transportation services and travel distribution systems - including tour wholesalers, tour operators, global distribution systems (GDS), computer reservation systems (CRS) and travel agents - pertaining to a large extent to consumption abroad. Developing countries complain (see S/CSS/W/9, Communication from the Dominican Republic, El Salvador and Honduras) that despite tourism is the sector with the highest level of bindings in the GATS, these co-exist alongside a bewildering series of mergers and take-overs of tour operators and airlines, that de facto place tourist destinations at the mercy of abuse of a dominant position, without being able to rely on any internationally binding mechanisms to counter its effects. The problem with tourism distribution systems is the access to and the cost of using those networks controlled by few companies (air carriers or independent commercial companies); this is particularly true for the US tourist market, where GDS handle around 80 percent of all travel bookings<sup>6</sup>.

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<sup>6</sup> Evans, P (1999) – Recent development in trade and competition issues in the services sector: a review of practices in travel and tourism. UNCTAD0

What concerns about the air transport industry is the anomaly generated by the privatisation of airlines and the formation of strategic alliances among companies. While on the one hand this is intended to create synergies and reduce costs, on the other hand it can also restrict competition and redirect profits in favour of those who conquered a dominant position, i.e. principally firms in the US and Europe. Thus, anti-competitive practices affect developing countries in many ways:

- Creating problems of efficiency, viability and sustainability of tourism within their borders;
- Increasing the phenomenon of leakage, affecting their capacity for retaining value added in their economies;
- Producing an uneven distribution of costs and benefits between North and South.

Finally, a transparent and non-discriminatory access to information is a pre-condition for an equitable participation in tourism. As a product, tourism is both an information product and a confidence good (UNCTAD, 2000b). It is intangible: it cannot be checked before purchase consumption; customers – i.e. tourists - need to get as much correct information as they can to feel confident that their desires and expectations will be fulfilled. That is the reason why information, along with price and customer service, is one of the key competitive factors and an element that affects the tourist-receiving society and the quality of the travel experience (Britton, 1978).

Especially for the tourism sector, it is relevant to stress that when countries make commitments, they are of two types: horizontal commitments, which stipulate limitations that apply to all the sectors included in the schedule; and specific sector commitments, which apply to trade in services in a particular sector or sub-sector listed.

In a multi-sectoral industry like tourism, limitations in horizontal commitments may have a particular impact and impinge on its liberalisation. It is for instance the case of limitations on the mode of supply. An example is where foreign service workers are impeded to move freely; or the case of commercial presence, where limitations for the establishment of foreign service providers in other countries affect also the tourism sector, directly or indirectly. Another example of limitations in horizontal commitments that may indirectly affect tourism are the national laws and regulations in force in some country Members, concerning the acquisition of real estate by foreign natural or legal persons; here the constraints in the construction sector may indirectly affect tourism expansion in a specific region.

For what concern limitations in specific commitments, a good case is represented by restrictions applied on the commercial presence of foreign tour operators and travel agencies that cannot promote their products abroad or are forced to do it in association with established national firms. The consistency between the two types of commitments is a major issue for developing countries aiming to expand their tourism sector (see also Diaz, UNCTAD, 2001).

All the above reasons call for an Annex on tourism that would discipline the sector in a specific and comprehensive way. It has to be acknowledged that the various stakeholders involved in the discussions - governments, multilateral institutions (WTO, UNCTAD, WTO/OMT, etc), sectoral and industry organisations (WTTC, IATA, etc) – all appear to have different and sometimes contrasting positions on the matter.

#### 4. Conceptual Issues for an Annex on Tourism in the Framework of GATS

In the International Conference “Towards a Better Partnership in International Commercial Transactions in Tourism” (Tunis, 1-2 June 1999), WTO/OMT Secretary General Francesco Frangialli expressed his dissatisfaction with the treatment received by tourism under GATS, calling for the development of an Annex on Tourism that could better handle the specificities of the sector during and after the next round of services negotiations. There are different opinions as regards to the contents of the Annex on Tourism, but there is a widespread consensus on the need for a document that would fill the current gaps in the GATS, helping to deal with the complexity and cross-sectoral nature of tourism. Some of the most important reasons for an Annex on Tourism, as advocated in many communications on the matter by WTO Members, are the following.

- The present agreement does not deal with the specific and heterogeneous nature of tourism (S/C/W/127).  
*Proposals: tourism as a cluster; tourism services checklist; commitments “without limitations”.*

The Dominican Republic, Honduras and El Salvador (see WTO Communication S/C/W/127) proposed to include in the Annex on Tourism those services that are characteristic and connected to tourism, both as specific to the sector, as well as non-specific to it. More exactly, “tourism characteristic services are those services that, in most countries, would cease to exist in meaningful quantity or whose supply would be significantly reduced, in the absence of tourism”, such as: accommodation services; food and beverage services; passenger transportation services; transport equipment rental; travel agency, tour operator, and tourist guide services; cultural services; recreation and other entertainment services<sup>8</sup>. While “tourism connected services are those services that are supplied to the service consumer in volumes which are significant for the consumer and/or the supplier but are not included among tourism characteristic”, such as: real estate services, some administrative services (ex. for hotels and restaurants), some financial services (ex. motor vehicles insurance services), some transport services (ex. taxi), some recreational services (ex. fairs and carnivals).

Other Members’ positions are less radical, as in the case of the EU (see WTO Communication S/CSS/W/40) and Canada (see S/CSS/W/54), and are directed towards the creation of a checklist regrouping all tourism related services, to use for specific commitments and not as a brand new discipline for the sector. Members, like the US (see S/CSS/W/31), Japan, Switzerland (see C/CSS/W/79), and Mercosur countries - Brazil, Argentine, Uruguay, Paraguay (see S/CSS/W/125) - focus instead on further liberalisation in some specific sub-sectors within the current WTO W/120 definition, like hotels, tourist guides and tour operators.

Broadly speaking, developed countries, but not only (see S/CSS/W/125 from Mercosur), are more oriented to use the existing GATS framework, making commitments “without limitations”, than to draw up multilateral disciplines concerning competition-related issues, as advocated by some developing countries (see S/C/W/127 and S/CSS/W/107), reckoning that some issues are more generic issues that could and should be addressed in the Working Party on Domestic Regulation, or be considered in a review of the Air Services Annex. This position is also supported by some sectoral organisations, like IATA and to some extent WTTC. IATA (International Air Transport Association) oppose the inclusion of passenger-related air transport services in the proposed Tourism Annex, preferring to see them dealt with on a sectoral basis, stressing the fact that the international air transport is properly governed by a complex and long term network of more than 3,500 bilateral agreements between States.

On the other hand, developing countries are incline to widen the current discourse in tourism introducing a new discipline that would take into consideration also those critical issues – like the presence of an efficient air transport sector, or the access to telecommunication services – that constitute a pre-condition for a thriving tourism industry. Nevertheless, it is undeniable that a reclassification of tourism services would imply several problems and lengthy discussions among Members.

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<sup>8</sup> see also WTO Communication from the Dominican Republic, El Salvador, Honduras, Nicaragua, and Panama (S/CSS/W/19)

- The GATS does not currently deal with the widespread presence of anti-competitive practices in the tourism sector and their trade implications, particularly burdensome for developing countries and, more in general, for the environmental and economic sustainability of tourism development.  
*Proposals: competitive safeguards; trade restrictions tuning.*

Some of the common anti-competitive practices in tourism include (ref. S/C/W/127):

1. Competitive exclusion through the discriminatory use of information networks, predatory pricing, allocation of scarce resources, and ancillary services to air transport;
2. Abuse of dominance through exclusivity clauses, refusal to deal, tied sales, quantity restrictions, or vertical integration;
3. Misleading or discriminatory use of information by any juridical person;

Specific measures should be ensured by any Member to guarantee the access to information and services for any other Member on a non-discriminatory basis. In particular, air transport and tourism communication services - such as GDS and CRS - both essential elements in the development of tourism, are subjects of the attacks of Members, especially developing countries, that advocate for access to those services according to transparent, reasonable and objective criteria. Similar considerations are valid to ensure the protection of consumer rights, such as health and security, economic interests, information and education, and others.

On the other hand, in relation to competitive safeguards, some Members (EU, Canada, US, Japan, Mercosur) complained about the existence of trade restrictions that constitute a major limitations for tourism development, such as: economic needs tests; authorisation, licensing or permission; requirements relating to nationality, citizenship and residency; restrictions on equity holdings; restrictions on mobility of key personnel. While in some cases these barriers are detrimental for the growth of the tourism industry – because they reduce transparency and competitiveness within the sector – in others they are consistent with the development objectives of the respective national economies. As in the case of Mauritius, where foreign participation in hotels with less than 100 rooms is limited to 49 per cent; the objective is to encourage up-market tourism – such as world class hotels and restaurants offering a more diversified and high quality cuisine - in line with the country’s tourism policy and, most of all, with its national objectives and level of development.

In the tourism sector, where phenomena of vertical integration are common, the risk is that foreign investments are dominated by private businesses from industrialised countries in control of both the demand and supply, without safeguards to the domestic industry.

- The GATS does not integrate sustainable development, not addressing the specific environmental, social, economic and cultural impact of tourism in a destination.  
*Proposals: adherence to internationally agreed policy commitments on biological diversity and sustainable tourism; provision to respect the rights of indigenous people; commitment to the objective of sustainable development, as reaffirmed in the Doha Declaration.*

The importance to include sustainable development considerations in the GATS is strictly linked to the necessity to safeguard the environmental and social assets on which tourism thrive, and which constitutes the basis for the competitive advantage of tourist destinations, especially in developing countries, and for the long-term viable development of tourism activities. Therefore, the proposed Annex on Tourism should contribute to the implementation of current internationally agreed policy commitments that would foster sustainable development, such as the Berlin Declaration on Biological Diversity and Sustainable Tourism (1997), or the WTO/OMT Global Code of Ethics for Tourism (2001), enhancing the mutual supportiveness of trade and environment. Multilateral environmental agreements (MEAs) and the Committee on Trade and Environment have worked in the same direction.

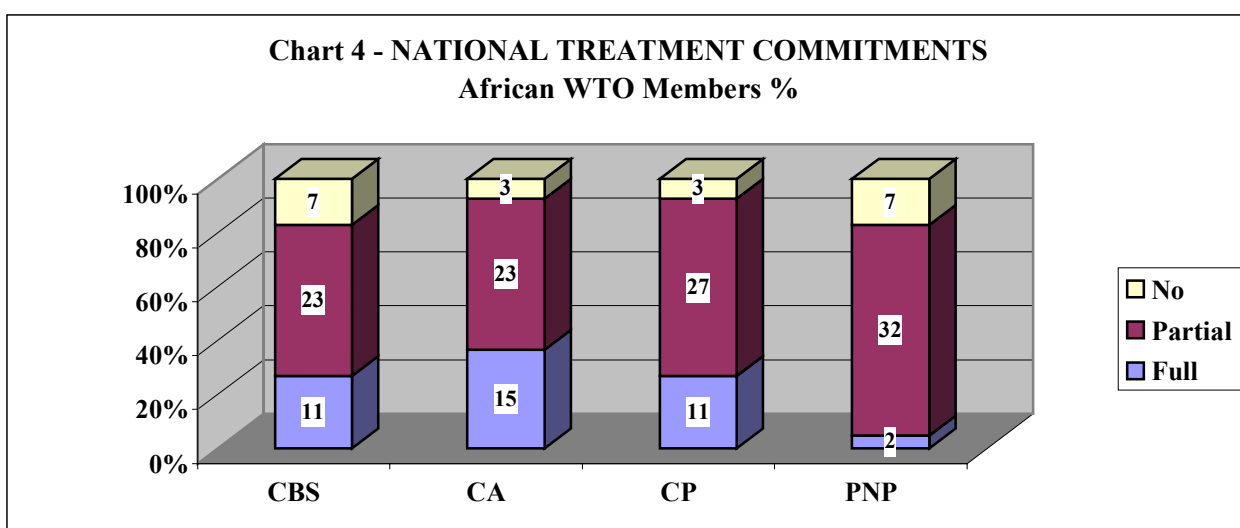
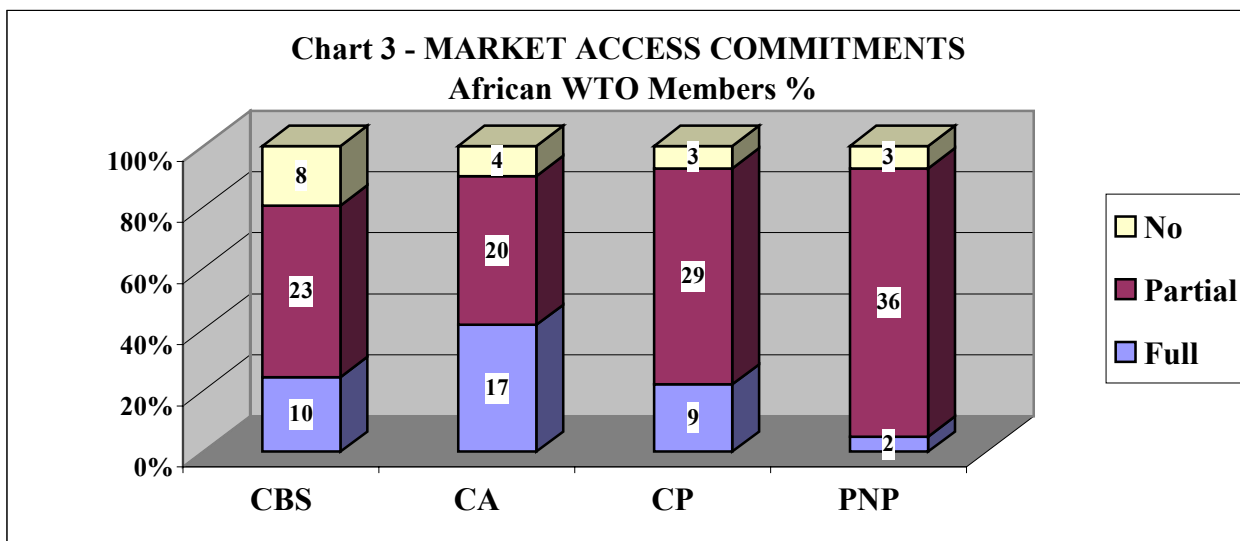
Although there is a widespread consensus among Members on this subject, no real binding commitments exist. This problem is addressable to sustainable development in general - “How to achieve sustainability?” – and to the tourism sector more specifically, where “agreed policy commitments” and “Code of Ethics” are not really effective in this sense, while specific provisions within the GATS framework could help to address the specific environmental, social and cultural impacts of tourism, and not only the economic aspects of it. Developing countries, and African countries in particular, should be in the front row on this matter.

The question is: to which extent should the GATS be entitled, and responsible, for the application of agreed international environmental standards? If on one side sustainable development considerations find in national governments' policy the natural arena for discussions and implementation, on the other, without a harmonisation of environmental standards at an international level, there will always be room for some foreign operators to legally challenge the provisions introduced in one specific country and not in others.

### 5. Tourism and GATS: the position of African countries

Understandably, due to diversity of African economies, it may be difficult to produce a common position on trade in services by African states; nonetheless, some common negotiating objectives can be developed.

The official position of African countries in respect to GATS and tourism is quite unclear. None of the official WTO communications on tourism issues, such as the ones mentioned in the previous chapters, have been made by African states – with the exception of one general communication by Kenya - despite the great interest they should have in the topic.



Charts 3 and 4, on the same line than charts 1 and 2, show the commitments in tourism made by African WTO Members<sup>9</sup>.

If confronted with charts 1 & 2 and Tab.1 below, they clearly show that full commitments in tourism by African countries are below the average of WTO Members.

**Tab. 1 - African WTO Members – Commitments in Tourism per Mode of Supply**

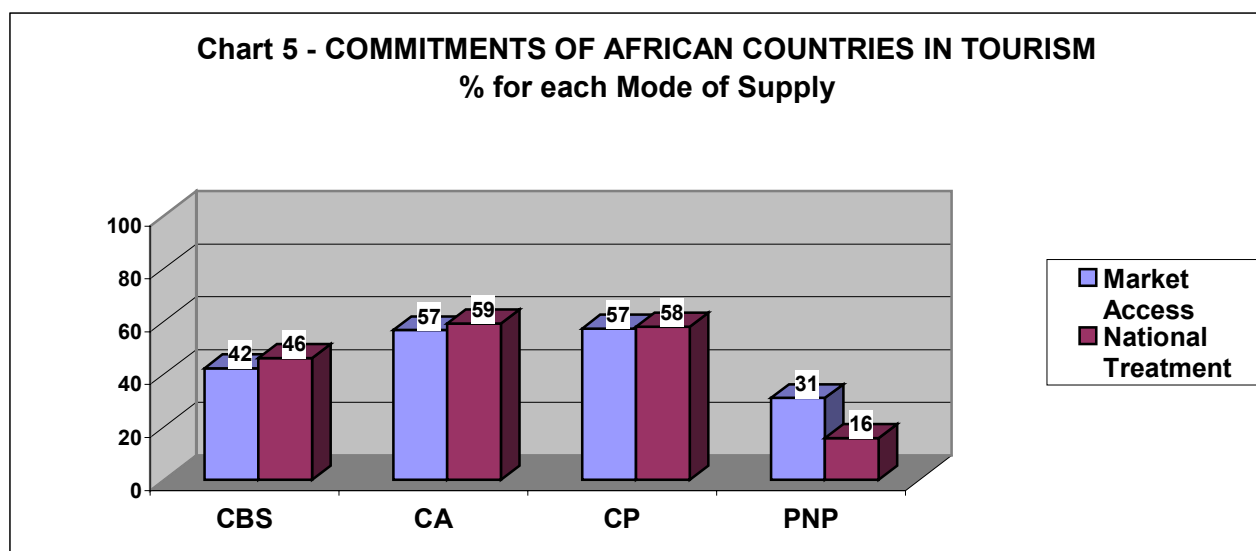
In brackets difference in percentage between African WTO Members' and all WTO Members' Commitments Average

Mode of Supply	MARKET ACCESS Commitments %		
	Full	Partial	No
Cross-border Supply	24% (-5)	56% (+12)	20% (-7)
Consumption Abroad	41% (-8)	49% (+7)	10% (+1)
Commercial Presence	22% (/)	71% (-6)	7% (+6)
Presence of Natural Persons	5% (+4)	88% (-6)	7% (+2)
Mode of Supply	NATIONAL TREATMENT Commitments %		
	Full	Partial	No
Cross-border Supply	27% (-6)	56% (+13)	17% (-7)
Consumption Abroad	36% (-16)	56% (+18)	7% (-3)
Commercial Presence	27% (-17)	66% (+12)	7% (+5)
Presence of Natural Persons	5% (-6)	78% (-2)	17% (+8)

**Note:** in red negative numbers, i.e. lack of or less commitments compared to WTO Members data  
**Source:** Own evaluation on WTO/OMC data

Thirty-nine out of the forty-one African countries (plus six observers) that are currently WTO Members have made commitments in tourism, as indicated in Tab.2 in the Annex. Nonetheless, only seven African countries (18% of total) have committed in all the four tourism sub-sectors, and 13 (33%) in three sub-sectors, leaving significant room for African countries for manoeuvre in the current negotiations.

Chart 5 calculates the percentage of commitments made by African WTO Members in tourism, per mode of supply, considering a possible maximum number of commitments of 156<sup>10</sup>.



<sup>9</sup> i.e. the 39 countries that committed in tourism plus Mozambique and Madagascar that are GATS Members but did not make any commitment in tourism, yet

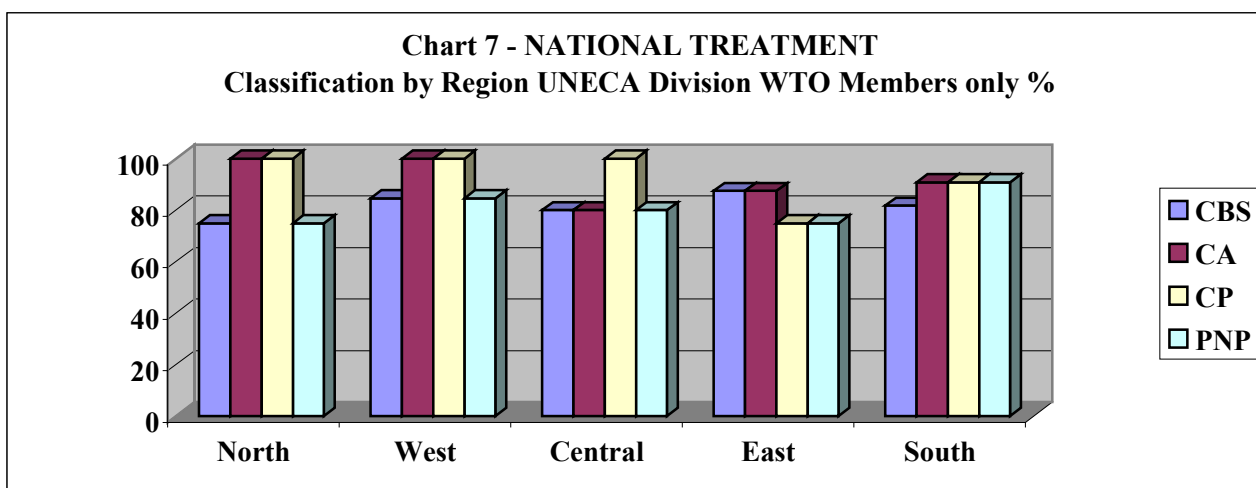
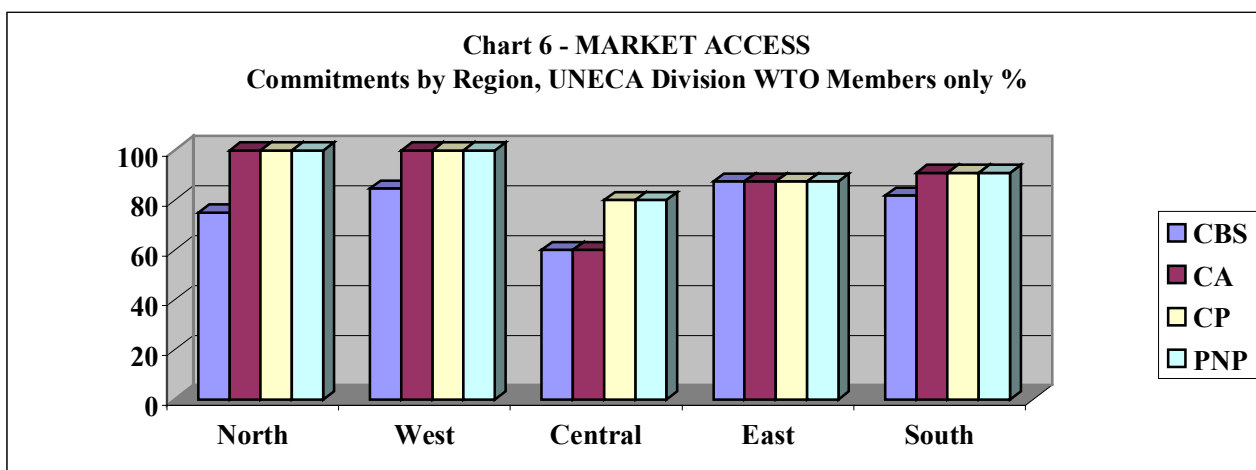
<sup>10</sup> Both full and partial commitments have been considered as “commitment made”. 100% of commitments is so determined: 39 (n. of African countries making commitments in tourism) x 4 (n. of tourism sub-sectors)=156 (maximum n. of commitments achievable in the tourism sector).

Few considerations can be drawn from this chart. First of all, the total level of commitments is relatively low: only in “consumption abroad” and “commercial presence” exceeds 50% of the possible maximum level of commitments attainable for each mode of supply. While it is normal to see a relatively high level of commitments in “consumption abroad” – as already discussed before – commitments by African countries under “commercial presence” are quite numerous. A possible explanation is that African countries are forced or keen to open to the commercial presence of foreign tourist enterprises because they either have not the resources or the knowledge to direct tourism development in their own territories, relying instead on external expertise. On the other hand, the same data could be also interpreted as a positive sign towards a full liberalisation of the tourism sector in the region. Commitments under presence of natural persons are usually less numerous than in the other modes of supply; in tourism though, it would be important to increase each state commitments to allow foreign workers to be employed abroad. If this is true for tourism consultants, it is even more relevant for regional workers, usually from poorer countries or countries with a less developed tourism sector, who find jobs in their neighbour countries. A clear example is the South African tourism industry, which constitutes a source of employment for people coming from near countries. For what concerns commitments under cross-border supply, the growing importance of cross-country services, such as Internet bookings, calls for an opening of national markets to facilitate the tourist flows generated by these means.

A further analysis is needed, confronting these data with similar ones from other world tourism regions, such as Europe, US, Latin America, Pacific, East Asia, and South-East Asia.

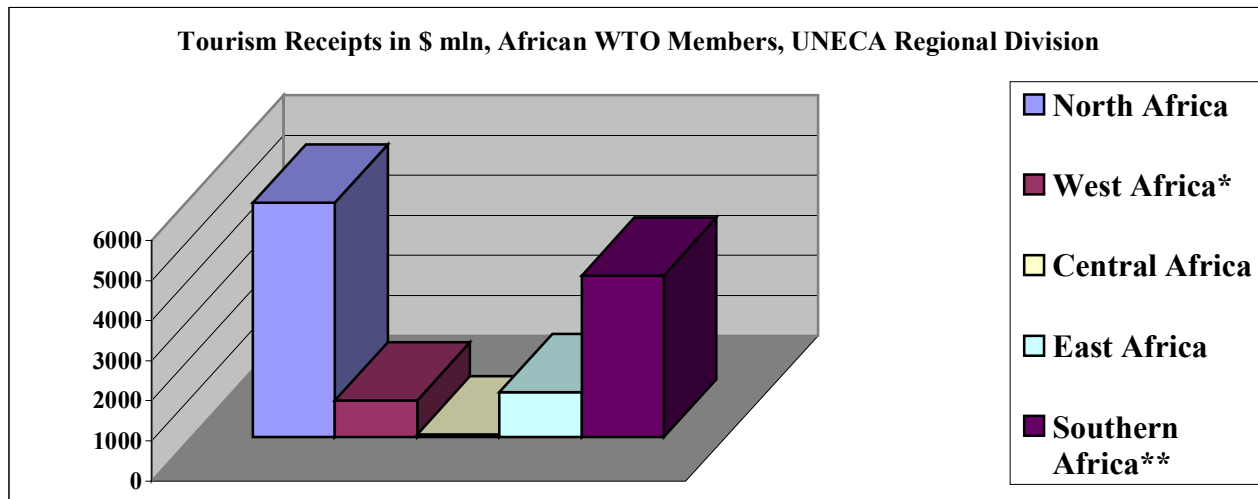
A similar kind of data study has been conducted at a regional level <sup>11</sup>.

The assumption standing behind the confrontation of the next three charts is that a higher level of liberalisation should lead to greater tourism receipts. That seems to be the case of Southern African countries. Nevertheless, the level of commitments by region is not always consistent with the total tourism receipts.



<sup>11</sup> 41 African countries have been considered, 39 that made commitments in tourism plus Madagascar and Mozambique as WTO Members

In West Africa, for instance, the high liberalisation of the tourism sector (despite charts 6 & 7 do not show if partial or full) does not reflect the scarce receipts received by international tourists (chart 8). Some of the reasons could be addressed to various causes, such as: the scarce tourism marketing that the region enjoys, compared to others, like Eastern or Southern African destinations; the insecurity of some of its countries (ex Sierra Leone); the high rate of leakage that some tourist products imply, like charter operations, as those sold in Gambia, where leakage of up to 77% was estimated (Mowforth and Munt, 1999); the severe lack of infrastructures, both general and tourist, in West Africa.



The liberalisation of the tourism sector is not an automatic receipt for success in the sector, while instead it is a pre-condition for a successful tourism sector in a country; the presence of natural and cultural resources must be combined with a distinctive quality of the tourism product that attract tourists and draw them away from other possible alternatives. In fact, the positive results in tourism achieved by Southern African Members – and this could act as a best practice case - are conducive to a series of factors, besides of a widespread liberalisation of the sector:

- Presence of a tourism policy framework at a government level, such as the adoption of a Tourism Master Plan, like in Botswana.
- Presence of transportation, telecommunication, financial, medical and services infrastructures.
- Quality of the tourism product. Well endowed in terms of natural resources, Southern African countries have been able to diversify their tourist product, from Sun, Sea & Sand tourism, to wildlife tourism in exclusive safari lodges, to ecotourism in the many national parks present in the region, to business tourism.
- Importance of domestic tourism: 75% of all international arrivals are generated within the region. The relevance of regional organisations, like the Southern African Development Community (SADC), will be discussed in the next chapter.
- The leading role of South Africa that alone has three quarters of the market share in the region.

The authors reckon that the World Trade Organization (WTO/OMC) and the World Tourism Organization (WTO/OMT) classification of African sub-regions are not the more appropriate to get a correct scenario of the tourism industry in the continent. Countries like Malawi, Zambia and Zimbabwe are classified in the Eastern Africa sub-region, instead of the Southern Africa sub-region, as it is the case with the UNECA sub-regional groupings. A sub-regional grouping of African countries on the basis of the UNECA classification yields better analysis results, because it is reflecting of the real regional divisions within the continent in economic, cultural and social terms – besides of considerations strictly related to tourism flows between neighbouring countries.

71.8% of South Africa tourist arrivals are of intra-regional origin (year 2000, WTO/OMT). 29.4% of tourist arrivals in Botswana (2000) come from Zimbabwe that, in turn, has 43.5% of the tourists on its territory coming from South Africa, and 19.6% from Zambia. If Zimbabwe and Zambia were included in the Southern African group – as with the UNECA regional division - this group would have 4 of the top 10 tourist destinations for number of arrivals in Africa, giving more consistency to the data that demonstrate the existence of two main tourist poles in the continent, Northern and Southern Africa, while, at the same time, putting tourism in Eastern Africa in the right perspective:

only Tanzania and Kenya, plus the two Island States – Mauritius and Seychelles - record significant tourist arrivals. There is therefore the need to reconsider grouping of African countries in the context of the World Trade Organization and the World Tourism Organization.

It is also compelling to analyse the regional flows more thoroughly. Some relevant questions come to mind. Which is the importance of domestic tourism? What is the composition of regional flows? What is the relevance of existing regional agreements and organisations in regard to tourism development? Some specific country studies can contribute in assessing the real extent of commitments in tourism and how they affect the growth of the sector. A pilot study has been conducted by the UN on Jordan and on Egypt<sup>12</sup>. A similar kind of research should be undertaken in sub-Saharan countries, possibly including Members with a different level of tourism development, such as South Africa or Morocco (high tourism development), Tanzania or Senegal (medium tourism development), and Ethiopia or D.R. of Congo (low tourism development), so to be able to conduct cross-country studies, and also to assess the different impact of liberalisation on national tourism sectors.

A possible impediment in undertaking this exercise is the availability and comparability of data. The Tourism Satellite Account (TSA), a concept developed by United Nations in 1993, based on economic sustainability to provide more accurate information on tourism impacts in destination countries, offer a viable solution, especially where the lack of reliable and relevant data has been so far a major problem for a better understanding of the sector, like in developing countries and in Africa in particular. Unfortunately, so far in Africa TSA has been scarcely operationalised and implemented<sup>13</sup>; its development and diffusion throughout the continent represent a challenge for the future.

## **6. Which African Perspective on Negotiations in Tourism and Trade issues?**

The negotiating position of African countries with regards to tourism within GATS is not well defined, despite the contribution made by African countries to the development of the Guidelines and Procedures for Negotiations and the presence of a relevant tourism sector in many African countries. As was seen before, the tourism sector is information intensive and depends largely on efficient distribution channels and the presence of adequate infrastructures. The role that African countries have within these crucial variables is limited both by technical know-how, lack of human and physical assets, as well as by anti-competitive procedures widespread in the sector.

There is the need to advocate an African position on tourism that would take into consideration the current stage of economic development of the continent - its constraints and potentialities - African states' national policies objectives and, more specifically for tourism, the possibility to negotiate at a multilateral level a legislative framework that better would help to foster a development of the sector within the continent. The main questions are: what kind of position should African countries evolve in respect with the negotiations on tourism? Are there elements common with other developing countries? What kind of approach should be preferred: a continental approach or regional arrangements?

### *Africa, other Developing Countries and Tourism*

In relation to tourism, African states share similar characteristics and problems with other developing countries.

- Great dependency on natural resource endowments

Like in other developing countries such as South-East Asia or Latin America, tourism in Africa very much relies on its natural endowments. Other world regions, like Europe or the US, can offer different kinds of tourist products, such as urban tourism, gastronomic tours, historical routes, and

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<sup>12</sup> ESCWA (2001) – Challenges and opportunities of WTO on Services in selected ECSWA Member Countries: Tourism. United Nations

<sup>13</sup> WTO/OMT has identified a set of 44 countries that have an established TSA or are at an advanced stage of development of their TSA. Among the African countries, only Egypt and Morocco have been included in the list.

similar; in Africa, excluding some exceptions, the diversification of the tourist product is most of the time limited by the natural assets on which it strives.

- Common front against anti-competitive behaviours

The anti-competitive behaviours affecting the tourism sector – like in the Air Transport industry and for tourism communication services – are particularly burdensome for developing countries. First of all, because they are mainly conducted by OECD companies in other Members’ territory; secondly, because LDCs have less developed economic sectors and lack of effective Competition Policies to stop and prevent anti-competitive behaviours.

- Need to promote tourism in OECD countries

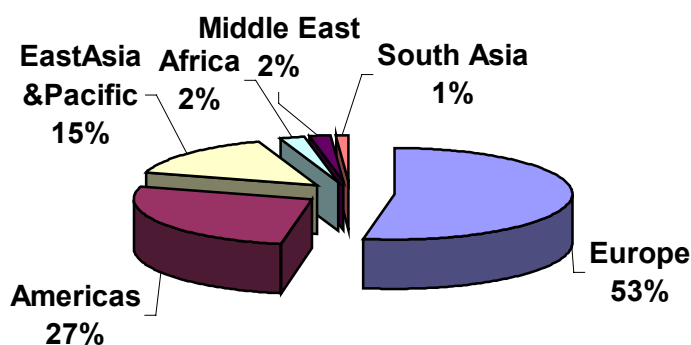
National tourist operators seldom promote tourism in Latin America, Africa or South-East Asia, where it is more the case that foreign travel agencies and tour operators market their destinations. While, on one side, in this way they can access the world tourism market, on the other, there is a higher level of leakage because they do not directly control their own tourist flows.

### *The Case for an African Stance*

Some of the necessary preconditions for a growth of the tourism industry in Africa are infrastructure development, tourists’ security, the presence of a thriving private sector, institutional strengthening, capacity building, tourism marketing, and public-private partnership. In this regard, Africa lies behind other continents, as statistics and indexes show - like the Human Development Index that place sub-Saharan countries at the lowest human development level (UNDP, Human Development Report 2001). The measures and interventions to be taken, and the resources that need to be created and effectively directed, are a priority on the agenda of African states, multilateral institutions and donors. Some issues are common for the whole continent, while others are more regional specific.

- Africa has a less developed tourist market than other developing areas – like Asia and South America – although its market share is constantly growing.

**Chart 9 - Tourism receipts market share, 1998 (WTO)**



Source: OMT/WTO database.

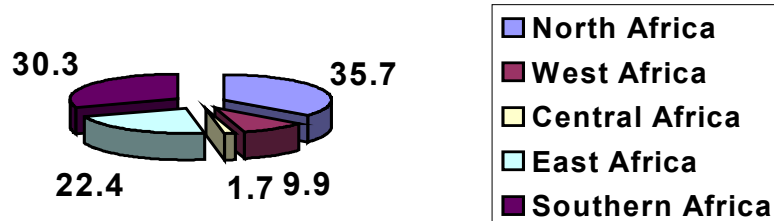
The problems to tackle, but also the potentialities of expansion, are different than those of other world regions with a more developed tourist market.

- There is a great difference in tourism development among African countries and sub-regions (see chart 10).

Morocco, Tunisia and South Africa alone, account for more than 50 percent of the total international tourist arrivals in Africa.

The great imbalances between countries and sub-regions pose specific problems, but also best practice examples; the latter is the case of Southern Africa. In 1999 SADC (Southern African Development Community) has signed a co-operation accord with WTO to boost tourism in its 14 countries, with the purpose to share information and develop joint projects aimed at the region’s specific needs. This agreement is in line with the objective of the SADC to “bridge the gap in the

**Chart 10 - Tourism in Africa - Market share by Region (WTO Sub-regional Division, 1999)**



nature, quality and extent of tourism development of member States in a phased manner, and to harmonise policies to achieve higher economic growth in the SADC region”. For this purpose in 1996 was created the RETOSA – Regional Tourism Organisation of Southern Africa – with the objective of marketing and promoting the region in close co-operation with the region’s national tourist organisations and the private sector. All member States, with the exception of Angola, signed the Protocol for the Development of Tourism in SADC (1998), with the following goals:

- Use tourism as a vehicle to achieve sustainable social and economic development;
- Promote the region as a single but multifaceted tourism destination;
- Improve the standards of safety and security for tourists in the area;
- Facilitate intra regional travel.

One of the major plans so far put forward, is the UNIVISA system, a common Visa for international tourists in the region to facilitate their circulation within the SADC region in order to increase its market share and revenues.

## 7. Conclusions

On the basis of this preliminary paper it seems evident that Africa stands to gain from adopting both sub-regional and regional strategies and common negotiating positions in the negotiations on tourism. The approach of SADC countries is a vivid example of synergies that countries can develop in order to become effective partners in the provision of tourism services.

Nowhere as in Africa the importance of the linkages between the tourism sector and tourism related sectors is clearer; alternatively, how the lack of those linkages or the poor development of some sectors affects the tourism industry. Indeed, part of the reasons why the potentialities for tourism development in Africa are not fully exploited, are also due to the presence of constraints in the following sectors (seeS/C/W/127; see also pag.13):

- Tourism characteristic sectors: such as hotels and restaurants services; recreational, cultural and sporting services; some transport services
- Tourism connected services: such as real estate services; some specific administrative and financial services (ex. economic and social planning and vehicle and home loan services); some specific educational services (ex. language instruction services)
- Tourism non-specific services: such as communication services; computer related services; professional services in general (ex. architectural advisory, general medical services, electricity, water and gas distribution, etc)

Among the questions the paper attempt to address is how the ongoing negotiations on tourism and GATS should take into account these linkages, and how to improve their positive outcome on the tourism sector.

First of all, there may be need for greater liberalisation in all the sectors that directly or indirectly impinge on tourism development. If Members make specific commitments in the Category 9 “Tourism and Travel related services” – for instance in sub. A, hotels and restaurants – but then they do not commit in connected services - like real estate services – the overall effect for the tourism industry might not be positive; for instance in the case in point creating constraints for building and opening new hotels and restaurants. From the data and charts presented in this paper it is evident that African countries ought to put a greater effort in liberalising the all the tourism sub-sectors, but they should also increase commitments in tourism connected sectors and in all those services that may result in being relevant for the development of the tourism industry.

Secondly, as already advocated by many developing countries, some specific services need to be included in the Annex on Tourism because of their vital importance for a tourism development that promote the interests of all participants and an equal access to resources and markets. It is for example the case of GDS and CRS that are currently disciplined under the Annex on Air Transport Services (par.3c). The complexity of the Air Transport industry is such that is governed by a network of more than 3,500 bilateral and multilateral agreements, and “any specific commitment or obligation assumed under this Agreement (the Annex on Air Transport Services ndr) shall not reduce or affect a Member’s obligations under bilateral or multilateral agreements that are in effect on the date of entry into force of the WTO Agreement”. Thus, the Annex on Air Transport Services is not the appropriate framework to handle the oligopoly situation of tourism communication services that, as a matter of fact, are controlled by few airlines and commercial enterprises in developed countries. Distribution networks play a decisive role in the development of international tourism: they are the main marketing and trading tool; they determine the kind of tourism product to be promoted abroad; they put destinations and originating countries in communication. Their importance and, at the same time, their anti-competitive potential are too relevant for tourism for not being included in the Tourism Annex, in particular in the interest of developing countries.

Similar considerations can be extended to other airline and transport services – where especially the first are the main international tourist carriers; for instance, in the case of allocation of airports slots, or for the barriers to entry in key routes. But the intricacy and relevance of the sector and the issues related need further study and attention. The authors here refer to studies conducted by UNCTAD, WTO, IATA, World Bank and other relevant bodies. For other services significant for tourism, but not specific of its sector, an inclusion in the Annex may result problematic, due to the complexity their reclassification would imply. For instance, real estate services are already disciplined in the WTO Services Sectoral Classification List under Business Services, and although they have an objective importance for tourism, an inclusion in the Annex of Tourism it does not seem as a viable option.

Another point that should be raised in the negotiations: the GATS agreement does not specify, or rather does not integrate the concept of sustainable development. Notwithstanding that GATS acknowledge the concept of sustainable development, this is not reflected in concrete format. The very nature of sustainable tourism, with its linkages to social, economic and environmental factors, is a policy option that cannot be excluded by negotiations on tourism. This is true especially in the light of the raising importance of the eco-tourism market and other forms of “green tourism”; environmental and bio-diversity assets are two of the key elements on which African comparative advantage is based upon. Besides this, the inclusion of certain elements of sustainable tourism, larger than the Services Sectoral Classification List, would be useful to set a legal competitive framework for the growth of tourism in Africa.

Despite some radical differences among African countries, we reckon that a common stance in negotiating the African position on tourism within the GATS framework will produce beneficial effects throughout the region. Regional integration of tourism development is strongly advisable, as in the case of SADC and RETOSA, but some of the problems that need to be considered for improving the growth of the tourism industry in Africa are similar and shared in the whole continent. Some useful hints will derive from the further analysis of African countries’ current commitments in tourism and other relevant data that need to be collected. In this direction, the creation of templates specific for tourism, on the models already provided by the World Bank for other service sectors – financial sectors, telecommunication, air and maritime transport – could constitute a step forward in terms of availability of data on tourism and trade. This will facilitate performance analysis, which in turn will be an important input for a knowledge based negotiating stance for African countries.

# ANNEX I

<b>Tab.1 – Summary of Specific Commitments of African Countries in the Tourism sector</b>					
<b>COUNTRIES</b>	<b>09.A.</b>	<b>09.B.</b>	<b>09.C.</b>	<b>09.D.</b>	<b>TOTAL</b>
Angola	X				1
Benin	X				1
Botswana	X	X			2
Burkina Faso	X	X			2
Burundi	X	X	X		3
Cameroon	X	X			2
Central African Republic	X	X	X	X	4
Chad	X	X			2
Congo	X	X	X		3
Congo R.P	X	X	X		3
Côte d'Ivoire	X	X	X		3
Djibouti	X				1
Egypt	X	X	X	X	4
Gabon	X	X			2
Gambia	X	X	X		3
Ghana	X	X			2
Guinea	X		X		2
Guinea-Bissau	X				1
Kenya	X	X	X		3
Lesotho	X	X	X		3
Malawi	X	X	X	X	4
Mali	X				1
Mauritania	X	X	X		3
Mauritius	X	X	X	X	4
Morocco	X	X	X	X	4
Namibia	X	X			2
Niger	X	X	X		3
Nigeria	X	X	X		3
Rwanda	X				1
Senegal	X	X			2
Sierra Leone	X	X	X	X	4
South Africa	X	X	X		3
Swaziland	X				1
Tanzania	X				1
Togo	X	X	X		3
Tunisia	X	X			2
Uganda	X	X			2
Zambia	X	X	X	X	4
Zimbabwe	X	X	X		3
<b>TOTAL AFRICA</b>	<b>39</b>	<b>30</b>	<b>21</b>	<b>7</b>	<b>97</b>
<b>TOTAL WTO/OMC</b>	<b>113</b>	<b>90</b>	<b>54</b>	<b>13</b>	<b>270</b>

09.A. Hotels and Restaurants; 09.B. Travel Agencies and Tour Operators Services;  
09.C. Tourist Guides Services; 09.D. Other  
Source: WTO/OMC

## Criteria adopted for the regional analysis of tourism in Africa

### 1. UNECA & World Tourism Organisation (WTO/OMT) Sub-regional divisions of Africa

<b>UNECA SUB-REGIONAL DIVISION</b>
<p><b>NORTHERN AFRICA</b> (7): Algeria, Egypt, Libya, Mauritania, Morocco, Sudan, Tunisia  <b>WTO Members</b> (4): Egypt, Mauritania, Morocco, Tunisia</p> <p><b>CENTRAL AFRICA</b> (7): Cameroon, Chad, Congo, Gabon, Equatorial Guinea, Central African Republic, Sao Tome and Principe  <b>WTO Members</b> (5): Cameroon, Chad, Congo, Gabon, Central African Republic</p> <p><b>EASTERN AFRICA</b> (13): Burundi, Comoros, Democratic Republic of Congo, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Rwanda, Seychelles, Somalia, Tanzania, Uganda  <b>WTO Members</b> (8): Burundi, Democratic Republic of Congo, Djibouti, Kenya, Madagascar, Rwanda, Tanzania, Uganda</p> <p><b>WESTERN AFRICA</b> (15): Benin, Burkina Faso, Cote d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo  <b>WTO Members</b> (13): Benin, Burkina Faso, Cote d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo</p> <p><b>SOUTHERN AFRICA</b> (11): Angola, Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Zambia, Zimbabwe  <b>WTO Members</b> (11): Angola, Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Zambia, Zimbabwe</p> <p>AFRICAN COUNTRIES WTO MEMBERS: 41            AFRICAN COUNTRIES MAKING COMMITMENTS IN TOURISM: 39</p>

<b>WTO/OMT AFRICAN SUB-REGIONAL DIVISION</b>
<p><b>NORTHERN AFRICA</b> (4):            Countries making commitments: Morocco, Tunisia            Countries not making commitments: Algeria, Sudan (GATS observers),            Countries not considered: Egypt, Lybia (Middle-East area)</p> <p><b>WESTERN AFRICA</b> (16):            Countries making commitments: Benin, Burkina Faso, Cote d'Ivoire, Gambia, Ghana, Guinea, Guinea Bissau, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, Togo            Countries not making commitments: Cape Verde (GATS observer), Liberia (No GATS Member)</p> <p><b>CENTRAL AFRICA</b> (9):            Countries making commitments: Angola, Cameroon, Central Africa Republic, Chad, Congo, Democratic Republic of Congo, Gabon            Countries not making commitments: Sao Tome and Principe (GATS observer); Equatorial Guinea (No GATS Member)</p> <p><b>EASTERN AFRICA</b> (16):            Countries making commitments: Burundi, Djibouti, Kenya, Malawi, Mauritius, Rwanda, Tanzania, Uganda, Zambia, Zimbabwe            Countries not making commitments: Comoros, Eritrea, Reunion, Somalia (No GATS Members); Ethiopia, Seychelles (GATS observers)            Countries not considered: Madagascar, Mozambique (No data available)</p> <p><b>SOUTHERN AFRICA</b> (5):            Countries making commitments: Botswana, Lesotho, Namibia, South Africa, Swaziland</p>

## 2. Interpretation of sector-specific commitments schedule

### FULL COMMITMENT

- No limitations present

Ex. FULL commitment in the subsector CPC 641-643 in the following case:

Tourism Subsector	Mode of supply			
CPC 641-643	<u>Cross border supply</u>	<u>Consumption abroad</u>	<u>Commercial presence</u>	<u>Presence of natural persons</u>
Limitations on Market Access	None	None	None	None
Limitations on National Treatment	None	None	None	None

### PARTIAL COMMITMENT:

- When limitations are present
- At a sub-sector level: when commitments are not taken for all the mode of supply

Ex. PARTIAL commitment in the subsector CPC 641-643

Tourism Subsector	Mode of supply			
CPC 641-643	<u>Cross border supply</u>	<u>Consumption abroad</u>	<u>Commercial presence</u>	<u>Presence of nat.pers</u>
Limitations on Market Access	None	None	Unbound	Unbound
Limitations on National Treatment	None	None	None	None

- At a Market Access or National Treatment level: if commitments are not made for all modes of supply  
Ex in the Tab above  
Market Access for subsector CPC 641-643: PARTIAL commitment  
National Treatment for subsector CPC 641-643: FULL commitment
- At a Mode of Supply level  
Ex in the Tab above  
Full commitment: Cross-Border Supply, Consumption Abroad  
Partial commitment: Commercial Presence, Presence of Natural Persons

### Interpretation of specific commitments of African countries in the tourism sector

The interpretation of commitments is not always easy to make. The Tab below shows how the authors have interpreted specific commitments in tourism made by African countries as they appear on the respective schedules. Some corrections may be required.

Table 3 – Criteria to decide level of commitments
<b>Commitments Made (Full or Partial)</b>
Licence required
Exceptions for foreign operators on entry fees, or local concessions
Acquisitions of domestic firms and mergers, and the acquisition of land by foreigners are subject to approval

Prior approval of ministries concerned  
Obligation to provide training programme  
Foreign agencies must work through a national agency or a foreign agency established on national territory  
Country nationality required  
Obligation to attach at least one local people  
Requirement of a minimum amount of investment  
Requirement of bank guarantee and licence  
Permit requirement from Ministry Departments  
To comply with National regulations  
Allowed in linguistic scarcely areas  
Total number of foreign operators not exceeding a certain level  
Subject to custom supervision; or requirement of an Export Service Certificate  
Unbound, except as indicated in the horizontal section  
Limitation to foreign participation  
Unbound, except for technical personnel, chief executive, senior managers, chef cooks, specialists  
Unbound, except for measures affecting some categories of natural persons

### **No Commitments**

Unbound  
Unbound, due to lack of technical feasibility  
Restricted to nationals only

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  - (2000) S/CSS/W/40 GATS 2000: Tourism Services

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- (2001) S/CSS/W/79 GATS 2000: Tourism Services
- (2001) S/CSS/W/107 Draft Annex on Tourism
- (2001) S/CSS/W/109 Negotiating Proposal
- (2001) S/CSS/W/125 Tourism Services
- (2001) S/CSS/W/128 Tourism Services

## **Internet Resources**

**DFID – Department for International Development**

[www.dfid.gov.uk](http://www.dfid.gov.uk)

**Pro-poor Tourism**

[www.propoortourism.org.uk](http://www.propoortourism.org.uk)

**SADC – Southern African Development Community**

[www.sadc.int](http://www.sadc.int)

**Third World Network**

[www.twinside.org.sg](http://www.twinside.org.sg)

**Tourism Concern**

[www.tourismconcern.co.uk](http://www.tourismconcern.co.uk)

**UNCTAD – United Nation Conference on Trade and Development**

[www.unctad.org](http://www.unctad.org)

**UNDP – United Nations Development Programme**

[www.undp.org](http://www.undp.org)

**World Bank**

[www.worldbank.org](http://www.worldbank.org)

**WTO/OMT - World Tourism Organisation**

[www.world-tourism.org](http://www.world-tourism.org)

**WTO/OMC - World Trade Organisation**

[www.wto.org](http://www.wto.org)

**WTTC – World Travel and Tourism Council**

[www.wttc.org](http://www.wttc.org)