

Perspectives in Tourism

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Tourism and GATS

Christine Plüss &
Marianne Hochuli

EQUATIONS

“The Ecumenical Coalition on Tourism is a Hong Kong based coalition of Regional Ecumenical Organisations and over seventy secular and faith-based groups. It seeks to unite people around collective efforts that negate the undesirable effects of modern tourism and, in its place, institute socially responsible and ethically oriented tourism. It believes that tourism must be based on justice and sustainability for host communities and that, therefore, tourism planning and practice must be democratised. ECOT advocates respect for the protection and dignity of the human rights of women, children, indigenous peoples and workers in the tourist trade. It opposes tourism projects that create environmental devastation.”

ECOT has eleven principal aims:

1. Focus on tourism and the effect it has on the lives of the people of the Third World and their natural environs.
2. Provide opportunities for the local people displaced and otherwise affected by tourism to express their views and concerns.
3. Work for gender justice and child protection in tourism.
4. Protect the rights of workers in the formal and informal sectors of the industry.
5. Denounce unfair practices in tourism and encourage action to change them.
6. Promote a good quality of tourist activity that is appropriate to the quest for a just, participatory, and sustainable society.
7. Empower indigenous peoples and support them in their attempts to get a fair price for their exposure to tourism.
8. Lobby against the violation of human rights related to tourism development projects at national and international level.
9. Provide research and information on the impact of tourism.
10. Engage in analytical study on the implications of globalization on the tourist trade and offer alternative paradigms for justice.
11. Advocate for just practices in tourist trade and to ensure that international trade mechanisms are in line with values of justice for the host communities.

Cover picture

A farmer hurts a spear into a pile of burning watermelons and cardboard containers; after a rally protesting U.S. pressure to open South Korea's agricultural market at the downtown in Seoul, Tuesday, July 25, 2000. Thousands of farmers denounced the government's agricultural policies. (AP Photos/Ahn Young-joon).

The GATS Dilemma in the web of tourism

by
EQUATIONS

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

by
Christine Plüss & Marianne Hochuli

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Preface

A Statement of Unity from the OUR WORLD IS NOT FOR SALE Network has this to say about the WTO and its mode of operation. “The WTO’s trade rules, and those of many other regional trade agreements now in existence and being negotiated, promote the power of corporations in the global economy by providing new investor, intellectual property and other rights. At the same time, they lock in neo-liberal policies of privatization and deregulation. All this is done under the guise of “free trade“. This imbalance in power promotes the economic self-interest of a few global economic giants, often with devastating effects on local economies, particularly in developing countries. Thee statement suggests how “such corporate power is being ratcheted up through regional and bilateral trade and investment agreements whose “powerful rules promote corporate rights and pose a serious threat to local democratic authority.” Environmental, labour, and social rights all become secondary to the right to corporate profits. It calls for a reversal of such trends....

A just trading system requires “a legally binding agreement to ensure that corporations are held democratically accountable for their conduct with regard to their social, economic and environmental impacts, including the role that some play in supporting repressive political regimes and marketing of weapons”. Civil society organizations and movements are called to initiate a global civil society dialogue on developing an alternative, just and sustainable trading framework to replace the neo-liberal model, one that genuinely promotes pro-people and rights-based sustainable development and that puts communities first. It preconditions the need to be committed to “mobilize people within our home countries, regionally, and globally to fight for these demands and to defy the unjust policies of the WTO and the broader multilateral trading system.”...

The choice before us is stark: either we accept the current corporate-centered global order and forfeit the welfare of succeeding generations and the future of the planet itself, or we take up the difficult challenge of moving toward a new system that puts at its heart the interests of people, communities, and the environment.

In this, our fifth issue of ‘Perspectives’, ECOT presents two significant studies on GATS and how it impinges on tourism.

The first, a study carried out by EQUATIONS, Bangalore, India, shows the need for caution in opening up the services sector in the ongoing round of negotiations. It then goes on to assert that GATS rules go beyond what is normally understood as trade and the agreement is primarily driven not by member governments but by a potent corporate agenda. The paper's arguments are based on a vision for tourism based on the principles of local participation, environmental protection and social justice. The paper begins with an assertion that GATS rules go beyond what is normally understood as trade and the agreement is primarily driven not by member governments but by a potent corporate agenda. Much of the paper's arguments are based on a vision for tourism based on the principles of local participation, environmental protection and social justice. It argues that equitable tourism requires careful planning at all levels and the involvement of all stakeholders, especially local communities who are directly and most profoundly impacted by it. Tourism's presence in the GATS also goes against other international commitments of member countries in Multilateral Environmental Agreements and Protocols. The paper ends with the assertion that as important is the need for the WTO to reflect on developmental priorities of majority of its members; is the commitment of member nations to reflect on needs of majority of their citizens and protect the environment. Once these simple principles are accepted and internalized in policymaking the WTO can achieve its purported objectives¹ and tourism can play a more meaningful role in meeting important environmental and social objectives.

In the second study carried out by Marianne Hochuli, Berne Declaration and Christine Plüss, Working Group on Tourism and Development, the authors show why show why policies of liberalization and deregulation run counter to effective strategies for poverty alleviation. They ground their arguments on the fact that tourism is a very complex sector, closely linked to a broad range of other economic sectors. They describe how tourism has a profound influence on the social structures and people's ways of living in the tourist destinations. Their preoccupation is with the ongoing World Trade Organization (WTO), negotiations that threaten to liberalize the service sector. In the current round, they describe how industrialized countries are getting developing countries to open up important utilities such as water and energy supplies as well as their financial and tourism markets to foreign investors and to abolish various regulations defined as barriers to trade. While for several years requests to liberalize and deregulate public

services have been strongly criticized by NGOs, the impact of further liberalization of the tourism sector has hardly been an issue.

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

These studies underline the imperative for an alert civil society that assumes a watchdog role in the WTO negotiations and the power plays between them. The industrialized countries are determined to pry open markets to advance their economic interests pretending that everything they are doing is actually democratic, carried out on a level playing field, and directed at the development interests of the poorer countries. The fact of the matter is that their intent is to force the liberalization of the economies of the South, invest in quick-profit sectors, and walk away with the profits. Tourism is one of these sectors. Vulnerable countries are being told that they must not 'pass' on the opportunity to grow their economies, and bring advancement for their peoples and nations. The ground reality points to the opposite effects. The results of these policies of liberalization have been disastrous in a variety of ways as the studies show.

ECOT offers both these studies not only to tourism activists around the world but also to civil society actors dealing with anti-globalization issues, trade questions, environmental concerns, and problems of development, and human rights. We trust these make a contribution to the opposition to the threats posed by globalization and its neo-colonial patterns.

Ranjan Solomon
Executive Director

The GATS Dilemma in the web of tourism

EQUATIONS

INTRODUCTION:

As early as a decade ago policy makers in developing countries were a lot more circumspect about the ability of free trade to foster all round economic growth in their countries. At the 1986 GATT (General Agreement on Trade and Tariffs) ministerial, in the tourist resort of Punta del Este, Brazil and India led the fight in opposing the entry of the so-called “new issues” into the already burgeoning basket of free trade. The position of the Group of ten- G-10¹ was simple as it was unquestionable. They had lost faith in the GATT system to function as a fair trading platform and believed that unless fundamental inequities were addressed they would oppose the entry of new issues. The new issues also happened to be areas where they had little to gain from multilateral trade – Investment Measures, Services and Patents (see Dubey 1996, Shukla 2000). The most controversial issue was the question of Services and the formal position of the Group of ten was that there could be no negotiation of services in the new round (Shukla 2000). In spite of spirited opposition, the ministerial meeting decided to launch the most comprehensive round of trade negotiations in the history of the GATT. The compromise at Punta del Este was that the proposed agreement regulating trade in services would be reflective of the concerns of the G-10. Among other things it would have a clear developmental orientation and there would be due respect for national laws and regulations. Suffice to say that what emerged in Marrakesh in 1994, at the end of the Uruguay Round of negotiations, was anything but that. The developmental aspects were couched in preambulatory language, hence not legally enforceable, and the General Agreement on Trade in Services (henceforth GATS) clearly intruded deeply into the hitherto sovereign space of domestic policy. Ten years after the agreement has been in force, many developing countries have adopted a position of compromise rather than the earlier one of absolute opposition. Although there is little empirical evidence in support of benefits to developing countries from services liberalisation, the pressure for making binding commitments and submitting revised offers persists. Recent negotiations in the WTO are raising alarm bells

as trends indicate very little dissent from developing countries on the matter of services. As talks pick up pace in the run-up to the 6th WTO Ministerial Conference in Hong Kong this year-end, critical questions - of access to basic services, environmental and social safeguards and the desperate need to retain policy space by governments – remain unanswered.

This paper will use the complex web of tourism to show the need for caution in opening up the services sector in these round of negotiations. Understanding the GATS through Tourism has its advantages, as tourism is prominent in the GATS for several reasons. Tourism has received commitments from 128 WTO Members, more than any other sector under the GATS and is advanced as a sector in which developing countries have much to gain. Being a complex and fragmented industry it is connected to virtually all the services sectors in the classification list. This examination would thus simultaneously throw light on problems with the GATS in general. The paper begins with an assertion that GATS rules go beyond what is normally understood as trade and the agreement is primarily driven not by member governments but by a potent corporate agenda. Much of the paper's arguments are based on a vision for tourism based on the principles of local participation, environmental protection and social justice. Many regional and local governments have begun to understand this language as more light is thrown on the negative impacts of this industry. An equitable tourism requires careful planning at all levels and the involvement of all stakeholders, especially local communities who are directly and most profoundly impacted by it. Tourism's presence in the GATS also goes against other international commitments of member countries in Multilateral Environmental Agreements and Protocols. The paper ends with the assertion that, as important is the need for the WTO to reflect on developmental priorities of majority of its members; is the commitment of member nations to reflect on needs of majority of their citizens and protect the environment. Once these simple principles are accepted and internalised in policymaking the WTO can achieve its purported objectives² and tourism can play a more meaningful role in meeting important environmental and social objectives.

THE GATS – beyond trade issues

The push for the inclusion of services and investment was the result of the US acquiring a decisive competitive edge in trade in services in the 1980s (Dubey 1996) and both the WTO staff and the European

Commission now acknowledge that there would be no GATS without the push and support of services multinationals from the developed countries³. In fact as early as 1985 the Indian Commerce Secretary Prem Kumar voiced India's apprehensions in the New York Times when he said, 'Liberalisation of trade in services may not result in comparative advantage and the protection of infant industries in less developed countries. Besides it may impinge on National sovereignty and economic ambitions' (EQUATIONS 2001a).

Broadly defined the GATS is the first multilateral agreement to provide legally enforceable rights to trade in services. The Punta del Este compromise, though largely violated, proved to be a strong factor in deciding the basic framework of the GATS. The agreement that countries acceded to, in Marakkesh 1994, was unique in two important respects in that it followed both a top- down and bottom-up approach. The WTO principles of Most Favoured Nation (MFN) and transparency apply to all services sectors in the GATS classification list. National treatment and Market access provisions currently apply only to those sectors that a member country lists in its schedules of commitments.

The agreement applies to all forms of government and government measures regulating trade in services. Article 1[3] of the legal text⁴ of the GATS which talks of the scope of the agreement mentions that in 'fulfilling its obligations and commitments, each member shall take such reasonable measures as maybe available to it to ensure their observance by regional and local governments and authorities and non governmental bodies within its territory'. The GATS classification list consists of twelve services sectors, which are further sub divided into 160 sub sectors⁵.

Services have tended to be a more regulated sector than others because some of them are not just commodities which consumers can do without if they cannot afford them. These include basic services like the provision of health, water and education. The agreement has been strongly attacked for the inclusion of these non- trade issues that the WTO secretariat responded in February 2001 with a booklet titled 'GATS – Fact and Fiction'⁶. In page 12, the secretariat agrees that most public services will be covered under GATS clauses but mentions that governments are free to decide if they should be privatised or liberalised. This is at best a partial truth as horizontal principles of MFN and Transparency are thus applicable to virtually all services.

The 'freedom to commit' clause is predictably devoid of any understanding of the political context in which negotiations in the WTO take place. Over 50 years of multilateral trade have clearly shown that the developed countries hold the cards in these deliberations. The unequal power relations within the WTO are now well documented (see Dubey 1996, Shukla 1993 and 2000) and the presence of basic services in the classification list is a veritable threat to millions in developing countries who need a high level of subsidised, if not free, service delivery for survival. Ensuring adequate and affordable access to basic services for all citizens is frequently seen as one of the core jobs of governments. In spite of its potential impacts the GATS, unlike the TRIPS and Agreement on Agriculture, has received little public attention in India and other developing countries but this is unlikely to last. In April 2001 over 400 organisations from 53 countries called on their governments to immediately invoke a moratorium on the GATS 2000 negotiations and devote the remaining two years of the scheduled talks to conducting a comprehensive sectoral assessment and removing clauses in the GATS that tie the hands of governments⁷. In August 2001, the United Nations Sub-Commission on the Promotion and Protection of Human Rights adopted three resolutions calling into question the impact of key aspects of the globalisation process on human rights. Applying, for the first time, a human rights perspective to the GATS, the Sub-Commission recommended that the WTO include consideration of the human rights implications of the GATS on the provision of basic services, such as affordable and accessible health and education services. The argument that in its current shape, the GATS cannot be purported to be a 'development agreement' is gaining strength, as its covert corporate bias now stands exposed.

The Complex web of Tourism- issues at stake

In the ongoing debate on the GATS much attention, and rightly so, has been focused on the above mentioned non-trade aspects of the agreement. Tourism, seen as a tradeable service, has escaped the attention of many critical groups fighting this fundamentally flawed document. By definition, tourism activities are inextricably linked to other service sectors – whether construction, distribution, environmental or transport services. This is precisely what makes tourism liberalisation through the GATS an extremely dangerous proposition; as the means for such liberalisation are not limited to the GATS' domain of 'tourism services' but overflows into the negotiating mandate of several other service sectors. For instance, services like water distribution and

purification, waste management; landscaping (which fall under the umbrella of 'environmental services'), construction and transportation (by road, rail, air and water) are intrinsically linked to tourism but are negotiated under different sub-sectors of the same agreement. A recent paper by UNCTAD highlights the link between distribution services and tourism, acknowledging that internet-based distribution of tourism services has become crucial for effective market entry and competitiveness of operators from developing countries⁸ (see UNCTAD, 2005). There are even serious ambiguities arising out of the GATS Classification list that are to be addressed. Countries of the Caribbean, desperate to regulate the unsustainable activities of cruise ships are in fix as to where to table their regulations as cruise ships involved in 'tourism' activities are classified by the GATS under 'maritime services'⁹. Evidently, the implications of services liberalisation through the GATS for domestic tourism in developing countries, is immense.

Multilateral trade in tourism is expected to bring in substantial amounts of foreign exchange, generate income and employment and hence bring development to countries of the south, particularly those that are faced with a crisis in their primary and secondary sectors. Notions of development have continually evolved keeping in consonance the definitions provided by western theories and prescriptions. The tourism led development model is one such *avatar*, promising not only to bring visible and ostensible benefits in terms of infrastructure and employment but also protect the environment. Peddled by multilateral agencies, as an export industry that supposedly fills foreign exchange coffers, it has been readily embraced by most southern governments.

India's initial economic argument against multilateral trade in services is especially true for the tourism industry. International tourism continues to be characterised by huge imbalances in the share of business and distribution channels, between tourist sending and receiving countries, with the bulk of economic and political power held by the former. It is today the largest industry in the world¹⁰ and is fast expanding. Tourism's continuous geographical spread and diversification of products has implied that the share of Europe and the US - the major tourism players has decreased and is expected to fall further. In 1995 Europe's share of tourist arrivals was 60% of the world total. By 2003 it had fallen to 57.8%. This has been matched by a persistent increase in arrivals into Asia, Africa and the Middle East. With nature and culture as today's catchwords more travelers set out in search of

exotic cultural experiences the developing world has to offer. Visitor arrivals into southern destinations have also increased on account of the emerging needs for leisure and 'exotic holidays' of certain economically well-off sections of their people – China and India are cases in hand. The signs are clear – destinations have begun shifting south. Whether the archaeological remnants of the Maya and Inca civilisations of South America, the 'biodiversity hotspots' of Asia or the wildlife of Africa; the colours, culture and cuisines of the developing world have begun to lure the international tourist. A destination maybe halfway across the globe but the design of the GATS ensures that they can be controlled by multinationals from the north. It is in this unequal context, that GATS' promises of development to the south need to be understood and critiqued.

The Tourism developmental debate in India is also intricately linked to the reasons that attract tourists and hence the industry. It is the rich natural heritage spread along the forests, mountains, coasts and rivers, all of which are the living spaces of communities, which constitute the 'Tourism product'. Even Protected Areas, which have by definition prohibited commercial activities, are now being seen as potential tourism areas¹¹. It is the location of tourism, a resource – intensive activity, in these areas that gives rise to a conflict of interests between the needs of local communities and conservation with the needs of a consumer oriented industry which understands nature as an economic commodity.

Tourism and the abuse of the Coast

The ten coastal states and two island groups of India face constant pressures from urbanisation and related land reclamation, and port development (EQUATIONS 2000f). Until a few years back, the abuse of coastal lands in Gujarat, Karnataka, Maharashtra, Pondicherry and Tamil Nadu was on account of intensive industrialisation, while the adverse impacts of tourism on coastal environment and communities was clearly emerging in Kerala and Goa. Today however, tourism – hitherto perceived as a 'smokeless industry', has emerged as a major contributing factor to degradation along the entire coastline of the country.

Kovalam, a small village in Kerala, stands as a stark reminder of the damage that unplanned tourism can inflict on the local people and environment. Today the fishing village does not exist. In its place one finds unplanned hotels and restaurants most of them located hardly

ten metres from the sea in violation of the Coastal Regulation Zone guidelines¹². There are more than 150 resorts, shacks and restaurants in a single ward of the Panchayat. The construction of buildings has drastically increased the rate of sea erosion with the sea ingress reaching upto five metres every year. Hotels discharge their waste into an open sewer that runs parallel to the beach. Tourism induced inflation has led to an increase in land prices and essential commodities. Now written off as a 'spent destination' tourism in a sense has abandoned Kovalam and is spreading to nearby villages, displacing again the same communities it displaced when it emerged in Kovalam (see EQUATIONS 2000f and Jacob 1998 for details). The emergence of tourism in nearby relatively untouched areas like Vizhinjam, Chappath, Pulinkudy and Varkala is likely to see a heightened 'Kovalam effect' as many large hotel groups and resorts have joined in for the tourism spoils.

Three and a half decades of mass tourism have made the once pristine beaches of Goa sad exemplars of haphazard development. There are around 400 hotels and 350 shacks in and around the beaches. More than 77% of these are located along the beach, almost every one of them within the 200-meters of the High Tide Line (EQUATIONS 1997). Destroyed sand dunes and an erosion prone coast is what is left of Goa today. In 1996 the National Committee on Tourism, Planning Commission of India observed; 'the natural charm of coastal area and marine area is being adversely affected by massive tourist development. Goa can be cited as an example. The beach resort facilities are spread all along the coastline of Goa. They undermine the natural sand dunes ecosystems of the coastal areas. The uncontrolled spurt in construction activity provoked by tourist influx in Goa, particularly the extraction of sand dunes for development works has led to a continual erosion of coastal areas by the relentless sea'.

Similar situations prevail in the beach tourism centres of Mammallapuram and Kanyakumari in Tamil Nadu. Coasts adjacent to these tourism centres face severe erosion and sea accretion. The community in Kanyakumari is sandwiched between the high-rise buildings and the erosion prone beach, without space to even park their boats. In Mammallapuram two hotels, the Temple Bay Ashok and Taj Fishermen's Cove, have lost substantial property due to the accretion of the sea (EQUATIONS 2000c). Coastal tourism in Tamil Nadu has also come with its social costs as beach destinations have

turned into centres for prostitution, child sexual abuse and trafficking of women and children for sexual purposes.

A worrisome trend is now emerging in Coastal Karnataka where the state government, in keen pursuance of a 'Kerala tourism model' has permitted the ad-hoc mushrooming of hotels, resorts and other tourism establishments along its coastal stretches. Sandwiched between the increasingly congested beaches of Kerala and Goa, Karnataka's little-known beach spots like Gokarna, Murudeshwar, Malpe and Karwar are today prominent on the tourist map and also on the map of CRZ violations¹³.

The tourism industry has not spared other coastal stretches of the country with a constant search for non-traditional locales. A classic example of this syndrome was the preposterous idea floated by the Sahara Group (one of the biggest industrial conglomerates in the country with an active stake in the civil aviation, retailing, entertainment and tourism industries) of undertaking a Rs 540 crore (Rs 5400 million or Rs 5.4 billion) ecotourism project in the marshes of the Sundarban¹⁴ Biosphere Reserve in West Bengal. Against a complex setting of habitation impacts, conservation issues and communities fighting to retain their traditional fishing rights, the government in January 2004 cleared the Integrated Sahara Tourism Circuit Project, covering 868 acres in five regions of Kolkata, Sagar, Frasergunj, L- Plot, Kaikhali and Jharkhali¹⁵. The once official project website had the following to say in its favour – “*The Sunderbans Project is an ambitious project to develop the country's biggest delta in West Bengal into a world-class tourist centre*” and therefore the project features included varying accommodation facilities including cottages and floating boathouses, modern aqua sports, spa, health centre, club house and casino, state-of-the-art communication and transportation systems. If implemented, apart from the obvious damage to the fragile ecosystem, the project would certainly have displaced several traditional fishing villages or rendered them economically helpless by denying access to the waters. It took a prolonged and sustained campaign by local communities and civil society groups to highlight the absolute unsustainability of the venture, finally resulting in the shelving of the project in March 2005.

The social dimensions of an economic argument

Tourism is linked to people, depends on people and thrives because of people. If this is an acceptable premise, then it follows logically that tourism development has undeniable social dimensions to it; and

therefore that if such development is unregulated its social costs are high. The tourism industry and proponents of its 'economic efficiency' argument are the first to divorce the activity from its obvious and visible social aspects. This must have to be a blinkered understanding of a sector, which depends on local cultures, entrepreneurship and labour for its survival.

There is a perceivable global myth that tourism begins and ends with five star hotels and resorts – nothing could be farther from the truth. In developing economies, a substantial portion of domestic tourism comprises of small and medium enterprises (SMEs). Several of these fall within the ambit of what is conventionally defined as the unorganised or informal sector. Most SMEs are locally based and thus backward linkages to the economy – like local employment and purchase of local commodities - are strong. In recognising their role in sustainable tourism development, the CBD's (Commission on Sustainable Development) Guidelines for Tourism Development have stressed the need for governments to support them financially and technically and reducing administrative burdens.

However, despite these initiatives, the industry model for tourism development, supported by the government, is biased in favour of large enterprises. In India, successive national and state tourism policies have devised incentive structures that include tax holidays, provision of free basic infrastructure (like land, water and electricity) and prolonged tax exemption schemes in favour of large tourism projects. SMEs have had to bear the brunt of the anti competitive practices of the big tour operators and most of them are likely to go under if there is unrestricted foreign entry into domestic tourism markets. They do not have access to cutting edge technologies to get direct bookings and the possibility of imposing labour and environmental standards¹⁶ will ensure their exit from the market. In spite of examples from states like Kerala, where local communities have exhibited their ability to successfully run tourism ventures with local skills, the development agenda remains skewed in favour of domestic and multilateral giants in the hope of bringing in the much elusive 'foreign direct investment' into tourism.

Such a framework has severely restricted the economic benefits of tourism development from percolating to local levels. The World Tourism Organisation and other UN Bodies statistics indicate that the leakage rate of tourism receipts in developing countries ranges from

20% in Thailand to over 80% in few economies of the Caribbean¹⁷. In tourism leakages can take the form of repatriated profits to the country of origin of the hotel chain, repayment of foreign loans, imports of equipment, materials and consumer goods to cater to the needs of the tourist. It is clear that which such high leakage rates, the much propagated 'linkage effect' of tourism would not work and fail to bring in substantial incomes for local populations.

In addition to the questionable economic benefits that tourism brings to local economies, there is the added burden of reckless resource usage that communities have to grapple with. Tourism is a resource-intensive industry that places a high demand on natural, environmental and cultural resources of a destination, which it assumes, are at its disposal. In India, more than thirty years of haphazard and unregulated tourism development has brought hill destinations like Ooty, Masinagudi and Kodaikanal on the brink of a severe water crisis. The irony is classic, considering that they are located in the Western Ghats which receives an annual average rainfall of 7000 mm during the peak monsoon season (EQUATIONS, 2004).

The problems of unsustainable resource usage are heightened in the context of recent *mantra* of ecotourism being invoked by the tourism industry. Ecotourism has become the developmental paradigm of a reformed tourism industry but it remains a fashionable phrase that everyone pays homage to but no one cares to define clearly. To a large extent the danger of the phrase lies in its ambiguity. It has allowed the tourism industry access into hitherto untouched areas around the world without having to compromise on, their *raison d'être*, profit. The Indian state tourism minister's conference on ecotourism virtually declared the whole of the country as potential ecotourism destinations¹⁸. While this conference gave the much-needed fillip to industry, a conservation led effort on regulating ecotourism in forest areas was stymied. The Wildlife tourism guidelines initiated by the Ministry of Environment and Forests in 1994 has only recently been accepted after prolonged delays. National parks and wildlife sanctuaries thus allow tourism in the absence of well-defined regulatory mechanisms. Such unchecked tourism development has jeopardised the rights and identities of indigenous communities living in these forests and dependent on its resources for their survival and sustenance. So while, a tourism resort located inside a forest is looked upon as a novel model of 'green initiatives'; indigenous peoples are labelled 'encroachers' and 'poachers' or simply put – criminals.

These concerns are not unique to the areas mentioned above. As state governments turn to tourism as a means to development the fallacies of centralised tourism planning are increasingly evident. Its adverse impacts, on ecosystems, local economies, women and children, cultures and local regulatory bodies, are conveniently ignored in the mad rush for foreign exchange. Hotels and related infrastructure like roads and electricity generation plants consume huge amounts of energy, water and generate pollution and wastes often in ecologically fragile destinations that are unsuited to deal with such impacts. But Tourism continues to be one of the least regulated industries in the country. In the Environmental Impact Assessment (EIA) Notification of 1992, tourism projects in forest regions are not mentioned in the list of projects requiring environmental clearance from the Central Government.

Signs of change: community-based tourism initiatives

In what might seem like a hopeless situation, there are however strong rays of hope emerging. Communities and local bodies are asserting themselves in gaining a hold of tourism development in their areas. In a historic declaration on biodiversity conservation and ecotourism the Gram Sabha Lata of Chamoli Uttaranchal resolved on October 14, 2001 to follow a community-based method of tourism management¹⁹. The declaration has twelve salient points. Point 4 mentions that in any tourism related enterprise in the area preference would be given to unemployed youth and underprivileged families. Point 5 ensures the involvement and consent of the women of the region at all levels of decision making while developing and implementing conservation and tourism plans. The Declaration acknowledges the spirit of Agenda 21 of the 1992 Earth Summit in Rio and draws inspiration from the Chipko movement, which was born in the surrounding hills. In the state of Jharkand 'Johar' a group representing indigenous peoples of the area has formulated a conservation-oriented people centered tourism policy even before the government could get its act together. The policy has been sent to the Jharkand government forcing it to respond to the aspirations of the people who were part of the struggle for statehood²⁰.

In Goa, following an intensive struggle, there is now the practice of issuing shack/restaurant licenses only to locals. Similarly only tourist taxis whose owners are from within the village are permitted to park their taxis in front of the hotel in the village²¹. One of the main messages

from the recent South Asian Regional Conference on Ecotourism²² held in January 2002 in Gangtok, Sikkim was on the involvement of local communities in tourism development thereby contributing to biodiversity conservation. Delegates felt that before tourism was planned for any region it was important to study some key issues of which the most crucial was to find whether the local community wanted tourism in the area or not.

In the village of Khonoma, located in the state of Nagaland, North-Eastern India, an alternative model of community-led tourism development is taking shape. In the well-structured democratic process of the village, it was the community, which took a decision to bring in tourism and improve the living conditions of the people. The thrust is on supporting alternative eco-friendly technologies based on intrinsic conservation properties; conduct an environmental impact assessment including social aspects and open specific areas for tourism purposes with limited access. As tourism in Khonoma has emerged from a need expressed by the community, it follows that it will be developed on the basis of guidelines, regulations and priorities decided by them. The community has clearly stated that the tourist flow has to be regulated. The village can begin with facilitating accommodation for 20 tourists and gradually increase the numbers. Considering the environmental and social sensitivity of the region, several pertinent regulations like regulating traffic in the forests, limiting cooking to designated places with proper waste disposal mechanisms and even guidelines to regulate the noise level in the forests have been put in place (see Khonoma Tourism Development Board, November 2004).

Such initiatives are not without international support and sanction as a visible area of success is the acceptance of policy makers of tourism's impacts on the environment. Though at the 1992 Conference of Rio no separate chapter in the Agenda 21²³ was devoted to tourism, it is now an issue in the Rio follow-up process with the United Nations Commission on Sustainable Development (CSD) adopting an international programme of work on tourism and sustainable development since April 1999. Tourism's adverse impact on biodiversity is also a significant area of deliberations in the Convention on Biological Diversity (CBD), to which 183 countries are party²⁴. Since the fourth meeting of the Conference of Parties [COP4] in May 1998 efforts have intensified at the international level to develop tourism programmes that are in agreement with the three objectives of the CBD, which are contained in Article.

The conservation of biological diversity

The sustainable use of its components and fair and equitable sharing of the benefits and in particular to encourage the knowledge and practices of indigenous people.

The fifth meeting of the Conference of parties to the CBD [COP-5], May 2000 accepted formally the invitation to participate in the international work programme on sustainable tourism development under the UN CSD and seventh meeting [COP-7] held at Kuala Lumpur in 2004, formally accepted the guidelines²⁵. Other important international initiatives in support of sustainable, community-led tourism initiatives include the Berlin Declaration on Biodiversity and Tourism, 1997²⁶, the World Tourism Organisation (WTO-OMT) Manila declaration on the Social impact of Tourism, 1997²⁷, the United Nations Environment Programme guidelines for sustainable tourism, the ECPAT Code of Conduct for the Protection of Children from Sexual Exploitation in Travel and Tourism²⁸, the International Cultural Tourism Charter, 1999 and the WTO-OMT Global Code of ethics for Tourism.²⁹ It is evident that these international guidelines and directives, to which national governments are signatories, emerge from the need to sustain international efforts in ensuring sustainable tourism development.

The GATS dilemma

It is into this complex web of Tourism that the GATS enters as an uninvited guest. Tourism's presence in the GATS is far too removed from local realities in tourism destinations as the language of sustainability, benefit sharing, conservation and democratisation is excluded from the WTO lexicon. There is no questioning the fact that tourism is an immensely lucrative activity and a source of employment –both direct and indirect, for millions worldwide. But the commitments of developing countries, reflecting this blinkered understanding of tourism, needs to be questioned.

A study of the legally binding commitments (at the end of the Uruguay Round in 1994) made in tourism by several developing countries in Asia, Africa and Latin America indicates a worrying trend of market access being granted with negligible, and in some cases absolutely no limitations. One has to recognise that the ability of policy makers to arrive at possible limitations, given that prudential regulation on limiting tourism activity varies in response to the ecological fragility of areas,

requires enormous capacity and the ability to foresee future development. The inability of trade negotiators who are inept at environmental policies (and who have not consulted with their respective Ministries of Environment as in the case of India during the 1994 commitments) to do this is evident. Consider that only Egypt deemed it necessary to specify that inland water passenger and/or local tours are subject to the physical capacity of the Nile River³⁰.

That the GATS is being pushed by a corporate agenda raises further concerns in the context of tourism – clearly a sector where huge corporations control a substantial chunk of the market Benavides (2001). In Europe integrated tour suppliers sell more than 60% of the packages. The monopoly of large corporations holds true not just in the hotel or tour packages sub-sectors but also on vital aspects of access to Global Distribution Systems. A recent paper by the UNCTAD Secretariat on Distribution Services draws attention to the fact that four Global Distribution Systems manage about 80% of the world tourism market and that such domination will lead to unbalanced trade benefits and a deepening of the leakage effect. Without the clauses of the GATS, the tourism industry has used various anti competitive techniques like de- racking³¹, exclusive use of the Global Distribution Systems (GDS) and Computer Reservation Systems (CRS) as barriers to market entry to secure higher commissions from the smaller tour operators and hotel chains in the developing countries. In India the Swiss Multinational Kuoni, by taking over the major domestic player SITA, controls a majority of both the inbound and outbound tourists. With the GATS clauses coming into effect it is clear that the domestic economy gets only a nominal amount of the profits generated. Article XVII on national treatment implies that there can be no discriminatory treatment of foreign players. Selective promotion of SMEs (Small and Medium Scale Enterprises) and restrictions regarding cross border payments will be ruled as violations if a country has committed to National treatment and market access under GATS disciplines.

The imminent danger in the GATS is that it only vaguely addresses environmental concerns in Articles XIV and XX³² dealing with “general exceptions” and “exhaustible natural resources”. With respect to measures to control trade the GATS says that it “could take the form of defining certain standards for the service concerned or limiting the effect of the service activity”. The GATS text goes on to say that this does not imply that Article XIV can be used to justify the imposition of these restrictions and an alternative available for members would

be to request renegotiations of their commitments. These restrictions will result in a number of complexities, especially if a country has unlimited commitments in a sector. The renegotiation process is devoid of any meaning through what is known as the 'ratchet' effect. Article XXI, which allows for modification or withdrawal of a commitment states that due notice of three months must be given after the commitment has been in place for three years. It requires negotiations with all the affected members and is subject to compensation by the affected parties ultimately it may be subject to retaliation within the rules, of the dispute settlement body, by affected countries.

The Market Access provisions (Article XVI) clearly state that if a country has made unlimited commitments in a sector it cannot limit the number of service providers. The GATS Committee on Specific Commitments has clarified that even if you do not discriminate against foreign providers, you cannot limit the number of service suppliers, domestic or foreign. To put this in tourism parlance it negates the core principles of ecotourism and sustainable development. For e.g. the clause can be interpreted to call into question the viability of a hotel complex being denied entry into an ecologically fragile area on the basis of local environmental laws.

Above all, Article VI of the GATS pertaining to domestic regulation sounds the final death knell to integrate environmental safeguards or other pertinent regulations into its framework. Clause 4 of Article VI states that rules must be formulated with a view to ensure that measures relating to qualification requirements and procedures, technical standards and licensing requirements do not constitute unnecessary barriers to trade in services. Accordingly the Working Party on Domestic Regulation (WPDR), a sub-committee of the WTO's Committee on Trade in Services has been mandated with developing disciplines to ensure that domestic regulation in services do not become unnecessarily burdensome. In tourism, the scope of Article VI can be threatening extensive and bring into question the legitimacy of several national, state and local regulations put in place to achieve environmental or social objectives.

Take for instance the case of the Coastal Regulation Zone (CRZ) Notification 1991, a regulation passed under the Environmental (Protection) Act of 1986 in India. The CRZ is one of the most powerful environmental legislations in the country, designed to regulate development along the coast and includes strict zoning norms, licensing

requirements and clearance mechanisms to achieve the same. However, in its 15 years of existence the notification has gone through 15 statutory amendments, indicating persistent efforts by industry and government to dilute its provisions. A recent submission of the National Fishworkers' Forum states that a survey conducted by them reveals nearly 728 visible violations of the CRZ along the entire coastline, many of them owing to illegal tourism establishments. The CRZ, clearly, is an exemplar of a pertinent environmental regulation being poorly implemented and facing repeated threats from industry for its dilution and even complete removal. In the context of recent natural disasters like the tsunami, even governments have now come to acknowledge the lack of adherence to coastal regulations as a pertinent cause for aggravating impacts and devastation along coasts in South Asia – many of them housing international tourist beach destinations³³. With such a scenario, little doubts that with the onset of the GATS, Article VI will be invoked by industry lobbies operating in the construction, tourism and transportation sectors (all included in the GATS) to jettison the CRZ and open coastal stretches for unbridled development.

A similar fate may meet the recently tabled Unorganised Sector Workers Bill 2004, a legislation “*to regulate the employment and conditions of service of unorganised workers and to provide for their safety, security and health, welfare and matters connected.*” The Bill, which comes after years of struggle, is a sure acknowledgement by the government of the poor conditions of workers in the country's unorganised labour market and seeks to amend this state of affairs. Accordingly, Chapter VI of the Bill has important provisions that include –

No worker shall be required to work for more than eight hours a day with a half-an-hour break

Any worker made to work for longer hours than fixed shall be entitled to payment of wages for each extra hour at rates double of the original wage rate

Employers shall ensure than minimum health standards are met at the place of work including provision of potable drinking water, access to first aid, place of rest

The importance of the Bill cannot be overemphasised in the Indian context where majority of the service delivery, even in tourism, takes place through the unorganised mode. Notwithstanding this, service

delivery under the GATS would not be sensitive to these aspects and could disregard such legislation as a burden on the service provider.

The GATS addresses domestic regulation on the fundamental premise that, unlike in agriculture or industrial goods, the primary barrier to free trade in services are not border tariffs or quantitative restrictions, but in fact domestic regulatory provisions pertaining to service delivery. The agenda of the GATS is to 'discipline' domestic regulation and administer domestic measures in a reasonable, objective and impartial manner. The obvious implications of Article VI on the sovereign rights of governments to regulate has resulted in little progress thus far in the WPDR on developing disciplines. Even if the need for regulation is recognised, negotiators continue to grapple with difficulties as to how and where limitations can be scheduled – whether horizontally across all sectors or under sector-specific commitments. This ambiguity stresses the need for governments to halt all sector-specific commitments until some clarity and consensus emerges on disciplines within the GATS.

GATS pre-eminence to national, regional and local laws³⁴ come directly in conflict with the need for local domestic regulations to regulate tourism or for that matter any developmental activity. In significant ways it also negates the decentralisation processes sanctioned by the seventy-third and seventy-fourth amendments of the Indian Constitution in 1992³⁵. At the World Summit on Social Development in March 1995 India declared to the world 'What India aims through this (devolution of powers through the constitutional amendments) is not merely representative self-governance but more importantly participative self-governance because while panchayats are elected bodies representing a certain population of a territorial area, the Constitution provides for a parliament of people at the village level called the 'gram sabha' which is a body consisting of all persons eligible to vote at the village level' (see MEA1995). The decision-making powers of local bodies are extensive and contain 29 items most of which are in the GATS classification list³⁶. Nearly all the requirements of the tourism industry fall within the rights and powers granted to the panchayats. Effective devolution of powers would thus mean that the industry would have to seek the permission of the concerned local body for sanction to operate in its jurisdiction.

Kerala has been in the forefront in devolving powers to local bodies. The movement for decentralised, local level development planning

took a concrete form with the Peoples' Plan Programme³⁷ providing a broad forum for the expression of the developmental aspirations of the people at the grassroots level. An examination of the Vikasana Rekhas (developmental reports) of the various district panchayats shows that tourism was high on the priority of sectors earmarked for developmental interventions at the panchayat level. The district plan document of Thiruvananthapuram district suggests that conservation should be a built-in component of tourism-induced development. 'The rivers and the beaches should not be polluted; forests should not be encroached upon, ancient monuments should be protected to retain the original values and charm. Tourism should not hurt nature or marginalise local inhabitants' (see EQUATIONS 2001b). The plan document of Ernakulam, the district with highest number of foreign tourists, is symptomatic of the effects of unplanned tourism development. It states 'tourism should not be seen as a tool of development. A nation achieves meaningful development only when its productive sectors attain strength and the natural resources are earmarked for efficient utilisation in the production process. Consuming the resources in a non-renewable manner to cater to consumerist tendencies in the name of tourism is an unpardonable crime'. The panchayat report goes on to say that that complete responsibility of tourism development should be handed over to local bodies. While one may not find coherence in the panchayats understanding of this complex industry the need for meaningful devolution of powers to determine developmental processes in their areas is clearly evident among all the plan documents.

Kerala is also the first state in the country to pass a legislation exclusively pertaining to tourism. Titled the Kerala Tourism (Conservation and Preservation of Areas) Act 2005, it states its objective as "*An Act to provide for the conservation and preservation of tourist areas in the State...*"³⁸ A careful reading of the Act's provisions highlights their complete contradiction with India's current commitments on tourism in the GATS. Whilst the national government (in its January 2004 GATS Offer) has thrown open market access in tourism through Modes 2 (consumption abroad) and 3 (commercial presence), this State legislation has clearly stated that tourism activities will be restricted in identified 'Special Tourism Zones' under the Act. Although the Act has not detailed what the nature of such regulation will be, it has indicated that regulation may take the form of limiting access to certain protected areas, insisting on adherence to environmental guidelines or ensuring approval from local bodies.

The case of the Kerala Tourism Act is reflective not just of the possible negation of sub-national governments' right to regulate by the GATS but also of an intrinsically undemocratic process followed by national governments in negotiating WTO commitments. Questions on domestic regulation assume further importance in the light of examining community-based initiatives in tourism, where a fundamental principle is to grant communities the right to regulate development, based on their socio-environmental milieu, economic needs and priorities. In its current form, this is a democratic deficit that the GATS simply cannot bridge.

The ongoing GATS negotiations and Tourism

In 1999 the Dominican Republic, El Salvador and Honduras developed a proposal for an annex in the GATS to specifically deal with tourism related services. This proposal was subsequently reiterated in December 2000 with Nicaragua and Panama joining the former three³⁹. The proposal is intended to focus commitments in tourism into a single cluster of varied services that are connected to Tourism. These are drawn from the UN central product classification [CPC], which is a comprehensive list of services closely linked to tourism. The list was formulated jointly by the WTO-OMT and a host of other organisations to measure the exact economic impact of tourism. The main advocate of the cluster approach for tourism in the GATS has been the World Tourism Organisation-WTO-OMT, which has been disappointed at the treatment meted out to tourism in the GATS. The WTO has also felt the need to revise the Tourism list in the form of the SICTA – Standard International Classification of Tourism Activities⁴⁰.

The EU, US and Australia have been active proponents of the cluster approach since the lack of clustering in the architecture of the GATS is seen as one of the major constraints for any meaningful liberalisation in sectors that are of interest for these countries. The rationale is simple. It is felt that the option to commit has led to a lack of coherence in commitments with a divergent pace of liberalisation in sectors that are closely connected to each other⁴¹. Most developed countries have clearly voiced their support for the cluster approach and hence support the annex proposal. Some developing countries have been non-committal and have looked at the annex with skepticism. The annex has been sold under the label of a developing country proposal notwithstanding clear signals that it involves changing the structure of

the GATS by negating the positive list approach. The positive developments in the annex though few are important to mention. The annex proposal views tourism as a development issue and aims to introduce the concept of sustainability into the tourism trade. It takes note of the disturbing fact that there has been no monitoring of the impacts of progressive liberalisation on developing countries. Mode four of the supply of services, which deals with the presence of natural persons, has been virtually ignored. The annex also mentions that in spite of the presence of safeguards in the agreement the anti competitive behaviour of foreign tourism providers still continues. The proposed transfer of technology is yet to materialise and the proposal rightly highlights the increased incidence of vertical and horizontal integration of Tourism providers in developed countries, which is likely to see a huge drop in the market independence of local players. The importance of the access to and use of information systems like the GDS and CRS according to transparent, reasonable and objective criteria is taken note of.

A cluster approach to address the above concerns is infeasible for the simple reason that it takes away probably the only flexibility that the GATS has – the request offer /positive list approach. Clustering will enable the GATS negotiations to move into a fast track mode, thereby negating the ability of developing countries to undertake no or minimal liberalisation in specified service sectors. Very few industries have the kind of far-reaching cross cutting impacts that tourism has.

Currently, the politics of negotiations has ensured that the focus of attention for developing countries has shifted from recognising the flaws in the GATS to seeking its active pursuance through gains from Modes 1 and 4. While it is true that in several service sectors (especially professional services like legal, accountancy, engineering, architectural and computer and IT-enabled services) developing countries enjoy comparative advantages on account of reduced labour costs (for both skilled and unskilled categories), to base their entire negotiating position on the GATS on these two modes is definitely unwise. India is one such country whose stand on the GATS has taken a 180-degree shift from defensive to offensive in the light of the booming software industry and its demands for easier market access into developed markets (especially those of the EU and UK) through Modes 1 (cross border supply of services and outsourcing) and 4 (movements of natural persons for a temporary period). This has meant that hopes of gains in these modes are being negotiated by grating extensive

market access in Mode 3, thereby sacrificing domestic concerns in a host of other service sectors at the altar. Tourism is one such sector where concerns regarding impacts of opening up protected areas and sensitive zones to unrestricted activity, go unheeded by a national government insistent on pursuing a skewed development agenda.

The case of the missing data:

The difficulty in understanding the impacts of unregulated development and thereby making cautious commitments under the GATS arises out of a complete lack of accurate data on services or assessment of liberalisation undertaken thus far. Even large developing countries like Brazil, India and Egypt lack the necessary expertise to make informed commitments in their sectors. In India trade statistics are available only for a few service sectors and several important ones such, as communication, construction, finance, cultural and recreational services are not adequately represented in the Balance of payments data⁴². As Chanda (2001) has emphasised 'services trade data are subject to qualifications and shortcomings due to statistical, conceptual and methodological difficulties in measuring services. However, there are ongoing efforts by the UN and other multilateral agencies to improve data collection and methodology in this area'. Though travel is represented in the Balance of payment statistics, a huge segment of the tourism trade the SMEs most of which is in the informal sector, is virtually unmapped. Given this lack of information, developing country representatives have maintained that it is necessary that the WTO carry out its mandated assessment of trade in services⁴³. The importance of commitments only after a complete understanding of the respective sector [also the complex interlinkages between sectors] cannot be overemphasised. Between countries' commitments at the WTO and the conditionalities imposed on them by financial institutions, it is high time that governments stopped negotiating and began assessing the 'gains' from 10 years of multilateral liberalisation of services trade.

The WTO should recognise that the institutional capacity of developing countries is underdeveloped and weak to facilitate a bottom-up democratic discussion of GATS provisions. Even in a country like India where civil society plays an active role in public policy the GATS is largely understood as a mispronunciation of GATT. Our experience shows a high level of ignorance at the local level - inside and outside government⁴⁴. More time is required to promote consultations between Central and State governments before commitments are made.

Commitments made without such consultations are likely to stimulate protests at a later date as was evident with the Agreement on Agriculture⁴⁵.

Even though 120 countries have committed at least one of their tourism sub sectors an examination of the schedules reveal a more nuanced picture. As many countries have already reached a level of autonomous liberalisation that is higher than what they have committed to in the GATS, this trend has now become the target for developed countries to intensify their market access requests. The tourism sector in India has fallen prey to this ploy. Although, as early as 1991, India had autonomously opened up its hotel sector by allowing 100% foreign participation, it had committed to only 51% liberalisation under the GATS at the end of the Uruguay Round in 1994. This has now changed as in its January 2004 offer; India has brought its commitments on tourism under the GATS in line with its domestic regime. Although Ministry officials believe that due research and consultation has been done prior to adopting this stand, ground realities of impacts of tourism development tell a different story. An important reason for this disconnect has been the reliance of the Ministry of Commerce (the department of the national government mandated to negotiate WTO matters) on its central-level counterpart the Ministry of Tourism as the only reference point for matters related to tourism development in the country. Other primary stakeholders – be it local governments or communities have been sidelined in the process. Further, there is little recognition of the need to consult with other central-level bodies like the Ministry of Environment and Forests that is mandated to negotiate and implement the country's commitments on the CSD, CBD and other Multilateral Environmental Agreements (MEAs). These disconnects and lacunae in the institutional set-up point to a restrictive understanding of GATS, and thereby tourism in the GATS, as merely a trade issue - with no social, environmental or democratic needs to address.

CONCLUSION:

The way ahead

Tourism is only one among the twelve sectors in the GATS. A sectoral analysis of the classification list will show similar problems of lack of data, no evidence of tangible benefits from services privatisation, possible adverse impacts on the environment and widening democracy deficits in policy making at regional and local levels. Developing country

delegations need to call the bluff at Geneva - that the push for further commitments in the ongoing negotiations rests on the unproven assumption that liberalisation of trade in services benefits developing countries. On the contrary privatisation of services has had numerous adverse impacts in developing countries like Bolivia, Puerto Rico (see WDM 2000) and Mozambique (see Woodroffe 2002). In India, Maharashtra's finances totter towards bankruptcy thanks partly due to its disastrous flirtation with Enron (see Wagle 2000)

As the evidence of the adverse impacts of services liberalisation pile up it is strange that developing country delegations continue to commit vital parts of their economies to the vagaries of free trade. The answers are many as they are complex. The unequal political context within which negotiations are held inside the WTO – the Green Room process, linking aid budgets and trade preferences to the trade positions of developing countries, targeting individual developing country negotiators and the lack of capacity of developing countries to make informed commitments. A more disturbing trend back home is the emergence of think tanks and consultancies, wedded to the free trade philosophy, that now play an important role in determining the governments trade policy. But while the GATS gains strength, egged on by a deep-seated corporate agenda, the impetus for resistance and change is coming from various parts of the world. The assertion by the panchayats from Kerala and Tamil Nadu are not insular examples. Nor are declarations of local communities from the hills of Uttaranchal and Jharkand or the fight against water privatisation by the Perumatty Panchayat in Plachimada against Coca-Cola. Nor is the resolution of the Canadian Federation of Municipalities, representing over 1,000 Canadian municipal authorities, calling for an exemption for local governments from GATS. As the voice from the grassroots in both developed and developing countries gets louder governments will have to listen. And the GATS will have to change.

¹ Led by Brazil and India the group consisted of Egypt, Yugoslavia, Argentina, Nigeria, Tanzania, Peru, Cuba and Nicaragua.

² The agreement establishing the World Trade Organisation is as follows. The parties to this agreement, recognizing that their relations in the field of trade and economic endeavour should be conducted with a view to raising standards of living, ensuring full employment and a large and steadily growing real income and effective demand, and expanding the production of and trade in goods and services, while allowing for the optimal use of the world's resources in accordance with the objective of sustainable development, seeking both to protect and preserve the environment

and to enhance the means for doing so in a manner consistent with their respective needs and concerns at different levels of economic development.

Recognizing further that there is need for positive efforts designed to ensure that developing countries, and especially the least developed among them, secure a share in the growth in international trade commensurate with the need of their economic development

- ³ 'Without the enormous pressure generated by the American financial services sector, particularly companies like American Express and Citicorp, there would have been no services agreement and therefore perhaps no Uruguay Round and no WTO. — David Hartridge, Director of WTO Services Division at a Conference in London, 1997. For full text of the speech access <http://attac.org/fra/libe/doc/clifford03.htm#haut>. The official site of the European Union mentions that 'The GATS is not just something that exists between Governments. It is first and foremost an instrument for the benefit of business...' - <http://gats-info.eu.int/gats-info/g2000.pl?NEWS=bbb>
- ⁴ The complete text of the GATS legal document can be accessed at http://www.wto.org/english/tratop_e/serv_e/1-scdef_e.htm
- ⁵ The 12 categories of services are Business; Communication; Construction; Distribution; Educational; Environmental; Financial; Health- related and social; Tourism and travel related; Recreational and Cultural; Transport and Other.
- ⁶ The booklet is available at http://www.wto.org/english/tratop_e/serv_e/gatsfacts1004_e.pdf
- ⁷ The civil society campaign against the GATS can be accessed at <http://www.gatswatch.org/StopGATS.html>
- ⁸ TD/B/COM.1/EM.29/2, Note by the UNCTAD Secretariat, Trade and Development Board, Expert Meeting on Distribution Services, Geneva 16-18 November 2005
- ⁹ For a good understanding of the issue see a report of the Caribbean Regional Negotiating Machinery (CRNM) on 'Tourism Services Negotiation Issues: Implications for CARIFORUM countries, August 2003.
- ¹⁰ The World Tourism Organisation's Tourism Barometer indicates that international receipts in tourism were to the tune of USD 514 billion in 2003
- ¹¹ The State Tourism Ministers Conference in 1996 that chalked out guidelines for the development of eco-tourism had identified the following resources for tourism development: Biosphere Reserves, Mangroves, Corals and Coral Reefs, Deserts, Mountains and Forests, Flora and Fauna and Sea, Lake & Rivers. (for details of the conference see EQUATIONS 1997b)
- ¹² The Coastal Regulation Zone (CRZ) Notification was passed as a guideline under the Environment Protection Act in 1991. The salient features of the law included the demarcation of the coastal areas into the categories of CRZ-I, CRZ- II, CRZ –III and CRZ-IV, based on the features found in these regions, and the extent of development, which is already located therein. The original notification prohibited construction of beach resorts within 500 mts of the High Tide Line (HTL) with regulations on the type of constructions. However, the original spirit of protection and management of the coastal regions were effectively diluted in the interest of the Tourism industry. On the recommendation of an expert committee amendments were effected to the law that allowed tourism related constructions upto 200 mts of the HTL.
- ¹³ For details please refer EQUATIONS Karnataka Tourism Trends Report, 2004-05
- ¹⁴ **Sunderban** is the local name for all the mangrove forests; it is singular and encompasses all the islands comprising of the Sunderban Biosphere Reserve. Sunderbans is the anglicised version, and has a plural context.

- ¹⁵ For a detailed analysis undertaken by national groups on the unsustainability of the Sahara Project in Sunderban, please refer 'Resisting the Sell-Out of the Sunderban Biosphere Reserve - An Investigative Report' by PUBLIC, BEAG and EQUATIONS, May 2004.
- ¹⁶ Industry led certification initiatives like Ecotel, Green Globe and Green Leaf could lead to small ventures being sidelined since they cannot afford the sophisticated equipment to get the required certification. Using this to introduce labour and environmental standards through the backdoor is imminent.
- ¹⁷ Propoor Tourism
- ¹⁸ Supra n.12
- ¹⁹ The Nanda Devi Biodiversity Conservation and Eco Tourism Declaration, October 14, 2001 is available with the EQUATIONS Campaign Information Support Programme –cis@equitabletourism.org
- ²⁰ The tourism policy formulated by 'Johar' is available with the EQUATIONS Campaign Information Support Programme –cis@equitabletourism.org
- ²¹ Presentation by Prof. Alito Sequeria of Goa University at 'Kerala: Exploring future frontiers in Tourism Development' - policy workshop organised by the Department of Tourism, Kerala and EQUATIONS on 4th and 5th July 2000.
- ²² Organised by the Ecotourism and Conservation Society of Sikkim (ECOSS) in partnership with The International Ecotourism Society (TIES) and the Mountain Institute the conference was one of the key events being held around the world as part of the 2002 United Nations International Year of Ecotourism.
- ²³ Agenda 21 is a comprehensive program of action adopted by 182 governments at the 1992 Earth Summit in Rio for achieving sustainable development in the 21st century. It identifies the environmental and developmental issues, which threaten to bring about economic and ecological catastrophe, and presents a strategy for transition to more sustainable practices. The programme for action can be downloaded from <http://www.un.org/esa/sustdev/agenda21.htm>
- ²⁴ For complete list of countries <http://www.biodiv.org/world/parties.asp>
- ²⁵ International Guidelines for Activities related to Sustainable Tourism Development in Vulnerable Terrestrial, Marine and Coastal Ecosystems and Habitats of Major Importance for Biological Diversity and Protected Areas, including Fragile Riparian and Mountain Ecosystems.
- ²⁶ Can be downloaded from http://www.bfn.de/03/031402_berlinen.pdf
- ²⁷ Extract from the Manila declaration speech 22 May 1997 of Secretary General of the WTO-OMT Francesco Frangialli, 'the function and integration of tourism has taken on a new dimension: it is transported to the scale of human society in its entirety; it affects a growing number of countries at different economic stages... It is very bad at carrying out its duties to bring integration and social commitment. Whole regions and large social groups either remain sidelined or even suffer harmful effects. Very insecure conditions for wage earners, exploitation of children, prostitution, serious weakening of traditional communities, impoverishment of cultural traditions, standardization of craft output, deterioration of the environment at scenic tourist spots, natural open spaces and the major monuments. It is only right therefore in the spirit of agenda 21 applied to the countries opening up to tourism, to look for a restoration of the balance – on other words achieving a more sustainable development, which has greater respect for people and the natural environment and is culturally and socially richer...'
- ²⁸ Can be downloaded from http://www.thecode.org/index.php?page=1_1

- ²⁹ Can be downloaded from www.world-tourism.org
- ³⁰ See Egypt, Schedule of Specific Commitments, GATS/SC/30, 15 April 1994.
- ³¹ De-racking involves removing brochures of small hotels from shelves by large tour operators in an attempt to negotiate larger commissions.
- ³² Supra n.6
- ³³ In the case of India, although there has been no official public statement issued by the central or affected state governments accepting rampant CRZ violations as a factor for intensifying the impacts of the tsunami, indirect references have been made by government officials in meetings with aid agencies and inter-governmental agencies. Immediately after the tsunami, several state governments also approached the Centre with specific requests to intensify CRZ implementation and the M S Swaminathan Committee that was formed in 2004 to look into the matter is now set to have its report issued by the Union Ministry of Environment and Forests. Please refer The Hindu, 10th January 2005, '**States request more stringent Coastal Regulation Zone guidelines**'
- ³⁴ *ibid*
- ³⁵ In September 1991, the Congress Government introduced the 72nd (Panchayats) and 73rd (Municipalities) constitutional bills. The Lok Sabha passed the bills on 22 December 1992 after which the Rajya Sabha passed the two bills, their sequence changed to 73rd and 74th respectively. Following the ratification by both the houses the President gave his assent on 20 April 1993. This culminated in the passing of the Constitution 73rd and 74th Amendment Acts in 1992, which inserted Part IX and IXA in the Constitution. While Part IX relates to "Panchayats", Part IXA relates to "Municipalities". The provisions in Part IX and IX A are more or less parallel and analogous in nature. (For details on tourism development and panchayats refer EQUATIONS 2001a)
- ³⁶ Communication, distribution of electricity, education, health, sanitation and water delivery are some of the sectors that are also present in the GATS.
- ³⁷ The peoples plan process for the Ninth Plan', launched in July 1996 in Kerala, decided for the first time in India's developmental history to earmark 35-40 per cent of the State Plan outlay for projects and programmes drawn up by the local bodies. The programmes also recognised the aspirations, the felt-needs of the people, as the starting point for developmental planning in all sectors of development. These aspirations were expressed in the grama sabhas and the Vikasana Rekhas (Development Reports) of the Local Self-Government Institutions. (see EQUATIONS 2001b)
- ³⁸ Kerala Tourism (Conservation and Preservation of Areas) Act, 2005, GOVERNMENT OF KERALA, Law (Legislation – A) Department, No.2542/Leg.A1/2005/Law, Dated, Thiruvananthapuram, 9th March 2005, 18th Phalgun 1926
- ³⁹ The annex proposal can be downloaded from the WTO site http://www.wto.org/english/tratop_e/serv_e/gatsintr_e.htm
- ⁴⁰ For a detailed overview of services related to tourism see Granzin and Jesupatham 1999 p30.
- ⁴¹ For example India has liberalised hotel and restaurants and tour operators but has not committed air traffic – a sector that is closely connected to the former two sectors.
- ⁴² Chanda 2001 p.3
- ⁴³ On 6 December 2001 a communication from Cuba, Senegal, Tanzania, Uganda, Zimbabwe And Zambia to the members of the Council for trade in services reinforced the call to commence assessment of trade in services and asked that a first initial assessment be carried out by March 2002. The communication mentions that

further negotiations may only commence after conclusions from this first assessment have been drawn, and negotiations should be adjusted in accordance with these conclusions. Can be downloaded from www.wto.org/english/tratop_e/serv_e/s_propnewnegs_e.htm

- ⁴⁴ EQUATIONS has been tracking the GATS since its inception in 1995. In our interactions with government representatives, at the state and local level, their ignorance of the GATS is alarming. Tourism departments in various states do not have schedules of India's Tourism commitments in the GATS.
- ⁴⁵ The impacts of the Agreement on Agriculture on Indian farmers has already led to widespread agitations and a regional government suing the central government for not consulting it while agricultural tariffs and quotas were withdrawn. West Bengal recently filed a case against the central government in the Supreme Court on this issue.

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

Marianne Hochuli / Christine Plüss

Position paper by the Berne Declaration and the Working Group on Tourism and Development, Switzerland On the World Trade Organization's Policy of Liberalising the Tourism Sector

Introduction

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

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

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

and deregulation, leading to privatisation, speculation and the exploitation of nature and people in tourist destinations.

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

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Zurich, Basel, October 2004/January 2005

I. Booming Tourism Sector in Developing Countries

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

market. In Switzerland, for example, tourism is the third largest export sector and generates seven percent of export revenues.³ In many developing countries, tourism is also important as a source of foreign exchange and in order to creating jobs. Tourism as a labour intensive industry is, according to experts of the «World Travel & Tourism Council»⁴, the most important employer in the world, with an estimated 200 billion employees.

Tourism as an Instrument of Poverty Alleviation?

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

In its latest reports, the World Tourism Organization, which has recently been made a specialised agency of the United Nations, emphasises the role of tourism in alleviating poverty world-wide.⁵ Tourism is said to significantly contribute to the United Nations Millennium Development Goals which include poverty alleviation as a central objective:

To reduce the proportion of people living on less than \$1 a day to half the 1990 level by 2015.

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

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

- The local population must have a right to information and participation in decision making on tourism projects.
- Property rights, specifically for women, must be strengthened.

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

Most of these demands are the results of recent studies and projects of the «pro poor tourism» programme of British Department for International Development (DFID) ⁶ as well as first approaches by fair trade initiatives in tourism⁷. They also reflect the principles laid down in international declarations and agreements such as the «Global Code of Ethics for Tourism» or the recently passed guidelines on the sustainable development of tourism under the Convention on Biological Diversity. They are, however, in stark contrast to the current liberalisation and deregulation drive in tourism and the concepts of the World Trade Organization (WTO-OMC), which, in the upcoming GATS negotiations, are also being advocated by the World Tourism Organization (WTOOMT).

So far, the World Tourism Organization has not explained how exactly it is planning to coherently integrate its policy of «poverty alleviation» with its policy of liberalisation.⁸

Poverty Alleviation Requires Equitable Development and Participation

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

Tourism does provide jobs, but as ILO reports have shown, even in the formal sector working conditions are often precarious and wages low. According to ILO estimates, ten to 15 percent of the employees in tourism are children and youth under the age of 18.⁹ Tourism does

not only create jobs, it also contributes to a loss of jobs in traditional sectors such as fishing and agriculture. Ensuring basic rights for people in tourist destinations, such as the right to basic services and lives in dignity - as well as democratic participation in the development of tourism are clear preconditions for communities to have a fair share in tourism and to be able to benefit from it.

Women in Tourism

According to estimates by the International Labour Organization (ILO), women account for 60 to 70 percent of the labour force in global tourism. Tourism thus seems to be a sector that offers women, who are specifically affected by poverty, real opportunities.

However, women in tourism are usually in much worse a position than men: While men dominate the formal sector, women are more often hired as casual workers and have a larger share in the low-paid jobs, for example as cleaners and un-skilled workers. They do the Laundry, work as receptionists, child-minders or as un-skilled assistants in restaurants.

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

Because of the existing gender disparities, governments are called upon to empower women by introducing targeted measures, such as specific training, qualified jobs and improved access to credit facilities for self-employed women.¹⁰

The Future Is Uncertain

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

of the powerful TUI) have entered the profitable tourism business. The players, structures and persons responsible are more and more difficult to identify.¹¹

After heavy setbacks in tourism in some countries during the past few years, experts agree that the future holds many uncertainties. Competition between companies and destinations continues to increase, (low) prices play a more and more important role.¹²

This development will make it difficult especially for developing countries to rely on tourism as a reliable source of income.

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

Leakages

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

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

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

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

This classification is very general and incomplete, as almost any other service sector is related to tourism: for example transportation, any form of leisure, culture and sports, but also financial services such as credit cards, the services of banks and travel insurers, agriculture, construction, estate agents, education, communication such as postal services and telecommunications. Public services, including important ones such as water and energy supplies, as well as nature protection are affected. When it comes to make further commitments, there is a need to analyse in detail which other sectors will be affected by these commitments.

In the upcoming GATS negotiations, developing countries are called upon to again submit offers for liberalisation to the WTO-OMC. Countries are reluctant to do so, as the most recent offer submitted by Brazil shows, for in practice commitments once made cannot be reversed. Due to the lack of offers to liberalise, the chairman of the WTOOMC negotiations on services, Alejandro Jara, took drastic measures: In March 2004, he encouraged the service sector to call upon reluctant countries to submit offers as soon as possible. The service industry itself is thus to convince trade delegates of developing countries that an open services market will bring growth, prosperity and development – while the industry pursues its own objectives of

maximum returns: Stefan Pichler, CEO of Thomas Cook, as chairman of the discussion group «Tourism Industry in Berlin» appealed to politicians to actively push for the dismantling of existing barriers to trade. He said it was necessary to acknowledge «business realities» at the international level.¹⁹

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

1. Unkept Promises by Industrialised Countries to Grant Developing Countries

Market Access and Access to Technology

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

GATS article IV accordingly commits industrialised countries to improve developing countries' access to service technologies.

In practice, however, it is often quite the opposite that happens: access is made more difficult for them. A decisive example are the global reservation and distribution systems in tourism: tourism suppliers in developing countries strongly depend on computerised reservation systems (CRS) such as SIR, tels Star and One World as well as global distribution systems (GDS) such as Amadeus and Worldspan, which, via internet, provide access to the cheapest flight, hotel within a hotel chain, car rental, events, etc. Travel and tourism is in top demand on the Internet, and growth rates are considerable: In 2002, travel and tourism products worth more than four billion Swiss francs were

sold globally via internet. The reservation systems are in the hands of airline and travel and tourism corporations or large independent commercial firms in the North. tourism suppliers in developing countries have been complaining about not getting access to reservation systems, which means they are also denied the market access promised. This, in turn, means they are also denied the possibility of introducing their products in industrialised countries. To make matters worse, the increasing use of modern technology in tourism deepens the digital divide between North and South.

While developing countries used to be competitive due to their favorable climate, access to the sea and cultural and biological diversity, access to international information and on-line reservation systems has now become the crucial factor.

2. Fear of Increased Concentration in Tourism

In many industrialised countries, concentration in the tourism sector is much more advanced than in poorer countries. While in the United States, three in four hotels belong to a hotel chain, in developing countries this applies to a maximum of one in ten hotels. In developing countries, small and family-owned businesses predominate.²⁰ Small and mediums-sized players, as they are most common in the tourism sector, especially in the South, increasingly find themselves competing with financially powerful and technologically well-equipped multinationals.

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

3. Limiting Local Governments' Rights to Regulate

Even though the preamble of the GATS acknowledged the right of WTO-OMC member states «to regulate, and to introduce new regulations, on the supply of services within their territories in order to meet national policy objectives», GATS article VI demands that domestic laws and regulations «are administered in a reasonable, objective and impartial manner» and that they should not constitute unnecessary barriers to trade in services (Art. VI.4). In cases of conflict, it shall be left to the WTO dispute settlement system to judge whether a measure is to be considered reasonable, objective and impartial. This will significantly impair the possibility of governments to adequately regulate their tourism and investment policies at national, sub-national and local levels.

Especially in tourism, which relies on attractive, unspoilt scenery and the generous hospitality of the local population, it is important that sustainable and fair initiatives can be given specific support. For example, local governments must be able to pass laws which favour local ownership and land tenure, or must be able to give concessions to hotels which employ a high percentage of staff from local communities, give preference to local building materials, food supplies and handicraft, and take a cautious approach to water and energy supplies. The inflexible WTO principles «national treatment» and the «most-favoured-nation requirement», which demand equal treatment of all investors (both foreign and domestic), prevent the promotion of and specific support for companies that are striving for sustainability. The fact that the GATS also applies at the local level causes serious setbacks to important processes of decentralisation under way in a number of countries. In India, for example, such a process that is to grant more competence to local self-governments found entrance into the constitution only in 1992: «Now that we have for a short time been learning to establish democracy at community level, these processes are endangered by the multi-lateral GATS agreement, which will have impacts even at the local level», says K. T. Suresh, co-coordinator of Equations, Bangalore.²³

Examples of regulation to be abolished

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

- Abolition of limitations to the share of foreign firms in a joint venture.

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

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

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

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

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

The International Monetary Fund (IMF), the World Bank, the World Tourism Organization (WTO-OMT), and the World Trade Organization (WTO-OMC) are calling upon developing countries to promote tourism in order to earn foreign exchange and to «fight» poverty.

To do so, countries should introduce various investment incentives to lure foreign investors. So in many cases foreign investors are being granted tax holidays for ten years or more, and are offered free imports

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

5. Increasing Trend towards Privatisation

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

The Case of Peru

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

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

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

III. The Swiss Position in the GATS Negotiations: Liberalisation

Requests to Developing Countries

In its communication to the World Trade Organization (WTO-OMC) on «Tourism and the travel industry», the Swiss State Secretariat for Economic Affairs (seco) notes: In this field, Switzerland is very competitive and has submitted a number of requests regarding hotels and restaurants as well as travel agents and tour operators. In this field, Switzerland requests the opening up of markets especially in cross-border trade (for example the sale of services in a third country from

Switzerland)».²⁸ It is not easy to follow the official argumentation that it is because of her own competitiveness that Switzerland also requests the opening up of the tourism sector in other countries, as the very same State Secretariat for Economic Affairs (seco) laments the lack of competitiveness of the Swiss tourism industry whenever it comes to tax relief (e.g. VAT for Swiss and out-going tourism) or subsidies - which goes generally uncontested.²⁹ In its communication to the WTO-OMC in May 2001, Switzerland criticised existing «barriers to trade» in developing countries, such as economic needs tests for hotels and restaurants, complaining that such needs tests constituted an anachronism. According to the Swiss communication, in a market economy the decision whether a country or region needs more hotels and restaurants should not lie with the government, but should be left to the market. From a development perspective, however, it does make sense to limit the number or even the quality of hotels in a region depending on its so-called «carrying capacity» as defined in various international agreements (such as the tourism guidelines under the Convention on Biological Diversity) and studies (e.g. by WWF, IUCN).

Furthermore, Switzerland would also like to improve market access for travel agents and tour operators, abolishing existing regulations which, however, remain unspecified.³⁰

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

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

Tourism Annex: No Guarantee for Fair Tourism

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

The annex contains some elements of major importance for the improvement of trade relations with developing countries. However, it does not go far enough so as to guarantee host countries a kind of tourism that benefits the poor. The annex opposes unfair competition by multinationals and demands access to information and reservation systems. These two aspects are worth supporting. It is also being mentioned that local communities should be involved in the process, and that the income earned from tourism should be reinvested in the country. However, no mention is made of the fact that the WTO principle of national treatment and the most-favoured-nation requirement might be in conflict with a policy that focuses on the local population. Neither is there any mention made of the fact that for tourism to be sustainable there is a need for clear regulation at local and national level. Clusters undermine the flexibility of the GATS. In an annex to the Tourism Annex, all the services relevant to tourism are being grouped in a so-called cluster. Industrialised countries are especially interested in negotiating all these positions en bloc, as they can thus make sure that developing countries will open up markets in all areas relevant to tourism at the same time. This procedure undermines the flexibility that existed so far in the form of so-called positive lists that gave every country the possibility of selecting, in each area, which kind of liberalisation is considered useful. It is above all because of the possible effects of these clusters that India, for example, has expressed strong criticism of the Tourism Annex.³⁴

IV. Summary and Demands

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

In as early as 1994, many developing countries made commitments to

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

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

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

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

heart of any economic policy.

The Berne Declaration and the Working Group on Tourism and Development call upon the Swiss government as well as the State Secretariat for Economic Affairs (seco) to take all necessary measures to enable developing countries to adopt economic policies allowing for a sustainable development of tourism that benefits the poor in tourist destinations. Environmentally and socially responsible tourism initiatives must not be jeopardised by blind demands for liberalisation and deregulation. With regard to the current WTO negotiations on services, the Berne Declaration and the Working Group on Tourism and Development specifically call upon the Swiss government:

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

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Berne Declaration (BD)

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

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Working Group on Tourism and Development (akte)

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

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About the authors

Marianne Hochuli is the coordinator of the Swiss Development NGO The Berne Declaration in Zurich and she is responsible for the trade policy programs, especially WTO. She has been coordinating a Swiss campaign on GATS and public services, which has sensibilized many people in Switzerland about the implications of the WTO. Now she is working on issues like GATS and Tourism (where she works closely together with the Working Group on Tourism and Development *akte*) and GATS and Financial markets. In all this work she sees the gender aspect as crucial therefore she is involved in Gender and Trade Networks like the International Gender and Trade Network IGTN www.IGTN.org and WIDE Europe www.wide-network.org. The Berne Declaration influences development policy in Switzerland and cooperates with the WTO and other financial and economic institutions. It organises events, acts as a pressure groups and shows alternatives.



Christine Plüss is an historian living in Basle. She completed her PhD studies in Paris in 1986 with a thesis on tourism in the Maldives. For many years, in addition to her studies and other responsibilities, she worked as a tour guide for Swiss tour operators. Since 2000 she is the director of the NGO, “Working Group on Tourism and Development” (*arbeitskreis tourismus & entwicklung - akte*) where she has been a researcher and campaigner since 1988, advocating critical examination of the many facets of international tourism in very different contexts, with the aim of working towards equitable relations in tourism.



In 1998/99 she conducted a comprehensive research on child labour in tourism which was published in English by the Swiss Agency for Development and Cooperation (“Quick Money - Easy Money?”, 1999) and in German (“Ferienglück aus Kinderhänden”, 1999). This project was a continuation of her long involvement with and work on the sex trade in tourism, Aids, and women and children in the context of tourism. Among other initiatives, Christine Plüss was co-initiator and organiser of the Swiss Campaign Against Child Prostitution in 1991; in 1996 she co-edited a book on Women and Gender in Tourism (“Herrliche Aussichten!”). She is also the co-author of the publication “Rio+10: Red Card for Tourism?” prepared by the Network for Sustainable Tourism Development (DANTE) for the World Summit on Sustainable Development (WSSD) 2002 in Johannesburg. For the last two years, Christine Plüss has been actively involved in campaigning for Fair Trade in tourism, lobbying for corporate social responsibility in the tourism industry as well as for fair international economic and trade policies in order to strengthen the participation of disadvantaged people and communities in tourism.

EQUATIONS was founded in 1985 in response to an urge to understand the impacts of development on people particularly in the context of international trade regimes, the opening up of the national economy, the beginning of economic reforms and concomitant structural adjustment programmes. EQUATIONS has done this through the window of tourism. Campaigning and advocacy on tourism and development issues in India, our work has focussed on women and tourism, the child and tourism, ecosystems, communities and tourism and globalisation. We envision tourism that is non-exploitative, where decision-making is democratised and access to and benefits of tourism are equitably distributed. We endorse justice, equity, people-centred and movement-centered activism, democratisation and dialogue as our core values.

EQUATIONS' work on globalisation and tourism involves analysing the impacts of international trade agreements – both at multilateral and regional levels – on liberalisation of the Indian services sector, with a specific focus on tourism development and regulation in the country. This also involves monitoring and assessing the role of other international, regional and national agencies whose economic policies stand to impact sustainable & people centred tourism development.

'The GATS Dilemma in the Web of Tourism' draws from ten years of research and analysis on the potential impacts of opening up tourism sectors in developing countries through a GATS mode of liberalisation. With the help of case studies from India that highlight existing impacts of unregulated tourism on communities and ecosystems, the paper stresses that the GATS will only act to exacerbate the situation.

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