



## The World Today

### Caribbean International Tourism Trade

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Tourists strolling down the streets Bridgetown, Barbados; playing mas in Port of Spain, Trinidad; hiking through nature reserves in Dominica; basking in the sun in Ocho Rios, Jamaica, or swimming at Grand Anse Bay, Grenada, represent both potentially significant retained value added, and socio-cultural as well as environmental impacts. The tourism sector is one of the largest and fastest-growing in the global economy. Tourism can be promoted and regulated in a way that attracts tourists, while maintaining or enhancing a destination, and benefiting its residents or it can be socially, culturally and economically disruptive, if not destructive.

The WTO's General Agreement on Trade in Services (GATS) sets a framework for the liberalization of trade in services, including the development of rules and disciplines that apply to both specific sectors, as with tourism, and the modes of supply of the services rendered. The four modes of supply relate to the international movement of services, consumers, commercial presences, and workers. The fundamental concern of the GATS is to liberalize services markets, applying concepts such as '*national*' and '*most favored nation*' treatment to some twelve major services sectors, including tourism, while encouraging member countries to increase the breadth and depth of commitments.

Within the Caribbean, tourism services continue to be the major foreign exchange earner, generating more employment, direct and indirect, than any other industry. The region's small destinations earn twice as much per tourist as the seven major ones. There is tremendous unexploited potential for the development of niche tourism markets in every Caribbean country, using multi-destination marketing, in a way that contributes significantly to net foreign exchange earnings and employment, with forward and backward linkages to related economic sectors, such as food and beverage production, as well as local craftwork, souvenir, and real estate sales, and tourist engagement in education and cultural activities.

However, the Caribbean tourism industry confronts a range of challenges, including relatively high hotel operating costs, insufficient integration within relatively open, fragile, natural disaster prone, and very small local economies, despite the inception of the CARICOM Single Market, and the recent further development of a single OECS economic space, and competition from cruise ships, as well as resorts located elsewhere, such as Florida and Hawaii. It remains a challenge for Caribbean countries to generate meaningful economies of scope and scale – the lack of sufficient

cooperation in destination development and marketing across the region could make it easier for extra-regional investors to develop a substantial presence in the Caribbean.

The effects of the GATS on international tourism trade and related investment will be driven mainly by the nature of its impact upon the infrastructure, regulations and policy framework of destination countries, and the degree to which foreign investment and rights of establishment are liberalized, following agreed and accepted commitments. For example, to what extent will alien landholding acts within CARICOM countries be eventually found to conflict with commitments to offer foreign investors in the tourism sector national, non-discriminatory treatment?

World Trade Organization members are currently discussing the effects of GATS disciplines on domestic regulations (Article VI), which includes technical standards, licensing and qualification requirements and procedures. The overarching goal is to eliminate ‘*unnecessary barriers to trade*.’ These provisions have the potential to restrict a national government’s ability to take regulatory action to protect the environment, with a view to promoting sustainable tourism.

The World Tourism Organization (WTO) has promoted the development of a tourism cluster annex to the GATS, intended to facilitate liberalization of other related service sectors, such as accommodation, food and beverages, passenger transport and cultural services. However, it remains unclear that such an annex will effectively support the efforts of governments to limit the negative environmental, socioeconomic and cultural impacts of tourism liberalization within their countries.

In Article XIV, the GATS proposes general exceptions to the agreement on the basis of the need to “*protect human, animal or health*”, without stating specific environmental exceptions. For instance, a USA-based cruise ship, berthed in Antigua, might challenge that country’s discharge treatment standard, on the basis that it is too costly, bureaucratic and burdensome. Alternately, an established hotel chain could challenge a new wetland classification for a proposed resort area by questioning the basis for such restrictions in established precedents. The lack of such exceptions could make Caribbean tourism sectors unsustainable, without negotiated exceptions, formulated by using the resources of relevant regional and international organizations, such as the Caribbean Tourism Organization (CTO) and the World Tourism Organization (WTO), and by forming alliances with interested NGOs. Otherwise, it may become more difficult for regional governments to enforce regulations, which guarantee local involvement in tourism development, or seek to preserve a country’s natural resources.

Stepped-up new “*complementary approaches*” to negotiating can potentially erode the flexibilities available to liberalize in chosen sectors, and to control the extent of such liberalization. Plurilateral negotiations involve a group of countries, with common interests in a specific sector, making a joint approach to a country for market access in that sector. It puts increased pressure on a country to agree to the request, given the consequences of refusing a group of potentially powerful trading partners. This approach could easily vitiate the fundamental principle that countries choose the sectors to which

they commit themselves, and the level of commitment. Qualitative parameters for modes of supply could imply that specific types of barriers be removed for all commitments relating to a particular delivery mode, such as mode three – the establishment of a commercial presence – within the tourism sector.

Caribbean governments have a responsibility to help make GATS provisions compatible with sustainable tourism. This requires negotiating rules and disciplines that support legitimate policies and regulations required for the achievement and maintenance of sustainable tourism. Multilateral steps to make tourism liberalization and *responsible* tourism mutually supportive should ensure that international tourism services trade is truly sustainable, and contributes to national development, especially in the cases of the world's developing countries.