

WORLD TRADE ORGANIZATION

RESTRICTED

S/CSS/W/5

28 September 2000

(00-3931)

**Council for Trade in Services
Special Session**

Original: English

COMMUNICATION FROM THE EUROPEAN COMMUNITIES AND THEIR MEMBER STATES

Reaction to the Communication from the Dominican Republic, El Salvador and Honduras on the Need for an Annex on Tourism

The following communication has been received from the delegation of the European Communities and their Member States with the request that it be circulated to the Members of the Council for Trade in Services

I. INTRODUCTION

1. The European Communities and their Member States welcome the initiative taken by the Dominican Republic, El Salvador and Honduras and support the main intentions of their Communication. We support an early examination of the potential for further liberalisation in the tourism sector as part of the GATS 2000 negotiations. We also strongly support the proposed symposium on tourism services, which represents the first major opportunity to discuss proposals such as this communication and to consider how further liberalisation could be achieved.

2. A brief analysis of the tourism sector within the EU illustrates its importance. The EU is the world's top destination for tourism and also accounts for the largest number of tourists visiting other countries. Tourism is considered as one of the most important and fastest-growing services sectors of the EU. According to the conclusions of the European Commission's High-Level Group on Tourism and Employment¹, tourism is widespread in all EU countries with about 2 million businesses, mainly small and medium sized enterprises – 94.2% of which were enterprises employing less than 10 persons, generating 5.5% of GDP, 6% of employment and 30% of external trade² in services. The report also highlights tourism as a sector with clear potential as a job creator (forecasting that from the existing level of 9 million jobs, tourism can create between 2.2 and 3.3 million extra jobs by 2010). This description of the tourism sector in the EU highlights a wider global phenomenon: world-wide, tourism is a major employer, representing a significant share of GDP and having tremendous growth potential.

II. THE CROSS-SECTORAL DIMENSION OF TOURISM

3. One of the characteristics of the tourism sector illustrated by the Communication from the Dominican Republic, El Salvador and Honduras is the widespread connection that it has with many if

¹ Communication from the Commission: Enhancing tourism's potential for employment

² external trade=exports+imports excluding transactions among EU Member States.

not most other services sectors. Some sectors are clearly more directly related to tourism than others, as the Appendix to the Communication illustrates.

4. The European Communities and their Member States recognise this distinction. The question is how to take account of this in possible ways forward in our examination of the tourism sector.

5. We note that the Communication from the Dominican Republic, El Salvador and Honduras refers to the possibility of treating the tourism sector as a cluster. We agree that it is possible and desirable to consider the tourism sector and tourism-related services on this basis, so long as the cluster approach is seen as a "checklist" to be used in the negotiations to assist negotiators in identifying optimum proposals for effective and complementary liberalisation relating to the sector.

III. "CORE" TOURISM SERVICES

6. We note that the Communication from the Dominican Republic, El Salvador and Honduras identified certain services as "tourism characteristic" services. In our communication, we refer to these as "core" tourism services. In our view, these services and those sectors and subsectors currently described in W/120, Chapter 9.

7. Under the Uruguay Round, most Members took commitments in these "core" tourism services (114 Members out of 134). In the case of the EC and their Member States, these services are essentially already liberalised, especially in mode 2. The level of commitments undertaken by Members in the tourism sector is far greater than in any other sector. This clearly suggests that most WTO Members recognise that liberalisation in the tourism sector impacts favourably on their national economy. It also clearly suggests an intention by most WTO Members to expand their tourism activities and increase inward foreign direct investment as part of their efforts to promote economic growth.

8. Given these observations, the EC and their Member States consider that the tourism sector, as defined in W/120, is a strong candidate for full liberalisation by all WTO Members. In preparation for later phases of the GATS 2000 negotiations, we believe that an early examination of remaining restrictions in this sector, including an assessment of their economic impact and rationale, would be desirable.

IV. "TOURISM RELATED" SECTORS

9. It is clearly important to consider the impact that non-liberalisation of "tourism related" services (referred to in the Communication from the Dominican Republic, El Salvador and Honduras as "tourism connected" services) would have on the tourism sector. However, we believe that this needs to be considered in manageable proportions and the listing of sectors put forward in the Communication from the Dominican Republic, El Salvador and Honduras is too broad. For example, the inclusion of "services" provided under governmental authority such as "passport and visa issuing services" for example does not appear appropriate in the context of GATS Article I. A part of air transport services is currently excluded from GATS pending the result of the mandated review. Discussion on this is therefore ongoing in another framework and duplication of work should be avoided.

10. However, considering "tourism-related" services alongside "core" tourism services in a "checklist" would serve to highlight any inconsistencies of approach, and could facilitate liberalisation in related sectors. Such a checklist could greatly contribute to increasing the efficiency and coherence of tourism services negotiations. The EC and their Member States propose to use a checklist of "tourism-related" services sectors as an aide-memoire during the negotiations of these sectors which are related to tourism (the result of which should be scheduled in the relevant GATS

sectors other than tourism). A possible shorter checklist, on which we are still reflecting, is set out in annex I as a basis for further discussion.

V. SUSTAINABLE DEVELOPMENT AND REGULATORY ASPECTS OF THE TOURISM SECTOR

11. The EC and their Member States welcome the attention given in the Communication by the Dominican Republic, El Salvador and Honduras to regulatory aspects of the tourism sector. Not all the issues raised in the Communication need to be addressed in the context of tourism services. Some issues are more generic issues that could be addressed in the Working Party on Domestic Regulation. Others will doubtless be considered in the review of the Air Services Annex.

12. However, we believe that two issues could usefully be considered in the context of an examination of the tourism sector:

- tourism and sustainable development;
- competitive safeguards.

1. Sustainable development and trade in tourism

13. The EC and their Member States agree that expansion of trade in tourism contributes to economic development and that it is necessary that economic, trade, environment and social policies play a mutually supportive role in favour of sustainable development.

14. By boosting foreign exchange earnings, helping diversification of the economy, fostering job-creation, increasing government revenue the expansion of trade in tourism contributes to economic development. Liberalising those services sectors which provide inputs for the tourism sector, in particular the infrastructure-related services and business services, will allow developing countries access to high-quality services which strengthen the supply capacity of the tourism sector.

15. However, expansion of trade in the tourism sector has to be consistent with the objectives of sustainable development. Given the potentially adverse impact, which the development of tourism facilities can have on the environment, particular attention has to be paid to safeguarding the ecological balance, not least because in the medium and long term, environmental damage undermines the viability of the tourism sector. In this context, the importance of access to high-quality environmental services should be stressed.

2. Competitive safeguards

16. The EC and their Member States note the proposals for competitive safeguards in the Communication from the Dominican Republic, El Salvador and Honduras. It could be useful to examine whether and if so which competitive safeguards would be necessary complements to commitments in “core” tourism services. In this connection, it may be helpful to start with an assessment of the basic telecommunications additional commitments and especially their relevance to the “core” tourism sector.

ANNEX I

“Core” Tourism and Tentative Tourism “Checklist”

Core tourism sectors and subsectors (W/120, chapter 9)

- A. HOTEL RESTAURANTS AND CATERING (CPC 641-643)
- B. TRAVEL AGENCIES AND TOUR OPERATOR SERVICES (INCLUDING TOUR MANAGERS) (CPC 7471)
- C. TOURIST GUIDES SERVICES (CPC 7472)
- D. OTHER

Tentative Tourism “Checklist”

This list, based on the Appendix of the Communication from the Dominican Republic, El Salvador and Honduras is tentative and subject to potential changes and additional contributions.

Sector 1 - Business services

D. Rental/leasing services without operators

- leasing or renting services concerning cars and light vans without operator
- leasing or renting services concerning other land transport without operator: camper/motor homes rental services, motorcycles, other land vehicle services
- leasing or rental services concerning vessels without operator

Sector 3 - Construction and related engineering services

- General construction work for accommodation facilities (hotels, convention centres, food serving facilities, etc.)
- General construction work for recreational facilities (ski areas, golf courses, marinas, etc.)
- general construction work for second residences (second homes, weekend homes)
- general construction work for transport facilities (airports/passenger air terminals, railway and bus stations, maritime passenger ports and marinas, other inland water passenger terminals)
- general construction of other tourism infrastructure (civil works)
- Installation and assembly work
- Installation and assembly work of tourism fairs and exhibitions

- Building completion and finishing work (building completion and finishing work for tourism facilities)

Sector 4 - Distribution services

Retail distribution services.

Sector 5 - Educational services

B. Secondary education services

- hotel/tourism school services

Sector 7 - Financial services

- travel card services (credit cards)
- travel loan services
- travel life insurance services
- travel accident insurance services
- travel health insurance services
- other non-life insurance services: travel insurance services
- foreign exchange services

Sector 10 - Recreational, Cultural and Sporting Services

- performing arts event production and presentation services
- museum services
- sports and recreational sports event promotion and organisation services
- sports and recreational sports facility operations services
- amusement park service, fair and carnival services, scenic railways services
- gambling and betting services: casino, slot machine and other gambling and betting services

Sector 11 - Transport services

- rental services of buses and coaches with operator
- interurban scheduled road transport services of passengers
- interurban special purpose scheduled road transport services of passengers

- coastal and transoceanic water transport services of passengers
 - personal passenger vessel services (rental or leasing services of personal passenger pleasure self-propelled vessels with crew)
 - inland water transport services of passengers
 - interurban railway transport services of passengers (scheduled, non-scheduled, rail charter with crew).
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