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SERVICES TRADE LIBERALISATION AND TOURISM DEVELOPMENT

OECD Trade Policy Working Paper No. 57

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ABSTRACT

This study analyses the role that services trade liberalisation could play in fostering tourism growth in developing countries. The economic and social importance of tourism means that the industry is high on the list of development priorities in many developing countries and LDCs. In order to have a successful tourism export industry, effective linkages need to be established with many different sectors, most of which are other services. Trade and investment liberalisation at the national, regional and multilateral levels can be a means to complement national efforts to attain these goals. Sustainable tourism development, though, requires strong public sector management and support. Due consideration needs to be given to develop effective regulation, including competition policy and institutions, to avoid exceeding the carrying capacity of assets, and to strengthen national capacity in order to minimise financial leakages.

Keywords: Services, tourism, trade, liberalisation, linkages, GATS.

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EXECUTIVE SUMMARY

The key objective of this report is to analyse the role that services trade liberalisation could play in fostering tourism development in developing countries, with the aim of contributing to international services negotiations. The focus is on the importance of more liberal trade and investment policies (or lack thereof) in the variety of services and infrastructure that are needed to support tourism.

In many countries the tourism sector has in the past suffered from a lack of political and popular support because its economic importance has often been underestimated. The industry has typically been difficult to define and measure since it comprises sellers of many heterogeneous products. These difficulties are reflected in the narrow GATS classification for tourism, which excludes a number of related tourism services. International efforts to improve understanding led to the development of the Tourism Satellite Account (TSA), which attempts to provide a credible measure of the true contribution of tourism to a national economy.

The TSA is contributing to the rise in worldwide awareness of the role of tourism as a productive activity and its potential to generate significant direct and indirect economic benefits. Broadly defined, tourism could be regarded as one of the world's largest and fastest growing industries. The sector is a major direct employer, and supports a much wider indirect employment base in supplying industries. Tourism is a key export for many developing countries and a crucial source of foreign exchange, including through its role as an entry point for foreign retirees.

Tourism is also a complex industry. It can generate significant economic activity through linkages with other industries, such as agriculture, manufacturing and services. Backward linkages occur as tourism demands goods and services inputs from other sectors. Forward linkages arise since tourism can also be a supplier of goods and services to other sectors. The study undertakes linkage analysis in three developing economies — India, Brazil and Indonesia — in order to explore their extent. Results show that tourism consistently scores stronger linkages (both backward and forward) than the average services sector, suggesting that tourism may be one of the most interconnected services sectors in these three economies.

In developing tourism, strong backward linkages can be vital. Where there are constraints to these linkages, (i.e. inputs needed for tourism activity are lacking or expensive), the growth of the sector may be undermined. Against this backdrop, the report presents case studies from developing and emerging economies in Africa and Asia — Madagascar, Mozambique, Cambodia, India, and South Africa — identifying bottlenecks that need to be addressed to strengthen backward linkages and unleash growth in the sector.

The case studies reveal a wide measure of commonality in the constraints faced in developing the tourism sector. The most common constraints fall into five categories: transport services and infrastructure, accommodation, utilities and IT infrastructure, marketing and promotion, and education and training. Limited financial services also create bottlenecks in some of the countries studied. Some of these concerns are, of course, not limited to the tourism industry but reflect wider development issues affecting both residents and visitors.

Significant amounts of capital and expertise are needed to unblock bottlenecks. Appropriate services trade and investment liberalisation can complement national efforts in this direction. Attracting investors, though, requires a supportive economic, social and political environment conducive to the private sector. At the same time, sustainable tourism development requires that the carrying capacity of tourism assets is not exceeded, thereby minimising potentially negative social and environmental impacts. Due consideration needs to be given to developing effective regulation to address market failure, including competition policy and institutions, across all tourism-related services, and to strengthening national capacity to minimise financial leakages.

Achieving these objectives requires strong public sector management and support. Given the cross-sectoral nature of tourism, governments need to establish a comprehensive policy framework that improves the business environment and addresses the underlying economic relationships and social and physical constraints. Strong tourism agencies are also needed that are capable of coordinating with other governmental agencies and with the other stakeholders.

Regional tourism liberalisation is another important dimension where an increasing number of initiatives are being established, including in developing countries. These can create more expansive tourism destinations and help to increase the numbers of long-term tourists. They also provide an opportunity to join forces to expand services and to achieve sustainable tourism objectives in a more holistic manner. However, in most regional initiatives negotiations have proceeded slowly and implementation has been lacking.

The high level of commitments in the tourism sector indicates that WTO Members widely recognise the important complementing role that the GATS can play in tourism development, although the complete liberalisation of the industry is far from being achieved. Even with the narrow focus of the GATS classification, there remain modal and sub-sectoral imbalances in the commitments and, most importantly, the generally low level of commitments in related sectors adds to the complexity of tourism liberalisation. The cross-sectoral dimension of tourism has been acknowledged in services negotiations by a number of developed and developing country Members, particularly in the early stages of the Doha negotiations. The need to develop safeguards to address international anticompetitive business practices in tourism and related sectors was also noted.

Improved GATS commitments in telecommunications and financial services are among the more readily attainable goals and can significantly contribute to the growth of tourism. Although regulatory capacity constraints are more significant, there are a number of desirable initiatives that WTO Members could also take in the critically important transport industry. This is particularly the case for maritime and air transport services in the light of reforms that have been undertaken in recent years in these services. Multilateral progress on waste treatment, energy and education services, while also highly beneficial for tourism development, is more difficult to attain. Yet, even in these services there is private sector activity requiring only moderate regulatory requirements. With respect to anticompetitive practices, consideration could be given to developing disciplines with a narrow sectoral focus covering tourism as defined in the GATS classification.

SERVICES TRADE LIBERALISATION AND TOURISM DEVELOPMENT

I. Introduction

1. The key objective of this document is to examine the role that services trade liberalisation could play in tourism development in developing countries, with the aim of contributing to international services negotiations. The focus is on the potential offered by the adoption of more liberal trade and investment policies in the variety of services and infrastructure that support tourism.

2. The importance of tourism for economic development is widely acknowledged. A critical feature of tourism is the movement of consumers — the consumer typically goes to the supplier instead of the other way around as in many other services. Sustainable tourism development¹ can thus play a key role in poverty alleviation. Tourism has the potential to employ unskilled or semi-skilled workers in the main centres and in outlying areas, and also stimulates further job creation in supply industries.

3. The significance of the sector is reflected in the relatively liberal environment currently in place in most countries and in the Uruguay Round commitments of WTO Members. Nearly 130 WTO Members have made GATS commitments under the category “Tourism and Travel Related Services” as defined in the GATS classification (W/120). This number is greater than for any other sector and underlines the desire of most Members to expand their tourism sectors and to attract foreign direct investment.

4. Developing countries’ tourism potential and the opportunities it offers for socio-economic development could be significantly expanded. A prominent constraint to tourism development is the lack of adequate services and infrastructure needed to support the sector. This includes transport services and infrastructure, telecommunications and financial services, as well as electric power and sewage treatment facilities. Adequate consideration also needs to be given to construction, advertising and education services. Enhanced services trade and investment liberalisation, including at the regional and multilateral levels, could substantially contribute to the development of tourism. Liberalisation, however, needs to be appropriately designed and effectively implemented, giving due consideration to social and environmental impacts.

5. The next section of this paper reviews definitional and measurement issues affecting the tourism sector. Section III discusses the economic importance of tourism, highlighting its economy-wide effects. Section IV then presents a number of case studies illustrating some of the key constraints impeding the sector’s development. Section V reviews the importance of foreign retirees and their link with tourism and Section VI analyses anticompetitive practices within the industry. Section VII discusses policy implications at the national, regional and multilateral levels and the last section concludes.

II. Definition and measurement of the tourism sector

6. The United Nations in 1994 defined tourism as “the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated within the place visited”. Although

¹ The adoption of policies to ensure that the benefits flowing from tourism are widely shared and spread to poor communities and adverse environmental impacts are minimised.

there is now growing recognition of the role of tourism as a productive activity and of its potential to generate significant direct and indirect economic benefits, the sector has suffered in many countries from a lack of political and popular support. This is because tourism's economic importance has often been underestimated.

7. Tourism is difficult to define and measure since it comprises sellers of many heterogeneous products and services. National accounts and industry statistics fail to present tourism as a specifically-defined sector, nor does tourism appear explicitly in typical economic input-output (I-O) tables. The category "Tourism and Travel Related Services", as defined in W/120 comprises hotels and restaurants, travel agencies and tour operators, and tourist guide services (and an "Other" sub-category)². Numerous other tourism services — computer reservation systems, cruise ships and many other transport services, hotel construction, etc. — are placed in other W/120 sectoral categories.

8. In an effort to improve understanding of the industry, the OECD, the World Tourism Organisation (UNWTO) and Eurostat developed the so-called *Tourism Satellite Account: Recommended Methodological Framework (TSA)* in 2000. The TSA attempts to provide a credible measure of the true contribution of tourism to a national economy by analysing those aspects of demand for goods and services that are associated with tourism, observing the interface between demand and supply of such goods and services, and describing how supply interacts with other economic activities. TSAs are already in place or under development in a significant number of OECD countries, and in an increasing number of developing countries.

III. Economy-wide effects of tourism

9. Broadly defined, tourism could be regarded as one of the world's largest and fastest growing industries. According to the World Travel and Tourism Council (WTTC), an organisation made up of executives from the travel and tourism industries, the contribution of travel and tourism to worldwide GDP will rise from 10.3% (USD 4,963.8 billion) to 10.9% (USD 8,971.6 billion) between 2006 and 2016. Employment is estimated at 234,305,000 jobs in 2006, 8.7% of total worldwide employment, or 1 in every 11.5 jobs (WTTC, 2006a). Direct employment growth in 2005 was estimated at 2.1 million new jobs, 6.5 million counting indirect job creation. The countries expected to increase the most in terms of employment between 2006 and 2015 are China, the US, Mexico, Indonesia, India and Brazil (WTTC, 2006b).

10. According to the UNWTO, worldwide earnings from international tourism in 2006 reached a record of USD 735 billion, an increase of about 8% over 2005 (UNWTO, 2007a). Europe earned more than half of worldwide receipts (51%), followed by the Asia Pacific and the Americas (21% each), the Middle East (4%) and Africa (3%). Tourism is a crucial source of foreign exchange for developing countries. By 1998, tourism became the main source of foreign exchange revenue for the 49 LDCs, not counting the oil industry. Tourism also accounted for more than a sixth of their non-petroleum exports, far more than raw cotton and textiles, their second and third largest export earners. As a whole, tourism is the main export for a third of developing countries (UNWTO, 2002).

11. Tourism is a complex industry, generating significant economic activity with other industries, through two kinds of linkages — backward and forward linkages. Backward linkages relate to the importance of tourism as a demander of inputs from other industries, including a wide range of agricultural

² The category is divided into four sub-sectors, the first three of which have associated listings under the United Nations Provisional Central Product Classification (CPC). These sub-sectors and their respective CPC numbers are as follows: A. Hotels and restaurants (including catering) (CPC 641-643); B. Travel agencies and tour operators services (CPC 7471); C. Tourist guides services (CPC 7472); and Other. No further sub-classifications are provided for under W/120.

and manufacturing goods, and a variety of services, e.g. construction, telecommunications, energy and water and sanitation. Forward linkages relate to the importance of tourism as a supplier (or input) to other industries. As pointed out by Cai *et al.* (2005), while visitor expenditures (final demand) *per se* do not have forward linkages, the tourism industries that sell goods and services to tourists may have forward linkages by selling their products to businesses in other industries.

12. At the same time, the degree to which tourism will act as a key driver of economic growth in a country or region will depend on the extent of so-called tourism leakages. These are defined as the amounts subtracted from tourist expenditures, and can take the form of profits and revenue paid abroad to international tour operators, interest payments on debt and the cost of imported goods and services. Leakages may also arise from the non-sustainability of environmental, cultural or other tourism assets over time.

13. Minimising leakages requires proactive processes that strengthen internal linkages and improve the tourism value-chain, notably by building domestic capacity rather than protecting domestic markets. In the early stages of development, as infrastructure and service investment takes place, leakages are likely to be high and desirable. Thereafter, they may diminish in parallel with the country's rising ability to meet its investment, services and goods needs domestically, and by developing appropriate policies to strengthen local capacities (see Gollub *et al.*, 2002, for a detailed discussion of these policies along the tourism value chain).

Tourism linkage analysis in selected developing and emerging economies

14. In this section, tourism linkage analysis has been carried out for three developing countries — India, Brazil and Indonesia. Linkage analysis recognises that changes in demand have both a direct and an indirect effect on the economy. For example, tourists spend money in certain sectors (direct effect) and these sectors in turn purchase goods and services from other sectors (indirect effect). Thus, a change in tourist demand affects an economy in ways that may be less than, equal to, or greater than the initial value of the change in demand. Linkage values exceeding 1 indicate important multiplier effects and facilitate technology transfer within an economy.

15. An important issue in conducting linkage analysis for tourism is that the definition of the industry is not straightforward. As noted, tourism is not a category characteristically included in an I-O table, which is one of the necessary inputs to undertake linkage analysis. To abstract from these problems, the analysis presented here generally follows the methodology of Cai *et al.* (2005). This implies using a country's TSA to create a composite "tourism" industry and analyse the backward and forward linkages between "tourism" (as a whole) and the other I-O industries (for details about the methodology see Annex I).

16. The three countries studied below exhibit a similar pattern in their tourism linkages. Backward linkages are about average or slightly above 1, and forward linkages well above average. Linkages in the tourism sector appear to be strongest in Indonesia and the least strong in Brazil, with India falling somewhere in between. Given the level of economic development of the countries under study, and the structure of production across sectors, it is not surprising that linkages are generally strongest in the manufacturing sector. However, the tourism sector consistently scores stronger linkages (both backward and forward) than the average for the services sector, suggesting that tourism may be one of the most interconnected services sectors in these three economies.

India

17. Demand for tourism services in India was expected to increase by 8.4% in 2006 and to continue to rise steadily in the next decade (WTTC, 2006c). The tourism sector in India, as in many countries, is

made up of a diverse set of different sectors. As defined by the Indian TSA, Chart 1 shows the share of the tourism characteristic industries (*i.e.*, the primary sectors that satisfy tourism demand) that can be attributed to tourism consumption.

Chart 1. India

Tourism Industry Ratios (2002/3)	
Industry	Total Tourism Consumption
Accommodation services	92%
Food and beverage serving services	18%
Passenger transport services	
- Railway	29%
- Road	
- Buses	63%
- Other mechanised vehicles	3%
- Non-mechanised vehicles	90%
- Water	2%
- Air	94%
Transport equipment rental	75%
Travel agencies and similar	96%
Other recreational and entertainment activities	49%

Source: This table is reproduced from India's TSA for 2002/3.

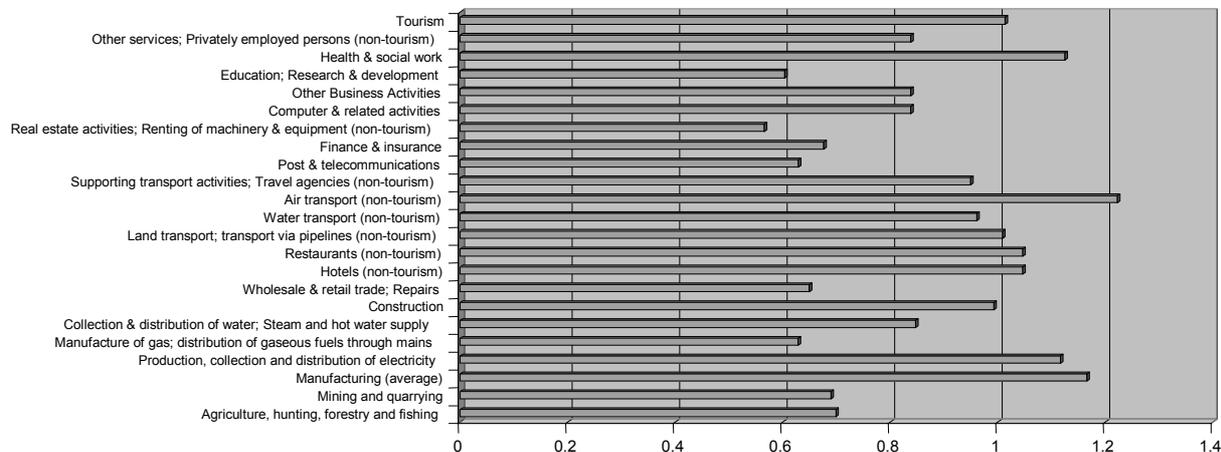
18. The tourism sector is even more diverse when tourism-related sectors are included (*i.e.*, the secondary sectors that satisfy tourism demand). India's TSA identifies the following sectors as tourism-related sectors: clothing and garments, processed food, tobacco products, alcohol, travel related consumer goods, footwear, toiletries, gems and jewellery, medicines and health related items, and printing and publishing. However, because of issues of data availability in the TSA and aggregation in the input-output table, these sectors could not be included in the composite tourism sector for India. As a result, the linkages presented in this paper probably underestimate slightly the tourism sector as a whole.

19. India's backward and forward linkages for total inputs are shown in Figure 1. The composite tourism sector has an average backward linkage of about 1. Thus, an increase in final demand implies an about average effect on the sectors that supply inputs to the tourism sector. Using a slightly different method of creating a composite tourism sector, Cai *et al.* (2005) report similar findings for Hawaii's tourism sector in 1997. It is interesting to note that the backward linkage for tourism (1.01) is above a simple average of all of the other services sectors included in Figure 1 (0.87).

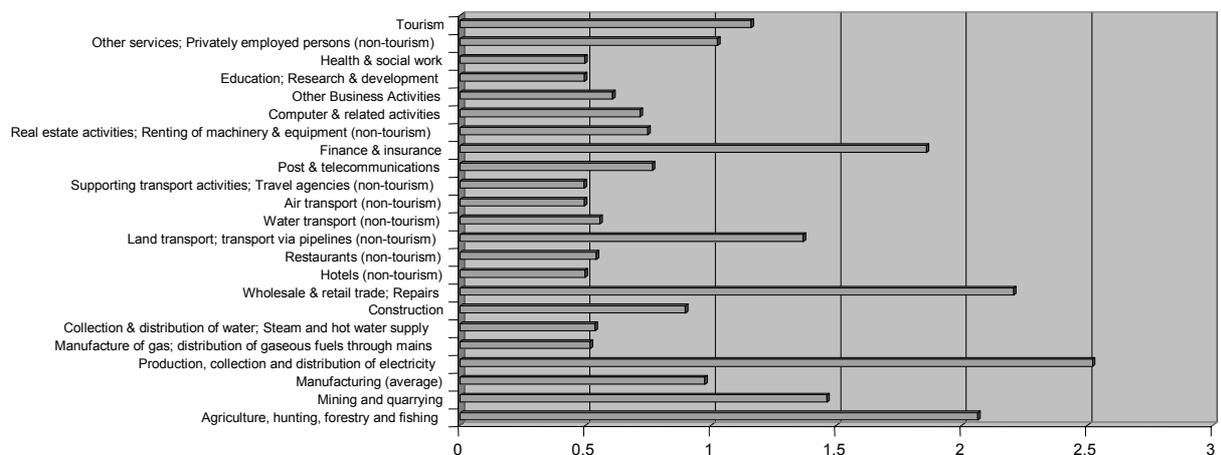
20. Similarly, tourism forward linkage is above average, with only six sectors having a higher forward linkage. This finding differs from the results obtained by Cai *et al.* (2005) who observe a below average forward linkage for the tourism sector in Hawaii in 1997. However, this difference could be accounted for either in the divergence in methodology or by the different level of economic development between Hawaii and India. In addition, the average forward linkage for the tourism sector (1.16) is greater than a simple average of the other services sectors (0.91). Coupled with the findings for the tourism sector's backward linkage, one can conclude that tourism may be one of the most interconnected services sectors in the Indian economy.

Figure 1. India's linkages

Backward linkages



Forward linkages

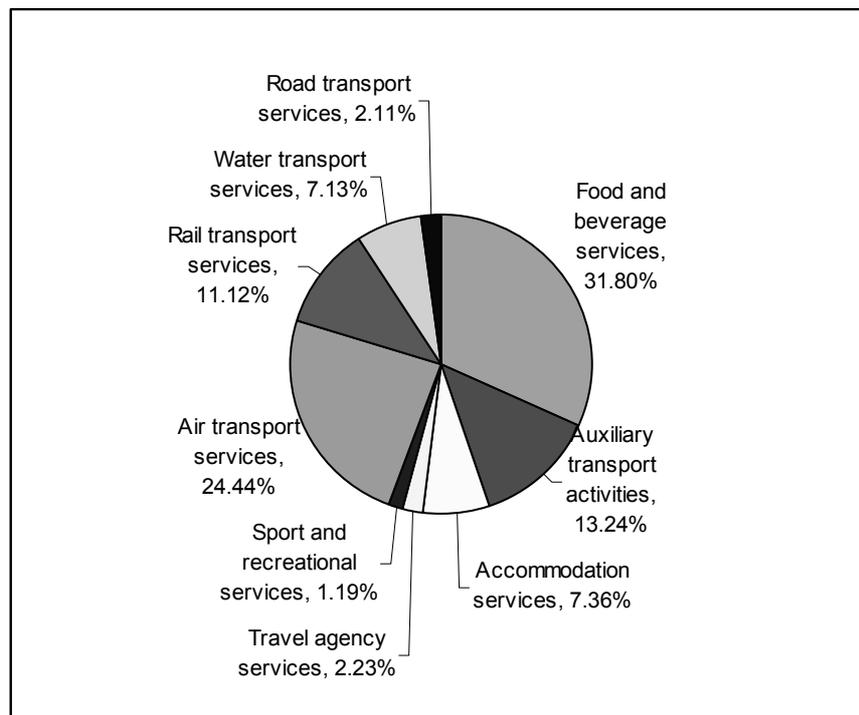


Note: The input-output table for India comes from the OECD as of June 2006 and relates to the period 1998/9. India's TSA was compiled by the Indian Ministry of Tourism as of January 2006 and represents the period 2002/3. Using data on real growth in travel and tourism demand from the WTTC (2006c), the data in India's TSA was converted to 1998/9 to ensure comparability with the most recent input-output table available for the country.

Source: OECD Secretariat.

Brazil

21. Analysts at the WTTC estimate that demand for tourism services in Brazil grew by 5.3% to approximately USD 70.4 billion in 2006, which represents about 1% of the total global market for tourism services (WTTC, 2006d). Similar to India, the Brazilian tourism sector is made up of many different sectors. Figure 2 below shows the relative importance in terms of revenue of each of the "primary" sectors characteristic of the Brazilian tourism industry in 2003.

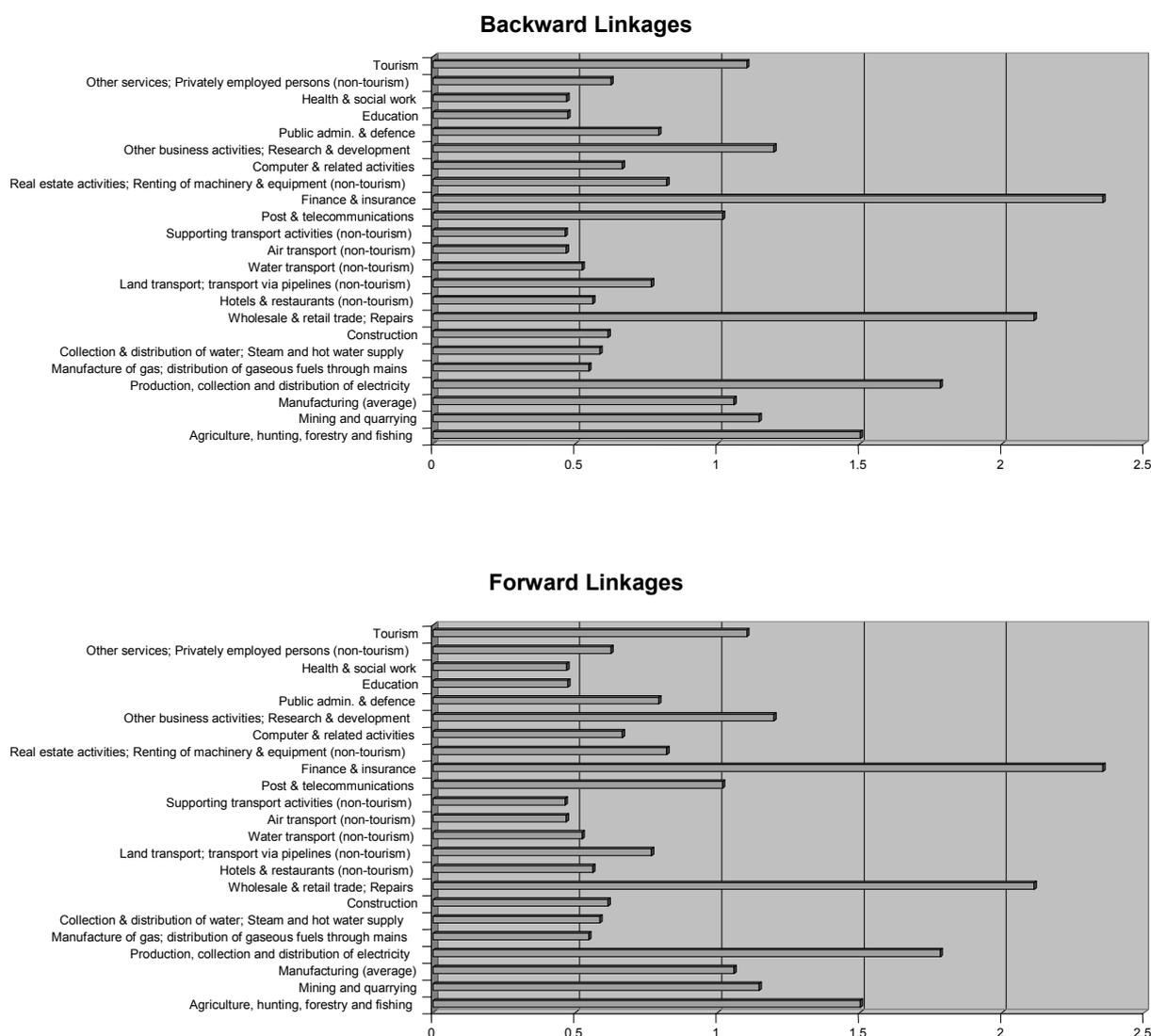
Figure 2. Percent of net operational revenue of Brazilian firms in tourism-characteristic activities, 2003

Source: Brazilian Institute of Geography and Statistics (IBGE), 2003.

22. As indicated in the data from the IBGE, the food and beverage and air transport services sectors together generated in 2003 over half of the total net operational tourism-related revenue in Brazil (56.2%). These two sectors are followed by auxiliary transport activities (13.2%) and rail transport services (11.1%). The IBGE also reports that over 80% of all of the firms engaged in a tourism-related activity are in the food and beverage services business, and many of these firms employ five or fewer employees.

23. Figure 3 shows that Brazil has an average backward linkage (1) in the tourism industry. This finding mirrors the results for India presented earlier in the section as well as the evidence presented for Hawaii in Cai *et. al.* (2005). Brazil's forward linkage is slightly above average (1.1), which again mirrors the results obtained for India. And while Brazil's tourism backward and forward linkages are both about average, they are nevertheless above the average of all of the other services sectors analysed. So while one might expect stronger linkages in the manufacturing sector – which is indeed what emerges in this analysis – tourism can be viewed as having relatively more linkages than the average services sector in Brazil.

Figure 3. Brazil's linkages



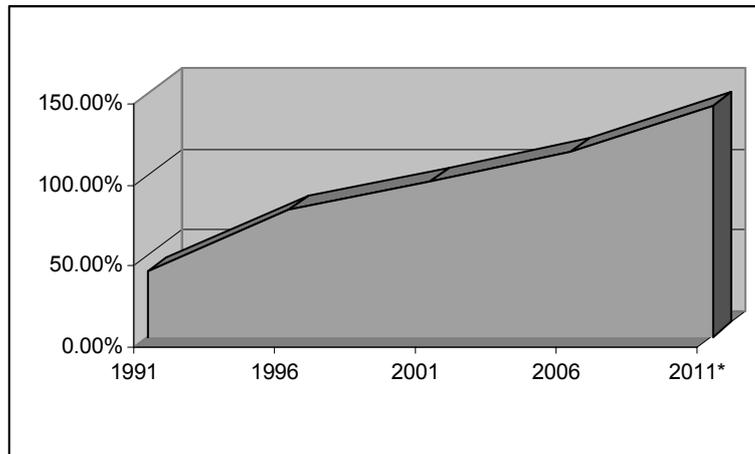
Note: The input-output table for Brazil comes from the OECD Input-Output Database as of January 2007 for the year 2000. Because Brazil has not yet completed its first TSA, data on output by sector is unavailable. Thus, this study assumed that the tourism share in each primary tourism-related sector is constant across all of the countries analysed (*i.e.*, the shares calculated for India are applied to Brazil's input-output table to create a tourism composite sector). While this assumption means that the results presented for Brazil are estimates, it does not alter the structure of production across sectors, which is critical to linkage analysis.

Source: OECD Secretariat.

Indonesia

24. Indonesia is also characterised by a growing tourism sector. For example, demand for tourism services in Indonesia is estimated to have increased 5.5% to approximately USD 37.3 billion in 2006, which represents about 0.6% of the total global market for tourism services (WTTC, 2006e). Moreover, Indonesia is experiencing solid cumulative real growth in tourism demand (see Figure 4).

Figure 4. Tourism demand in Indonesia (cumulative real growth)



Note: *Projected.

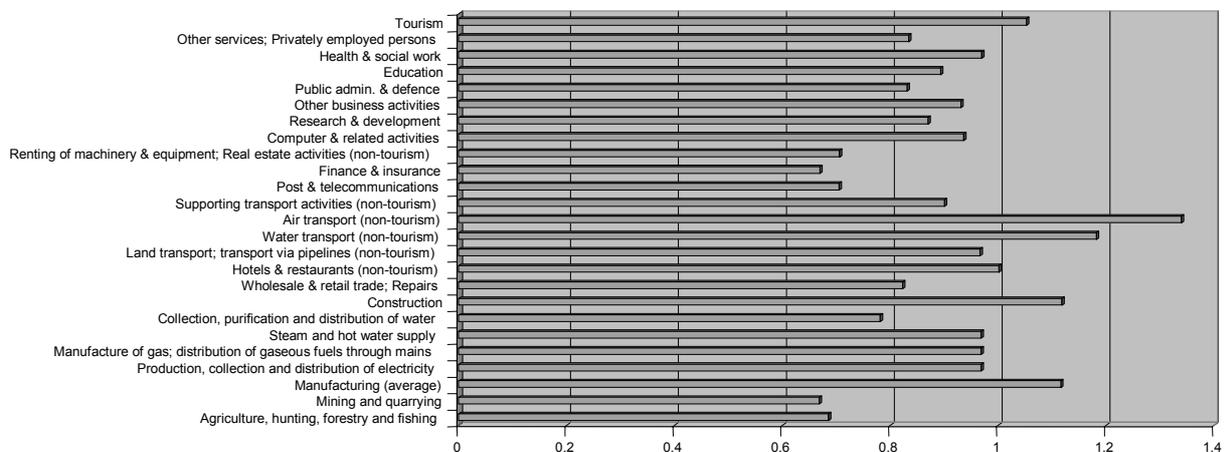
Source: Adapted from WTTC, 2006e.

25. While tourism demand in Indonesia has indeed been steadily increasing, Indonesia’s market share of total world tourism demand has showed a more volatile pattern. Data from the WTTC show a steep dip in Indonesia’s share of world tourism demand around 1997. Since then, its share of global tourism demand has been steadily increasing, but Indonesia has yet to get back to the highs experienced in the mid-1990s (WTTC, 2006e).

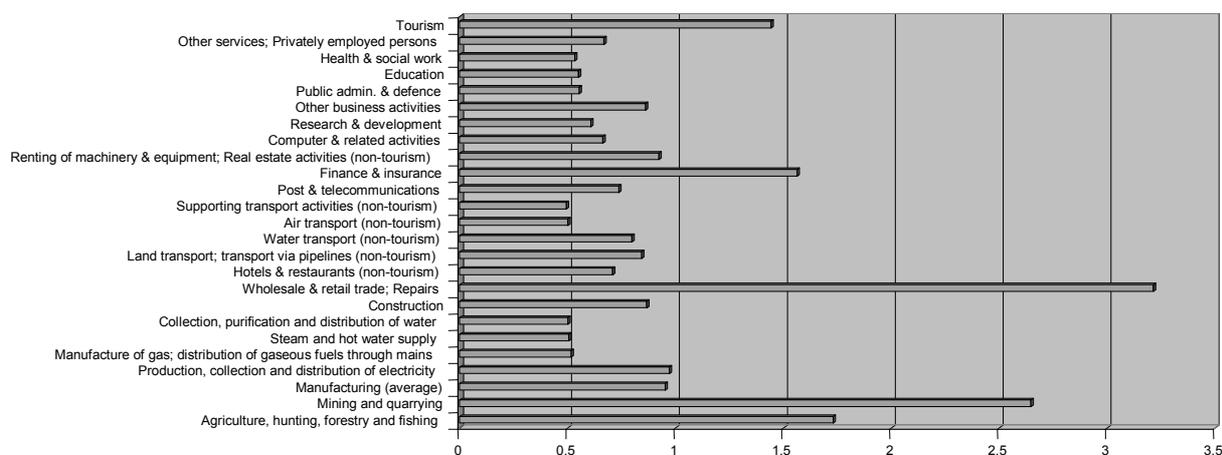
26. Figure 5 indicates that the backward linkage for tourism in Indonesia, at 1.05, is the strongest backward linkage for tourism in the three countries studied. In fact, only four other sectors have a higher backward linkage in the Indonesian economy. Indonesia’s forward linkage is also more markedly above 1 than the other two countries (1.44). Both the backward and forward linkages for the tourism sector in Indonesia are also well above the average services sector in the economy, with the forward linkage being particularly strong when compared to the average service sector (0.84).

Figure 5. Indonesia’s linkages

Backward Linkages



Forward Linkages



Note: The input-output table for Indonesia comes from the OECD Input-Output Database as of January 2007 for the year 2000. As noted, this study assumed that the tourism share in each primary tourism-related sector is constant across all of the countries analysed (*i.e.*, the shares calculated for India are applied to Indonesia's input-output table to create a tourism composite sector). This assumption should not affect the inter-linkages among sectors.

Source: OECD Secretariat.

IV. Addressing constraints to tourism development: case studies from Africa and Asia

27. From the point of view of tourism development, strong backward linkages can be vital. If there are constraints to these linkages, *i.e.* inputs needed for tourism activity are lacking or expensive, the growth of the sector may be undermined. In particular, the ability of a country to effectively deliver tourism depends critically on how well its services and infrastructure are capable of sustaining the sector. Against this backdrop, this section presents case studies from developing economies in Africa and Asia — Madagascar, Mozambique, Cambodia, India and South Africa. The case studies review the key constraints to tourism development and discuss the steps taken by the relevant governments to address them.

28. The case studies were mostly compiled from information contained in secondary literature. Table 1 reports the studies employed for the analysis. Consultations have also in some cases been undertaken with government officials.

Table 1. Literature used for compiling the case studies

Country	Author (year)
Madagascar	Christie and Crompton (2003); World Bank (2003a); US Embassy Mission to Madagascar (2004); Christie (2005); UNWTO (2007b); and WTTC (2007a).
Mozambique	World Bank (2003b); USAID (2004); Cockburn and Low (2005); World Bank (2005); ComMark Trust (2006); EIU (2006); MINTEL (2006a); Nathan (2006); OECD/FIAS (2006); UNWTO (2007b); and USAID (2007).
Cambodia	Leung <i>et al.</i> (1998); FIAS (2005); UNWTO (2007b); and WTTC (2007b).
India	UNESCAP (1999); Government of India (2000); Sinha (2001); Government of India (2002); WTTC (2004); Government of India (2005); US Department of Transportation (2005); Jahangir <i>et al.</i> (2006); MINTEL (2006b); NCAER (2006); UNWTO (2007b); and USITC (2007).
South Africa	DEAT (1997); Christie and Crompton (2001); WTTC (2002); South African Tourism (2005); ComMark Trust (2006); Kruger-Cloete (2006); ACSA (2007); South African Tourism (2007); and WTTC (2007c).

Key tourism features of the case study countries

Madagascar

29. Madagascar has world-class tourism assets. It is the world's fourth largest island, with nearly 5,000 km of coastline coupled with a continental shelf equal to 20% of the island's land area. Madagascar has a wide range of natural beauty and cultural resources to support tourism. It is home to many unique indigenous species, among them 30 species of lemur. These resources present numerous opportunities for developing both resort-based and eco-tourism.

30. Since 1990, tourist arrivals in Madagascar have grown at an average annual rate of 11% according to the UNWTO, reaching 312,000 in 2006. French tourists dominate arrivals, with a share of around 60%, for historical and cultural reasons, as well as flight itineraries. During the same period, the country had an estimated 556 hotels, of which around 111 were classified as meeting international standards and another 109 met local standards. The remaining hotels were unclassified, with many containing no more than 5 rooms. Operators have stated that this leads them to compete with each other for rooms in the small number of hotels that meet acceptable standards.

31. Using a simulated satellite account, the WTTC estimates that the contribution of tourism to Madagascar's GDP (direct and indirect impact) in 2007 is expected to account for 6.3%. It is estimated that tourism supports 206,000 jobs in the country, representing 5.1% of total employment.

Mozambique

32. Mozambique is endowed with remarkable tourism assets. It combines historical heritage, natural beauty and wildlife to offer cultural, beach and eco-tourism. However, the armed conflict that took place between 1973 and 1992 decimated tourism as well as wild-life conservation efforts. Since the end of the civil strife, operators' confidence has been slowly re-building and now Mozambique is in a unique position to revamp its tourism industry.

International tourist arrivals in Mozambique have risen significantly from the first measurable point in 1999 when they amounted to 240,000. UNWTO figures suggest that 578,000 tourists arrived in 2005, 23% up on 2004. Most visitors are intra-regional, with about one third coming from South Africa. Tourism receipts in 2005 totalled USD 130 million, 103% up from USD 64 million earned in 2001, an average annual rate of increase of 15.1%. Currently available data for accommodation establishments

estimate an availability of around 7,700 hotel beds in Mozambique, with an approximate occupancy rate of just below 40%. The capital, Maputo, generates about half the hotel nights.

33. In 2003, tourism only accounted for around 1.2% of GDP well below the Sub-Saharan Africa average of 6.9%. However, in 2005 the industry grew by 37%, which was the fastest growth rate in the world and also registered positive trends in attracting foreign investment, reaching about USD 84 million, the largest for any sector of the economy. The sector employs 32,000 people, an increase from 19,600 reported in 1990. Despite these encouraging signs, there remains much scope for the further development of Mozambique's tourism.

Cambodia

34. Cambodia is often mentioned as one of the top emerging tourism destinations in the world. Phnom Penh with its distinctive cultures and heritage and the legendary Khmer temples near Siem Reap, especially Angkor Wat, give Cambodia its reputation as a tourism destination worldwide. The Khmer temples date from the 9th and 15th centuries and form one of the most important and largest archaeological parks in the world, recognised as a World Heritage site by UNESCO. Other prominent tourist attractions include outstanding rain forest vegetation, the Mekong River and the Elephant Mountains along the southern coast.

35. The number of tourists in Cambodia has continuously increased to reach 1,422,000 in 2005, a 35% rise on the previous year. The tourism sector is perceived as one of the most promising and as a primary source of foreign exchange. International tourism receipts in 2005 were estimated at USD 840 million, 39% up from 2004. WTTC estimates that one-fifth of GDP is accounted for by the tourism sector and that tourism employs one person in six. However, most of the growth has been concentrated in Siem Reap, which has raised issues of sustainability.

India

36. India has spectacular natural and cultural tourist attractions, with a cultural heritage of over 5,000 years. It is home to thousands of monuments and archaeological remains, including the Indus Valley Civilisation, one of the world's most ancient river valley civilisations. The natural resources and climate are very diverse, ranging from mountainous regions to valleys, plains and deserts. The country also has some of the best beaches in the world, many still unexplored, and many wildlife areas with a large variety of flora and fauna. Its visitor-friendly traditions, varied lifestyles and religions, and colourful fairs and festivals are strong attractions for tourists.

37. It is estimated that tourist arrivals in India grew from 1.8 million in 1992 to 4.4 million in 2006. The average annual rate of increase in tourist arrivals between 1990 and 2004 was 5.2%, although the rate accelerated to 9.2% between 2000 and 2006. According to the Government, tourism has become an important employment generator and an instrument of poverty alleviation and sustainable human development. In 2004, employment generation through tourism is estimated at over 24 million, or 5.5% of total employment. Tourism receipts in 2006 were estimated at USD 8.9 billion, 18.7% up from USD 7.5 billion in 2005. Tourism is the third largest net foreign exchange earner for the country.

South Africa

38. South Africa's immense tourism potential went unrealised prior to 1990 during the Apartheid era. Given the inherent destination assets, since 1990 the tourism economy in South Africa has experienced strong and steady growth. The country's resource base is enormous and highly diverse, including accessible wildlife, spectacular sceneries, unspoilt wilderness areas, and cultural and historical attractions.

There are numerous opportunities for special interest activities, including whale watching, sailing, fishing, volunteering, backpacking, hiking, eco-tourism and golf. South Africa also has international class hotels and resorts for business, and the quality of infrastructure and health services is generally good.

The number of international tourist arrivals visiting South Africa more than doubled between 1994 and 2004. Tourist arrivals continued to increase, reaching 8.4 million in 2006. Regional source markets contribute for almost 6.3 million tourist arrivals, while Europe accounts for around 16% of foreign arrivals, with the UK, Germany and the Netherlands being some of the key markets. In the Americas (4.3% of market share), the US, Canada and Brazil dominate; the Asia Australasian region (3.6% of market share) is represented by Australia, India and China. South Africa has about 8,500 tourist accommodation establishments with over 160,000 rooms. Camping and caravan sites account for the highest share (28% of the total), followed by hotels (25%), and holiday apartments and resorts (11% each).

39. Using a simulated satellite account, the WTTC estimates that tourism's contribution to South Africa's GDP (direct and indirect) was R141.86 billion (or 8.3%) in 2006, up from R122.49 billion in 2005. It is estimated that 425, 930 jobs are directly supported by tourism, and an additional 521, 600 jobs in indirect and induced activities.

Constraints to tourism development

40. Research in these five countries reveals a wide measure of commonality in the constraints faced in developing the tourism sector. The most common constraints fall into five categories: transport services and infrastructure, accommodation, utilities and IT infrastructure, marketing and promotion, and education and training. Limited financial services also create bottlenecks in some of the countries studied. Some of these concerns are, of course, not limited to the tourism industry but reflect wider development issues affecting both residents and visitors.

Madagascar

41. In Madagascar, international air access is both restricted and expensive, due mainly to dominance by just two airlines – Air France and Air Madagascar. A lack of competition forces up fares (Paris – Antananarivo return is of the order of USD 2,200), there are only five services a week and virtually no other links to extra-regional destinations. Airport infrastructure requires upgrading, with only a few of the country's 133 airports having a paved runway. Domestic air services are also in the hands of Air Madagascar which further controls ground handling.

42. Roads throughout the country are in poor condition, with only 5,000 km paved out of 33,000 km nationally. Railways are limited to a few main routes and require further development, while port infrastructure lacks the facilities required to profit from the country's location between two cruise ship poles in Mombasa and South Africa.

43. Hotel capacities are limited with mainly small units unable to accommodate larger groups and few establishments meeting international standards. Most tourism enterprises and investors are unable to access bank credits and their costs are high, representing a drag on the economy's needed investment efforts. A lack of bandwidth throughout the country prevents the provision of reliable Internet connections and thus shuts the tourism industry out of the key area of on-line bookings and the provision of information services direct to the traveller. Electricity supply is unreliable outside the main centres, as is water supply. Sewage disposal is widely inadequate with uncontrolled dumping actually damaging marine and other environments.

44. Madagascar’s budget for marketing and promotion in 2002 was just USD 150,000, compared with USD 10 million in Kenya and USD 23 million in South Africa. In the key area of training, the country lacks skills and training in all tourism-related sectors, including language skills other than French. This hampers both the provision of information to tourists and the extent to which investors can obtain information on the country.

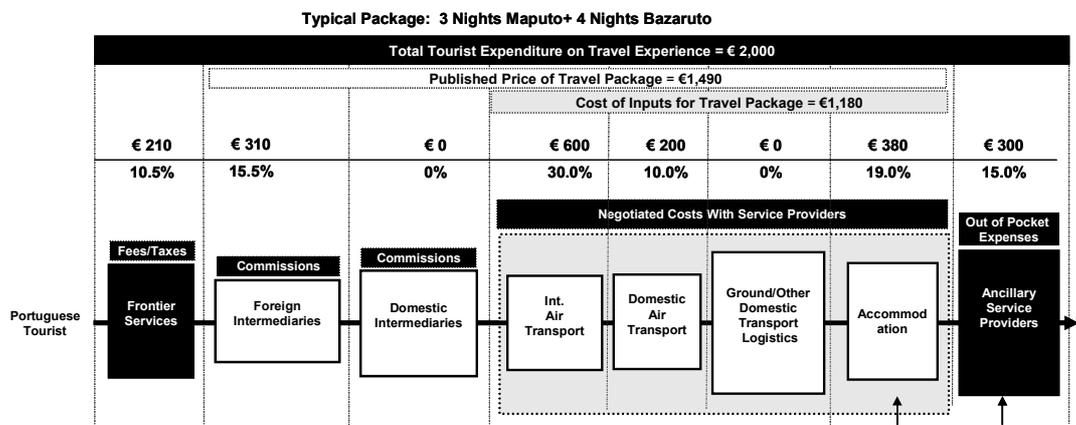
Mozambique

45. The situation in Mozambique to some extent mirrors that in Madagascar. Air access is very limited, with only one connection (to Portugal) other than regional services to Johannesburg, Nairobi, Harare and Dar es Salaam. The bilateral air service agreement with Portugal makes no provision for charter flights. Low service frequencies are also reflected in high fares. Domestic air transport is very limited as well, although fares are falling as a result of the arrival of some new, small carriers. The impact of such factors is illustrated in Box 1 below, which shows that international and domestic air fares account for 40% of a short holiday package.

Box 1. Packaging a complete tourist experience in Mozambique

OECD/Foreign Investment Advisory Service (FIAS) provides an analysis of the value chain of a typical tourist experience packaged for Portuguese travellers. The study maps the main economic agents that influence the cost and value of the itinerary Lisbon to Bazaruto. As shown below, domestic and international transport account for 40% of the total cost, while accommodation reaches 19%, tour operator commissions 15.5%, ancillary services 15% and airport’s fees and taxes 10.5%.

**Value Chain Map for Lisbon-Bazaruto Travel Package
Tourism Itinerary: Lisbon – Maputo – Vilankulos - Bazaruto**



The package is assembled wholly by the Portuguese tour operator, which procures the international flight, the local connecting flight as well as accommodation and transfers. The tourist pays a commission of EUR 310 to the tour operator and about EUR 600 for the discounted airfare. The domestic ticket amounts to about EUR 200 and accommodation totals EUR 380 including transport, some food and entertainment. The 7-nights itinerary is priced at EUR 1,490 and its main competitors are on the lower end of holidays to Cape Verde (price range EUR 369 – EUR 1,389), and on the higher end of holidays to Mauritius (EUR 1,222 – EUR 4,849) and Seychelles (EUR 1,256 – EUR 4,410). However, Bazaruto cannot compete on price terms with Cape Verde and other similar destinations as its cost structure remains quite high. At the same time, it faces challenges competing with Mauritius and Seychelles as its tourism offer is not yet of a quality comparable to those competitors in the high end markets.

Source: OECD/FIAS, 2006.

46. Accommodation is in short supply, and there is no ability to accommodate groups of more than 30 people in the same establishment. The process of accessing land for new hotel development is slow,

complex and expensive, and difficulties in securing financing deters new investors. Utilities are very costly and supply has been unreliable. Many tourist operators supply their own power, achieving supply reliability at a premium of some 240% above public tariffs. As in Madagascar, inadequate marketing budgets inhibit tourism's development, and a lack of tour operators also limits the sector's growth. There is a critical need for better trained personnel in an industry which is just at the beginning of realising its considerable long-term potential.

Cambodia

47. Cambodia's tourism sector suffers from the same general constraints as the other countries cited here. Basic infrastructure is lacking, trained tourism sector workers are in short supply, and limited resources allocated to marketing and promotion have led to a loss of market shares in parts of the country other than Siem Reap. The country's financial system is underdeveloped and the supply of foreign banking services is limited by government controls. Credit card acceptance in hotels and other tourist establishments remains limited, and so is ATM availability, exposing foreigners to the risks and impracticalities of bringing cash.

48. In addition, extreme pressure has been exerted on Siem Riep, the location of the country's internationally iconic attraction of the Khmer temples, to the extent that serious environmental damage is being done in the most sensitive areas. Water and sewage systems are not adequate even for residents, while electricity supply is unreliable and costly.

India

49. Under India's five-year planning cycle, the Ninth Plan (1997-2002) identified the key constraints to the development of tourism as restrictive air transport policies, poor infrastructure and accommodation, limited access to capital, underdeveloped marketing and promotion and deficient tourism education and training — a list very much along the same lines as the other countries featured in this paper. A more detailed study in 1999 by UNESCAP supported these findings.

50. Restrictive air transport policies, essentially protecting the national airline, Air India, which also suffered from capacity constraints, slowed until recently the development of reasonably-priced international access to the country. Only 10 out of India's 250 airports had runways over 10,000 feet and none possessed up-to-date landing systems and other equipment to facilitate landing in all weather conditions.

51. In the early years of this decade there was a national deficit of the order of 30,000 hotel rooms. Promotion and marketing was limited especially in the light of the rapid progress being made in this area by some of India's Asian neighbours. Indian banks and financing institutions, including the Tourism Finance Corporation, provided inadequate access to investment capital, while taxation on the tourism sector was regarded as excessive by some. Training and education in the hospitality and catering services, and more generally in the tourism industry, was seen as inadequate, with a national training capacity only one third of what the industry required.

South Africa

52. While South Africa is way ahead of the other countries featured here in terms of its tourism infrastructure, there remain nonetheless some important constraints. These were identified in an EU-assisted "*White Paper for the Development and Promotion of Tourism in South Africa*" of 1996, where education and training was identified as a key bottleneck. At that time, the country was able to satisfy only 10% of its training needs.

53. Although South Africa's air transport system compared well with countries in the region, with respect to both domestic and international traffic, efforts were needed to fully liberalise the industry. Deficiencies in infrastructure were also identified, notably regarding the inadequacies of the transport network to open the country's rural areas to tourism and thus spread the sector's benefits widely among the population. Accommodation continued to be highly concentrated in Cape Town, Durban and Gauteng, accounting for approximately 40% of total room stock. Marketing efforts and the lack of an appropriate supporting institutional structure at regional level also hampered the industry's wider regional development.

Addressing the bottlenecks

54. In the face of broadly similar challenges, each of the five governments have sought to address these issues by establishing a variety of policy responses. The essence of these policies has been to seek to improve the functioning of the markets that serve the tourism industry. It is in these areas that national, regional and multilateral actions can be most effective.

Air transport liberalisation

55. All five countries reviewed have taken steps to liberalise their air transport sectors, albeit with different degrees. South Africa has liberalised domestic air travel allowing the operation of low-cost carriers, with the result that fares have fallen and passenger numbers have sharply increased on key domestic routes. Similar gains have been made by liberalising international routes (for example, the Nairobi-Johannesburg route was liberalised between 2000 and 2003, leading to a 69% rise in passenger traffic in a five year period). South Africa has a well developed airport infrastructure, resulting from a successful privatisation in the 1990s. The Airports Company South Africa is a globally competitive company which operates the country's 10 principal airports.

56. India has introduced a range of liberalising measures in air transport, including steps to privatise Air India and opening domestic routes to new carriers. Open skies agreements are being pursued and have been signed with Australia and the US. These measures have resulted in an increase in the number of airlines operating both domestically and internationally, greater private sector participation in airport operations and a boost in demand. In Madagascar, steps have been taken to end Air Madagascar's domestic monopoly and to introduce more open skies policies. The first open skies agreement was signed with the US in 2004. Airport reforms have also been introduced, with concessions granted for the management of the 12 largest airports.

57. In Mozambique, some liberalisation of domestic air services has been undertaken by allowing new carriers to compete with the national airline, LAM, internally. The government has also attempted to privatise the national airline, although thus far without success. Despite positive signs, a more difficult task seems to be liberalising at the international level. Mozambique signed the 1988 Yamoussoukro Declaration and SADC Protocol on Transport Communication and Meteorology, both of which in principle significantly liberalise traffic between signatories. These initiatives, though, still need to be implemented. In Cambodia, a 1998 open skies agreement with Myanmar, Vietnam and Laos has boosted services and passenger carryings in the region. Efforts to liberalise traffic beyond the region have not yet been made.

Utilities and IT infrastructure

58. While the supply of utilities is clearly also a general development issue that affects more than the tourism sector, the international tourism industry is very dependent on efficient basic infrastructure and IT services. This has been recognised by the countries reviewed here; in South Africa, for example, the White Paper stressed the importance of upgrading the existing infrastructure, including telecommunications, and

improve accessibility in rural areas. Cambodia has received assistance by the Japanese International Cooperation Agency (JICA) to address infrastructural and environmental issues affecting Siem Reap. A new water supply system has been constructed as well as new electricity supply facilities to meet increasing demand for reliable power.

59. Concrete steps have also been taken to liberalise these services to increase efficiency and expand access. In Madagascar, introduction of competition in the telecommunications sector was completed in 2004. The reforms have led to significant telecommunications service improvements compared to five years ago with the widespread use of cellular phones and the Internet. Mozambique has also embarked on an ambitious telecommunications reform, introducing competition and private sector participation in both fixed and mobile services, which has substantially expanded connectivity.

60. Furthermore, the Mozambican Government has committed to reform in the energy sector, by gradually introducing private sector participation through concessions coupled with new regulatory instruments to enhance efficiency and service access. This approach was piloted in mid-2004 in the Inhambane Province, where a contract to provide electricity was awarded to an international consortium. The Inhambane Province includes the Bazaruto archipelago, where it is expected that growing international tourism will generate high demand of electricity from hotels and other tourism establishments. There are early indications of success with the concession arrangement.

Hotel accommodation

61. Adequate hotel accommodation is central to a successful tourism sector. India, building on previous initiatives that have opened foreign direct investment in the sector, has taken steps to improve land availability, another key limiting factor. In 2005, the Ministry of Tourism has proposed to the state Governments to identify hotel sites and make them available to entrepreneurs on suitable terms, such as long-term lease. These initiatives have contributed to encouraging the expansion of available accommodation, with at least 50 non-Indian hotel chains planned to enter the market as of April 2007. Privatisation has also taken place in Madagascar's hotel sector; accommodation still requires action in Mozambique, although the problem has been recognised. The *National Tourism Policy and Implementation Strategy* includes a call to promote access to land for tourism growth.

62. In 2006, South Africa established a tourism programme within the Deputy-President's Accelerated and Shared Growth Initiative (AsgiSA). The AgsiSA programme identifies several areas for attention in an effort to take forward the bottlenecks and priorities identified in the White Paper. These include a proposal around the design of a cash rebate for tourism investments that create employment outside the main metropolitan areas.

Financial services

63. Although a strong financial services sector also represents a broader development issue, the need for appropriate access to capital for tourism establishments and to financial services for visitors has been highlighted in some of the countries studied here.

64. India has taken steps to expand the presence of foreign banks to provide for a wider and more competitively priced range of financing products, including for the tourism industry. In 2005, as part of the continuing process of financial market liberalisation, the Reserve Bank of India (RBI) initiated several banking reforms. It established a three-phase road map (to be concluded in March 2009), which will allow foreign banks satisfying the RBI's eligibility criteria to establish a wholly owned banking subsidiary (WOS) or to convert their existing branches into a WOS. Furthermore, the RBI is considering a further opening of foreign acquisition of shares in Indian private sector banks.

65. In Mozambique, new banks have begun to enter the market facilitated by increased demand and reforms of the sector introduced by the Government. In particular, the law on Credit Institution and Finance Companies was recently amended relaxing entry requirements. By early 2007, 13 banks, including many foreign banks, were in operation (up from 3 in 2004), some of them offering innovative services to new groups of clients including SMEs. The increased opportunity for financial intermediation has particularly favoured the tourism sector, with bank credits increasing by almost 140% between 2004 and 2006.

Education and training

66. The development of adequate education and training for tourism has been identified as a key challenge in all the case study countries. In Madagascar, a comprehensive tourism policy framework is under development, which includes a determination of how to fund expansion of education services building on the relative strengths of the public and private sectors and the establishment of a conducive framework for domestic and foreign investors. Similar national policies and action programmes are under development in Mozambique and Cambodia.

67. The AsgiSA programme established a national tourism skills development forum to guide the work needed to improve tourism human resources in South Africa. This forum was put in place after a national skills conference held in 2006, at which government, business, labour and community interests committed themselves to accelerating work targeting tourism skills. Critical to this are public-private partnerships to ensure that education and training are in line with the needs of the industry.

68. In India, the Government's Plans have progressively strengthened the institutional set-up in human resource development, including by creating the Advisory Board of Tourism and Trade charged with providing policy guidelines in the area of tourism training. Altogether, 21 Government-run Hotel Management and Catering Technology Institutes and 14 Food Craft Institutes were also established under the Ninth Plan for imparting specialised training in these areas, with 15 more Craft Institutes to be set up in the Tenth Plan. The Government also noted that more remains to be done in this area, including by promoting partnerships with the private sector to further strengthen capacity.

Promotion and marketing

69. The promotion of a country's tourism sector internationally remains mainly a public sector function. The comprehensive tourism policy framework put in place in Madagascar is intended to address this issue, as is the strategic planning process in Mozambique. In South Africa, the marketing efforts are spearheaded by South African Tourism, the country's national tourism organisation, which receives considerable financial support from the fiscus. The Government of India, recognising the fierce competition in neighbouring tourist generating markets, significantly increased promotional expenditure since 1999/2000.

70. At the same time, the countries reviewed here recognise that, to be performed effectively, promotion and marketing of tourism destinations requires a coordinated approach developed jointly with the private sector. In South Africa, for example, a partnership between the Government and the private sector led to the establishment of a Business Trust, which co-finances several services including marketing activities. Cambodia has recently been considering the establishment of a Tourism Marketing and Promotion Board to step up cooperation between the public and private sectors in this area and enhance the country's image as a worldwide tourist destination. The importance of fostering public-private partnerships in tourism marketing has also been acknowledged by the Indian Government.

V. Tourism and the retirement industry

71. Tourism may also represent an entry point to attract other types of consumers. In particular, a growing phenomenon in recent years has been the movement of seniors or retirees from high-income to lower-income countries. As baby boomers used to travel abroad for vacation begin to retire and developing countries improve their services and infrastructure, these trends are likely to continue. Since seniors are typically middle-income to wealthy consumers and often become residents rather than temporary visitors, they provide a constant flow of foreign exchange for suppliers of a wide spectrum of goods and services.

72. Notwithstanding its increasing importance, the movement of retirees remains generally understudied. This is due to a number of factors, including conceptual and definitional difficulties — as this phenomenon is often in between temporary movement and permanent migration — and data scarcity. Preliminary research reveals that the principal flows of retirees take place in the Americas, from the US and Canada to Central America and the Caribbean region, followed by Western Europe from north to south (Puga, 2000). A relatively recent trend in Europe is the movement of European retirees, particularly French nationals, to North African countries.

73. The US is the largest source of retirees moving especially to Latin American countries and this influx is on the rise. For example, it is estimated that around 1 million Americans will retire to Costa Rica in the next ten years (Garrison-Sprenger and Black, 2006). The size of US-born seniors grew significantly in both Mexico and Panama between 1990 and 2000 and data suggest that these trends are continuing. In Mexico US-born senior residents increased by 17% during this period, with fastest growth in some municipalities (Chapala around 580%, Los Cabos 308% and San Miguel de Allende 48%). Panama saw a 136% increase of senior residents during the same period. In addition, visa statistics also show that the number of US citizens obtaining pensioner visas in Panama more than tripled between 2003 and 2005 (Migration Policy Institute, 2006).

74. A number of countries in South East Asia have also become key retirees' destinations. For example, it is estimated that the number of retirees in the Philippines will reach about 860,000 by the end of the decade (Salazar, 2006). The medical and long-stay tourism programmes have proved successful in countries like Thailand and Malaysia in creating interest in the retirement industry. These programmes generate foreign exchange and at the same time are strengthening linkages between tourism and other related services, such as medical care and training (Padojinog and Rodolfo, 2003).

75. Like tourism, the international movement of retirees can have a profound impact on destination countries, contributing to their development efforts. Retirees purchase or rent real estate, consume goods and services, provide employment for local workers, and can attract foreign investment and greater numbers of foreign visitors in these countries. Research on the economic impact of retirees has traditionally focused on US interstate migration, but more recently evidence of the positive impact of international senior movements on destination countries has begun to emerge (see Box 2). At the same time, some research suggests that retiree flows tend to raise real estate prices and generally the cost of living in these countries.

Box 2. The economic impact of US senior movements to Mexico and Panama

A recent survey conducted by the Migration Policy Institute on US seniors and retirees in Mexico and Panama indicates that their arrival affected these economies through several channels. First, retirees brought significant financial capital to their new communities. Survey respondents stressed their relative wealth compared to locals, with at least half of the sample reporting a monthly income of over USD 2,000.

Although the exact impact of this inflow of capital is not clear, job creation figured as one of the most direct impact of retirees' presence. Survey respondents in both Mexico and Panama repeatedly mentioned hiring local people for a wide range of services, from housing construction to cooking, cleaning and care services. In Panama, participants indicated that the construction boom has shifted employment from agriculture and related activities to construction and other service sectors catering to retirees.

In addition to services, survey respondents pointed out that they increased demand for consumer goods in their communities, including food, furniture and computers. In Panama, a significant number of survey respondents have built or were in the process of building their own houses, purchasing materials for home construction.

The presence of retirees has brought about additional benefits for local people. Some survey participants in Panama mentioned that local developers provided electricity and water to local communities and schools when constructing high-end developments. Survey respondents also perceived the retirement community in both countries as financially charitable, helping in the aftermath of natural disasters or donating to local community causes. For example, in San Miguel de Allende there exist nearly 200 non-governmental organisations, most of which are run and supported by expatriates.

Survey respondents consistently mentioned that retirees' presence significantly raised local real estate prices. Although, this provided an opportunity for investment, retirees stressed that it was putting market pressure on locals. In addition, some respondents noted that the higher demand generated by the retiree community was raising local prices, particularly of services.

Source: Migration Policy Institute, 2006.

76. Prior tourist experience in destination countries is only one factor potentially influencing retirees to move abroad. Research has traditionally identified a range of “push” and “pull” factors inducing these movements, among which economic considerations figure prominently. The lower cost of living, including real estate, medical care and other goods and services, is often a major consideration when moving. Other factors, such as proximity to the home country, availability of home country language speakers and social and political stability also play a significant role. And, much like tourism, a well developed service sector and a solid and comprehensive infrastructure can be an important determinant of decisions to move.

77. Country policies can be another powerful form of affecting retirees' choices to travel abroad. In recognition of the economic benefits that retirees can bring to the local communities, a number of developing countries have established specific policies targeted at attracting them. For example, in Panama the national government has taken a proactive approach to encourage retirees to move to the country by creating special visa categories for foreign pensioners coupled with a wide range of benefits. These entail exemptions from property taxes and from taxes on bank deposit interest, or on income earned outside Panama. Retirees can import goods duty free and receive numerous discounts, including on plane and bus tickets, on electricity bills and on hotel rates on weekends (Howells and Taylor, 2006).

78. The Philippines has established a dedicated government agency, the Philippines Leisure and Retirement Authority (PLRA — the Philippine Retirement Authority until 2002) to promote the country as a retirement destination. The PLRA, in addition to the creation of special immigrant and non-immigrant visas for retirees and numerous tax exemptions and other privileges, provides for a range of retiree-specific services. These include regular meetings between retirees and representatives of the industries concerned,

and one-stop action centres featuring state-of-the-art medical equipment and on call medical examiners ready to serve Philippine-based retirees (Dolor, 2006).

79. Recognising that tourism is an important entry point for attracting retirees, Thailand and Malaysia have developed and are positioning themselves in niche markets such as medical tourism and long stay programmes. In Thailand, for example, the Government promotes holiday packages comprising a several-week trip to the country, including airfare, hotel and a complete medical check-up in Bangkok before continuing to the beaches in the South. It is also investing significant resources in marketing to promote its top hospitals as the latest national attractions (Padojinog and Rodolfo, 2003).

80. At the same time, the realisation of these programmes depends on removing constraints to growth in the wide range of services beyond the health sector needed to support the retirement industry. These include many of the same impediments discussed in the previous section, such as insufficient air access, lack of infrastructure and facilities, limited marketing and promotion, and lack of training and personnel for the retiree industry. Market reforms, including trade and investment liberalisation, can contribute to alleviate these constraints and improve a country's competitive position to attract retirees.

VI. Anticompetitive practices affecting tourism

81. Anticompetitive practices in tourism and related sectors can also be a bottleneck to the development of the industry and can arise at different stages of the tourism value-added chain according to the type of service supplied. Preliminary research has identified some key anticompetitive measures affecting trade in tourism, including cartels, abuse of dominant position and of buying power, and attempts to monopolise. These practices tend to minimise the impact of multiplier and other positive effects inherent in tourism, and exacerbate leakages in developing countries.

82. The vertical relationship between holiday package providers, retailers and tourism service suppliers can be an important source of anticompetitive behaviour. International tour operators act as the wholesalers of tourism products, such as transport, accommodation or organised excursions, provided in destination countries by local suppliers. Travel agents in origin markets act as the retailers. The tour operators' segment of the industry is dominated by a few large international firms and has featured increasing vertical integration in recent years (Meyer, 2003). Other segments of the industry, especially local suppliers such as independent hotels, restaurants and tourist guides, are characterised by a large number of SMEs.

83. In this context, anticompetitive practices can arise from the unbalanced market power of tour operators compared to that of independent suppliers. Although tour operators can play a key role in the development of the sector, their power (and increasingly of their allied agencies) can be used to bid down the margins of suppliers in destination countries. These suppliers, particularly in developing countries, have a weak bargaining position and lack negotiating skills, often resulting in unfavourable contractual conditions (Barbados Private Sector Trade Team, 2004). Similarly, destination management operators acting as intermediaries for international tour operators may abuse their dominant position to the detriment of small local service providers (Box 3).

Box 3. Destination management operators in St. Lucia

International tour operators establish vertical links with firms in destination countries to manage the tourist experience in a comprehensive manner. In general, tour operators tend to rely on larger companies as they are most likely to meet higher standards and understand their needs better (e.g. knowledge on of European and North American markets and technical requirements on safety and liability issues). In St. Lucia, so-called destination management operators have emerged as a response to the needs of international tour operators, acting as ground agents and providing a wide range of services, such as local transfers, tours and special events.

St. Lucia Reps is the leading destination management company in the country, controlling 80% of the total packaged tours and 64% of total tourist arrivals. Complaints have been raised about abuse of its dominant position to the detriment of small local providers. In particular, St. Lucia Reps was allegedly able to reduce the prices of restaurants and providers in situ, refusing to bring business unless they were prepared to accept low rates. These concerns are aggravated because 60% of restaurants in the country are dependent on destination management companies.

Source: Stewart, 2006.

84. The operating patterns of tour operators and travel agents differ among industrialised countries. For example, in Europe all-in-one package holidays are widespread, while in the US there is more reliance on direct airline use and associated bookings. Thus, competition and regulatory issues are likely to be different. In particular, for the unbundled travel package, computer reservation systems (CRS) and global distribution systems (GDS) can be of central importance.³ Despite their major contribution to tourism development, a number of anticompetitive practices associated with their use have been identified. These include unfavourable access to competitors, prohibitively high user fees and restrictions on information display (UNCTAD, 2002).

85. Scope for anticompetitive practices may also arise in related industries. For example, large airlines have in some cases been accused of abusing their market power to the detriment of local suppliers (see Box 4). In addition, in parallel with recent trends in privatisation, deregulation and to some extent liberalisation, the airline industry has seen the emergence of strategic alliances and code sharing agreements among airlines of different countries. These initiatives can increase efficiency and reduce costs by rationalising the use of resources (e.g. check-in facilities and ground personnel), and can also expand existing networks. On the other hand, they may restrict competition and thus minimise benefits, particularly if airlines collectively achieve a dominant position on given routes (Diaz, 2001).

³ CRSs were developed by large air carriers in the 1960s for flight reservations. They then expanded to offer further airline services, e.g. information storage, marketing and sale of tickets, and other services supplied to tourists, such as package tours, hotels and vehicles rentals. GDSs connect the various CRSs, providing single terminals with access to all services. There are four main GDSs operating: SABRE, Amadeus, Galileo and Worldspan.

Box 4. Abuse of dominance in Senegal by Air France

In 2001, Air France decided to reduce commissions paid to Senegalese travel agents from 9% to 7%. The Union of Senegalese Travel and Tourism Agents (SAVTS) filed a complaint to the National Competition Commission for alleged anticompetitive practices, and in particular abuse of dominance. SAVTS contended that the decision by Air France would cause their turnover to decline by 33%, threatening thousands of jobs. This was accompanied by several other actions and correspondence by travel agencies at the African and international levels.

The National Competition Commission found that Air France abused its dominant position in the relevant market, passenger tickets between Senegal and France. Air France took advantage of the economic dependence of travel agencies, accounting for 50.7% of their combined turnover and for between 54.8% and 87% of the turnover of five of the ten agencies covered by the investigation. It unilaterally imposed a rate to which the travel agencies were forced to submit and which they would have not accepted if they were fully independent.

Source: OECD, 2005.

86. Anticompetitive business practices may additionally take place in hotel and related services. For instance, merger control issues or oligopolies may arise in major tourism destinations which feature large hotels and resorts belonging to highly concentrated international chains. Anticompetitive behaviour may also occur in the building and construction sectors on which the hotel industry relies. A number of cases of cartels or abuses of dominant position in these sectors have already been found in several industrialised countries (Souty, 2002).

VII. Policy implications

Reforms at the national level

87. The preceding analysis has highlighted a number of areas for policy makers to consider when developing their tourism sectors, given its critical economic importance in many countries. Strengthening backward linkages is essential in order to unleash the sector's full potential, and particularly important is building service capacity and infrastructure. In order to realise this potential, substantial capital and expertise are needed. If appropriately designed, private sector participation and trade and investment liberalisation in services can be a means to complement national efforts in this direction.

88. International air transport is the key to delivering tourists to their destinations, accounting in developing countries for nearly 80% of international tourist arrivals (UNESCAP, 2005). Ideally, air transport should provide adequate access to tourism destinations at reasonable prices. Trade in air transport, though, has been heavily restricted by governments around the world since the Chicago Conference of 1944. Market access is largely determined by a complex system of some 3500 bilateral agreements which typically determine the airlines permitted to operate on bilateral routes, their traffic rights, tariffs, and the number and frequency of their flights.

89. Nevertheless, over the years the regulatory framework of air transport has become increasingly more liberal. Deregulation has allowed for the entry of new carriers, including more recently low-cost carriers, and opened domestic routes to competition. Liberalisation of international air services has taken place particularly through the emergence of "open skies" agreements, which have relaxed restrictions on capacity and fares, and grant traffic rights up to a certain level. These reforms are seen as a way of improving efficiency and reducing costs, while maintaining service quality and extending regional and international connections.

90. Physical infrastructure including accommodation, airports, harbours, electricity, and water and sewage must also meet the needs of increasing tourist arrivals (as well as those of local residents), or tourism assets and market position may be damaged. However, national investment in infrastructure in developing countries often lags behind tourism growth. Innovative partnerships between governments and developers are engaging the private sector in helping to finance the infrastructure and operate the services. Large hotels also typically provide their own infrastructure, such as stand-by generators, water and sewage treatment plants. These initiatives are often able to increase a destination's carrying capacity.

91. Another increasingly important driver for tourism development is the telecommunications and IT infrastructure. Telecommunications liberalisation — coupled with technological innovation, particularly the introduction of cellular phones — has considerably expanded services in many countries. Expansion of IT also had a major impact on the structure of the tourism industry, and has become increasingly linked to the development of a number of other services that support tourism, from advertising to reservations and financial services.

92. An effective financial system is a key enabler of tourism growth. Public financial institutions have typically been the main investors in infrastructure and partners in tourism development, but private banks and investors are becoming increasingly important. If appropriately managed, these private players can attract the capital required, reduce costs and provide more specific financial products to finance the industry's growth and quality upgrading. At the retail level, enhanced credit card options and ATM penetration, which are generally linked to financial sector liberalisation, are increasingly indispensable to the international traveller.

93. Marketing and promotion are essential in order to generate viable levels of demand for tourism products and to succeed in a very competitive world. Well-targeted promotion can also contribute to tourism diversification and sustainability. In many countries, the public and private sectors now join forces to undertake promotional programmes. The Government normally leads by allocating funds for national promotion, creating an overall image of the country and its main tourism assets, and improving perceptions of its attractiveness (for investors as well as tourists). The private sector promotes specific tourist accommodation and services, creating opportunities for enhanced trade and investment.

94. Growth of the tourism sector has a direct impact on a country's employment and human resources development, creating demand for professionals, specific skills and related education and training facilities. The need to develop and appropriately train the staff required at all levels and in all segments of the tourism industry has been widely acknowledged. Private education in tourism is growing significantly due to the rising burden on public finances from tourism's expansion. Another development has been the increasing importance of specialised training needed to expand tourism markets, including management and leadership training, information technology and languages.

95. Attracting investors to a country or destination, though, requires an economic, social and political environment conducive to private sector investment. At the same time, investment in accommodation and services, basic infrastructure and human resource development needs to be carefully planned and appropriately phased. Tourism can expand in a sustainable manner if the carrying capacity of the assets is not exceeded, thus minimising the potential negative impact on the host society and environment. Due consideration also needs to be given to the development of national capacity to minimise financial leakages; and to ensure that local populations, including those in remote areas, are able to participate effectively in tourism.

96. To limit the risks of anticompetitive practices in tourism, the development and enforcement of competition rules needs to accompany liberalisation, particularly in developing countries where such rules are often inadequate or absent. There may also be a need to strengthen cooperation between competition

policy institutions in OECD and non-OECD countries. In addition, most of the services needed to support tourism, including transport, education, energy and environmental services, are often provided by the public sector to achieve a range of public policy objectives. Private sector participation and liberalisation in these services requires sound regulation and effective institutions to address market failure and meet social goals.

97. Achieving these objectives requires strong public sector management and support. Given the cross-sectoral nature of tourism, the sector needs to be integrated into the country's overall economic and social policies. Partial policy mechanisms will be inadequate to address the needs and impact of the industry. Instead, governments need to establish a comprehensive policy framework that improves the business environment and addresses the underlying economic relationships and social and physical constraints (see OECD, forthcoming).

98. The right institutional framework also needs to be in place. Whatever the institutional setting, there needs to be a team of people in the government with the capacity and expertise to manage the process of preparation and implementation of a comprehensive policy framework for tourism. Strong tourism agencies are needed that are capable to coordinate with other governmental agencies and with other stakeholders such as local authorities, the private sector and NGOs. Furthermore, the preferred policy and institutional arrangement for tourism will have to be designed for the local conditions of each country, evolving from the size and characteristics of the sector and its growth prospects.

Cooperation in bilateral and regional initiatives

99. Regional tourism liberalisation is another important dimension where an increasing number of initiatives are being established, including in developing countries. For example, in Africa several regional initiatives have incorporated tourism in their liberalisation and cooperation efforts. The Southern African Development Community (SADC), the Common Market of Eastern and Southern Africa (COMESA) and the East African Community (EAC) are all examples of such initiatives. They include or are in the process of establishing protocols on services trade liberalisation, including tourism, or specific protocols for the integration of tourism markets. These initiatives also often include protocols or discussions on air transport, at times with specific reference to the benefits these could bring to tourism.

100. In Asia, in recognition of the growing importance of tourism for economic and social development, the Asia Pacific Economic Cooperation (APEC) established a Tourism Working Group in 1991. The basis for APEC's tourism cooperation is the APEC Tourism Charter, endorsed by Members in 2000, which established several policy goals. A key objective relates to the removal of impediments to tourism business and investment, including measures taken through regulatory reform and the liberalisation of services trade related to tourism under the GATS. Other goals relate to increasing the mobility of visitors and the region's tourism competitiveness, by measures such as facilitating travel, fostering marketing, and managing tourism sustainably. The Charter also provides for the development of individual and collective action plans for implementation, through regular peer review mechanisms and independent assessment to ensure outcome delivery.

101. The Economic Partnership Agreement (EPA) negotiations between the EU and the African, Caribbean and Pacific (ACP) countries represent another initiative incorporating tourism, as part of broader efforts dealing with trade in services. In these negotiations, the linkages between tourism and the development of other services figure prominently. For instance, discussions between the EU and the Pacific Members of ACP countries have focused on ways to promote the development of tourism industries through measures such as the promotion of synergies between air transport and tourism; ways to address infrastructure deficiencies and obstacles created by the institutional and legal environment; and cooperation on tourism training and marketing.

102. Regional tourism initiatives can create more expansive tourism destinations, help to increase the number of long-term tourists and also provide an opportunity to join forces to expand service and achieve sustainable tourism objectives. However, with the possible exception of APEC, in most regional initiatives implementation challenges have been identified, and progress on EPA negotiations has been slow. Although these initiatives have brought to the forefront the importance of regional cooperation in fostering tourism development, to date there have been few sustained results. More emphasis is needed on implementation and the creation of robust enforcement mechanisms.

The GATS complementing role

103. Enhanced GATS commitments could contribute to the advancement of national and regional policies aimed at strengthening the tourism sector. By creating a more transparent and predictable legal framework, the GATS can improve the investment climate and help attract foreign investment to enhance the quality of services and infrastructure. The high level of commitments in the tourism sector indicates that WTO Members widely recognise the important complementing role that the GATS can play in tourism development.

104. Yet, the complete bound liberalisation of the industry is far from having been achieved. At the level of W/120, there remain modal and sub-sectoral imbalances in the commitments and, most importantly, the generally low level of commitments in related sectors adds to the complexity of tourism liberalisation (see Annex II for a review of GATS tourism-related commitments of the case study countries covered in Section IV). The cross-sectoral dimension of tourism has been acknowledged in services negotiations by a number of developed and developing country Members. Indeed, while tourism did not receive much attention recently, the sector featured prominently in the early stages of the negotiations.

105. In 1999, the Dominican Republic, El Salvador and Honduras circulated a proposal to create a GATS Annex on Tourism (WTO, 1999). One of the main rationale for the Annex was that the current GATS structure does not address the needs of the sector with respect to sectoral coverage. The Annex thus proposed the possibility of treating tourism as a cluster, on the basis of the definitions provided in the TSA. The Annex was subsequently joined by a number of other developing countries⁴, and nine other negotiating proposals followed, which stressed the widespread connection that tourism has with most other services sectors⁵. A “checklist” approach was suggested as a possible way forward in the negotiations.⁶

106. Improved GATS commitments in telecommunications and financial services are among the more readily attainable goals and can significantly contribute to the development of the tourism sector. Enhanced liberalisation of transport services and infrastructure under the GATS would also lead to substantial gains for the tourism sector, though in this case regulatory capacity requirements are more substantial. Yet, significant reforms have taken place in recent years, particularly in maritime services, which have created scope to achieve more progress on these services at the multilateral level.

⁴ Bolivia, Ecuador, Nicaragua, Panama, Peru and Venezuela.

⁵ The proposals were from Australia, Chile, the European Communities, New Zealand, Norway and Switzerland (WTO, 2005); Brazil, Colombia, the Dominican Republic, El Salvador, India, Indonesia, Nicaragua, the Philippines and Thailand (WTO, 2004a); Canada (WTO, 2001a), Colombia (WTO, 2001b); Costa Rica (WTO, 2001c); Cuba (WTO, 2002); the EC (WTO, 2000a, and WTO, 2000b), and MERCOSUR (WTO, 2001d).

⁶ Such checklist of “tourism-related” sectors would be used as an aide-memoire during the negotiations of these sectors. The results would be scheduled in the relevant GATS sectors other than tourism (see WTO, 2000a and WTO, 2000c).

107. Even in the air transport sector, which as noted has been until recently highly restricted and is largely excluded from the GATS⁷, there are a number of desirable initiatives that could be taken by WTO Members. Consideration could be given to expand commitments in the ancillary services already covered by the Agreement (repair and maintenance, selling and marketing and computer reservation systems), to negotiate an amendment to the Annex on Air Transport to include ground handling services, and even to the more ambitious possibility of commitments in charter services. While these initiatives could be potentially highly beneficial to tourism, it is crucial that they be pursued without neglecting air safety and security.

108. Multilateral progress in other infrastructure services, such as waste treatment or energy, and in education services, while also very important for tourism development, is more difficult to attain in light of the more challenging regulatory environment. However, with respect to tourism, there are areas where regulatory capacity requirements are moderate in these services as well. For example, as noted, it is common for large hotels to have their own waste water treatment plants. These can be contracted out to the private sector, including to foreign firms. This business to business activity entails fewer regulatory risks and represents an increasingly larger share of environmental firms' operations.⁸

109. Similarly, there seems to be significant scope for private education for tourism, since the sector covers various activities. People employed in many tourism-related sectors often do not need formal education, but only some skill development programmes or short-term training. In addition, as seen earlier, specialised training, in such areas as management and leadership, information technology and languages, is expanding rapidly and represents a growing international business supplementing the public education system. Availability of these services can help to develop a more efficient workforce, playing a key role in the sustainable development of tourism.

110. The other main rationale for the Annex on Tourism was the development of safeguards to address international anticompetitive practices in tourism and related industries (the Telecoms Reference Paper was the model for the Annex). However, the Annex proposal has not subsequently been followed up largely because of the difficulties to apply disciplines to the wide range of services that are related to tourism. This includes air transport which as noted remains mostly excluded from the Agreement. Perhaps a way forward in this case could be exploring the feasibility of developing disciplines on anti-competitive practices with a narrow sectoral focus covering tourism as defined in W/120. As seen in section VI, anticompetitive behaviour is prevalent in some of these segments, such as tour operators.

VIII. Conclusion

111. The economic and social importance of tourism means that the industry is high on the list of development priorities of many developing countries and LDCs. This report suggests that in order to have a successful tourism export industry, effective linkages need to be established with many different sectors, most of which are services. If appropriately designed, trade and investment liberalisation at the national, regional and multilateral levels can be a means to complement national efforts to achieve these goals. At the multilateral level, in light of the importance of so many services sectors for the development of tourism, the element of the benefits to tourism in making GATS commitments could feature more prominently in the negotiations.

⁷ Air traffic rights are expressly excluded from the GATS. The exclusion, though, must be reviewed at least every five years with a view to consider expansion of the application of the Agreement.

⁸ For example, the French company Veolia Environment (Vivendi Environment until 2003), the top environmental firm in the world with operations in more than 100 countries, earns 40% of its turnover from manufacturing customers. See <http://www.veoliaenvironnement.com/en/profiles/companies>.

ANNEX I. METHODOLOGY FOR CALCULATING TOURISM LINKAGES (SECTION III)

Section III presents the results of tourism linkage analysis on India, Brazil and Indonesia. Backward and forward linkages represent the two primary types of linkages. Backward linkages show how an increase in final demand influences a given sector's suppliers. In other words, backward linkages assess the extent to which a particular sector depends upon the other sectors of the economy for inputs. In contrast, forward linkages show how an increase in final demand affects a specific producer industry. That is, forward linkages measure the degree to which a given sector supplies inputs to other sectors in the economy.

To create the necessary linkages, two inputs are necessary: a country's input-output (I-O) table and detailed data about the tourism sector, which is usually contained in a country's TSA. I-O analysis is useful because it provides a comprehensive view of the economy and the interrelationships among sectors. Detailed tourism data, such as those found in a TSA, allow one to carve out the tourism components of the sectors included in a country's I-O table so as to study the tourism sector.

As noted in Section III, a key challenge in conducting linkage analysis with a tourism focus is that definition of the tourism industry is not straightforward. Indeed, "tourism" is not a category characteristically included in an I-O table. Instead, tourism inputs and outputs are included in other sectors more typically found in I-O tables, such as hotels, restaurants and air transportation. As a result, it is impossible to isolate the tourism sector without the use of detailed tourism data, which are contained in a country's TSA.

To abstract from the problems associated with defining the tourism sector in the context of linkage analysis, the research presented in this study generally follows the methodology of Cai *et al.* (2005). In this methodology, the share of tourism demand in each related sector, data for which come from a country's TSA, is carved out of that sector in the I-O table to produce two "new" sectors — a tourism and a non-tourism sector. Thus, any sector that satisfies tourism demand is counted as a "tourism" sector and is separated out.

Next, the methodology in this study departs somewhat from Cai *et al.* (2005) insofar as it aggregates each tourism component into one "composite" tourism sector. This involves summing all of the tourism components in the I-O table into one category. After the I-O table has been disaggregated in this way, traditional methods of linkage analysis can then be employed to assess the relationships between the newly created tourism sector and the other, non-tourism related, sectors of the economy.

The linkages presented in this report represent unweighted averages for the mining and quarrying as well as the manufacturing sectors and were calculated using classical methods of matrix inversion⁹. A full description of the mechanics behind matrix inversion in the tourism context can be found in Fletcher (1995). A detailed technical discussion of the formulas for calculating the linkages can be found in Claus (2003).

⁹ The inverted input-output matrix can be expressed mathematically as $[I-A]^{-1}$.

Backward linkages

$$U_{.j} = \frac{(1/N)b_{.j}}{(1/N^2)\sum_{j=1}^N b_{.j}} = \frac{b_{.j}}{(1/N)\sum_{j=1}^N b_{.j}}$$

where N represents the number of sectors and $b_{.j}$ equals the sum of the coefficients in a given column j in the inverted matrix, or:

$$b_{.j} = \sum_{i=1}^N b_{ij}$$

Forward linkages

$$U_{.i} = \frac{(1/N)b_{.i}}{(1/N^2)\sum_{i=1}^N b_{.i}} = \frac{b_{.i}}{(1/N)\sum_{i=1}^N b_{.i}}$$

where N represents the number of sectors and $b_{.i}$ equals the sum of the coefficients in a given row i in the inverted matrix, or:

$$b_{.i} = \sum_{j=1}^N b_{ij}$$

ANNEX II. GATS COMMITMENTS OF TOURISM RELATED SERVICES AS IDENTIFIED IN THE CASE STUDIES (SECTION IV)

Annex Table 1: Business and Communication Services

COUNTRIES	1.D.b.	1.E.a.	1.E.b.	1.E.c.	1.E.d.	1.F.a.	1.F.f.	1.F.g.	1.F.j.	1.F.s	2.A.	2.B.	2.C.a.	2.C.b.	2.C.c.	2.C.d.	2.C.e.	2.C.f.	2.C.g.	2.C.h.	2.C.i.	2.C.j.	2.C.k.	2.C.l.	2.C.m.	2.C.n.	2.C.o.
Mozambique																											
South Africa	X	X	X	X	X		X	X		X		X	X	X	X	X		X	X	X	X	X	X	X	X	X	X
Madagascar																											
India												X		X				X	X	X	X	X		X		X	X
Cambodia					X	X			X			X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X

Note: An "X" indicates a GATS commitment has been made, but does not necessarily mean full liberalisation has been granted.

1. Business Services

- 1.D.b. Business Services: Real Estate Services, on a fee or contract basis
- 1.E.a. Business Services: Rental/Leasing Services Without Operators: Relating to ships
- 1.E.b. Business Services: Rental/Leasing Services Without Operators: Relating to aircraft
- 1.E.c. Business Services: Rental/Leasing Services Without Operators: Relating to other transport equipment
- 1.E.d. Business Services: Rental/Leasing Services Without Operators: Relating to other machinery and equipment
- 1.F.a. Business Services: Advertising Services
- 1.F.f. Business Services: Other Business Services: Services incidental to agriculture, hunting and forestry
- 1.F.g. Business Services: Other Business Services: Services incidental to fishing
- 1.F.j. Business Services: Other Business Services: Services incidental to energy distribution
- 1.F.s. Business Services: Other Business Services: Convention services

2. Communication Services

- 2.A. Communication Services: Postal Services
- 2.B. Communication Services: Courier Services
- 2.C.a. Communication Services: Telecommunication Services, Voice telephone services
- 2.C.b. Communication Services: Telecommunication Services, Packet-switched data transmission services
- 2.C.c. Communication Services: Telecommunication Services, Circuit-switched data transmission services
- 2.C.d. Communication Services: Telecommunication Services, Telex Services
- 2.C.e. Communication Services: Telecommunication Services, Telegraph Services
- 2.C.f. Communication Services: Telecommunication Services, Facsimile services
- 2.C.g. Communication Services: Telecommunication Services, Private leased circuit services
- 2.C.h. Communication Services: Telecommunication Services, Electronic mail
- 2.C.i. Communication Services: Telecommunication Services, Voice mail
- 2.C.j. Communication Services: Telecommunication Services, Online information and data base retrieval
- 2.C.k. Communication Services: Telecommunication Services, electronic data interchange (EDI)
- 2.C.l. Communication Services: Telecommunication Services, enhanced/value-added facsimile, incl. store and forward, store and retrieve
- 2.C.m. Communication Services: Telecommunication Services, code and protocol conversion
- 2.C.n. Communication Services: Telecommunication Services, online information and/or data processing (incl. transaction processing)
- 2.C.o. Communication Services: Telecommunication Services, other

Annex Table 2: Construction, Distribution, Educational, Environmental and Financial Services

COUNTRIES	3.A.	3.B.	3.C.	3.D.	3.E.	4.A.	4.B.	4.C.	4.D.	4.E.	5.B.	5.C.	5.E.	6.A.	6.B.	6.C.	6.D.	7.A.a.01	7.A.a.02	7.B.b.	7.B.f.02
Mozambique																				X	X
South Africa	X	X	X	X			X	X	X					X	X	X	X	X	X	X	X
Madagascar																					
India		X																	X	X	X
Cambodia	X	X	X	X	X	X	X	X	X	X		X	X	X	X	X	X	X	X	X	X

3. Construction and Related Engineering Services

- 3.A. Construction and Related Engineering Services: General construction work for buildings
3.B. Construction and Related Engineering Services: General construction work for civil engineering
3.C. Construction and Related Engineering Services: Installation and assembly work
3.D. Construction and Related Engineering Services: Building completion and finishing work
3.E. Construction and Related Engineering Services: Other

4. Distribution Services

- 4.A. Distribution Services: Commission agents' services
4.B. Distribution Services: Wholesale trade services
4.C. Distribution Services: Retailing Services
4.D. Distribution Services: Franchising
4.E. Distribution Services: Other

5. Educational Services

- 5.B. Educational Services: Secondary education services
5.C. Educational Services: Higher education services
5.E. Educational Services: Other education services

6. Environmental Services

- 6.A. Environmental Services: Sewage Services
6.B. Environmental Services: Refuse disposal services
6.C. Environmental Services: Sanitation and Similar Services
6.D. Environmental Services: Other

7. Financial Services

- 7.A.a.01 Financial Services: All insurance and Insurance Related Services: Life, accident and health insurance services
7.A.a.02 Financial Services: All insurance and Insurance Related Services: Non-Life insurance-related services
7.B.b. Financial Services: Banking and Other Financial Services: Lending of all types, incl., inter alia, consumer credit, mortgage credit, factoring, financing of commercial transactions
7.B.f.02 Financial Services: Banking and Other Financial Services: Trading for own account or for account of customers...: foreign exchange

Annex Table 3: Tourism, Recreational and Transport Services

COUNTRIES	9.A.	9.B.	9.C	9.D.	10.A	10.C	10.D	11.A	11.A.a	11.A.c	11.A.d	11.A.f	11.B.a	11.B.c	11.C.a	11.C.c	11.C.d	11.C.e	11.E.a	11.F.a	11.F.c	11.F.d	11.F.e	11.H.d	11.I
Mozambique																									
South Africa	X	X	X																	X		X			
Madagascar																									
India	X	X																							
Cambodia	X	X	X	X	X			X									X	X		X	X	X	X		

9. Tourism and Travel Related Services

- 9.A. Tourism and Travel Related Services: Hotels and Restaurants (incl. catering)
 9.B. Tourism and Travel Related Services: Travel Agencies and Tour Operator Service
 9.C. Tourism and Travel Related Services: Tourist Guides Services
 9.D. Tourism and Travel Related Services: Other

10. Recreational, Cultural and Sporting Services

- 10.A. Recreational, Cultural and Sporting Services: Entertainment Services
 10.C. Recreational, Cultural and Sporting Services: Libraries, Archives, Museums and Other Cultural Services
 10.D. Recreational, Cultural and Sporting Services: Sporting Services

11. Transport Services

- 11.A.a. Transport Services: Maritime Transport Services: Passenger transportation
 11.A.c. Transport Services: Maritime Transport Services: Rental of vessels with crew
 11.A.d. Transport Services: Maritime Transport Services: Maintenance and repair of vessels
 11.A.f. Transport Services: Maritime Transport Services: Supporting Services for Maritime Transport
 11.B.a. Transport Services: Internal Waterways Transport: Passenger transportation
 11.B.c. Transport Services: Internal Waterways Transport: Rental of vessels with crew
 11.C.a. Transport Services: Air Transport Services: Passenger transportation
 11.C.c. Transport Services: Air Transport Services: Rental of aircraft with crew
 11.C.d. Transport Services: Air Transport Services: Maintenance and repair of aircraft
 11.C.e. Transport Services: Air Transport Services: Supporting services for air transport
 11.E.a. Transport Services: Rail Transport Services: Passenger Transportation
 11.E.e. Transport Services: Rail Transport Services: Supporting services for rail transport services
 11.F.a. Transport Services: Road Transport Services: Passenger transportations
 11.F.c. Transport Services: Road Transport Services: Rental of commercial vehicles with operators
 11.F.d. Transport Services: Road Transport Services: Maintenance and repair of road transport equipment
 11.F.e. Transport Services: Road Transport Services: supporting services for road transport services
 11.H.d. Transport Services: Services Auxiliary to all Modes of Transport: Other
 11.I. Transport Services: Other Transport Services

Sectors listed in the tables above where there are no commitments:

- 2.A. Communication Services: Postal Services
- 5.B. Educational Services: Secondary education services
- 8.B. Health Related and Social Services: Other Human Health Services
- 8.C. Health Related and Social Services: Social Services
- 8.D. Health Related and Social Services: Other Services
- 10.C. Recreational, Cultural and Sporting Services: Libraries, Archives, Museums and Other Cultural Services
- 10.D. Recreational, Cultural and Sporting Services: Sporting Services
- 11.A.c. Transport Services: Maritime Transport Services: Rental of vessels with crew
- 11.A.d. Transport Services: Maritime Transport Services: Maintenance and repair of vessels
- 11.A.f. Transport Services: Maritime Transport Services: Supporting Services for Maritime Transport
- 11.B.a. Transport Services: Internal Waterways Transport: Passenger transportation
- 11.B.c. Transport Services: Internal Waterways Transport: Rental of vessels with crew
- 11.C.a. Transport Services: Air Transport Services: Passenger transportation (currently excluded from the GATS)
- 11.C.c. Transport Services: Air Transport Services: Rental of aircraft with crew (currently excluded from the GATS)
- 11.E.a. Transport Services: Rail Transport Services: Passenger Transportation
- 11.H.d. Transport Services: Services Auxiliary to all Modes of Transport: Other
- 11.I. Transport Services: Other Transport Services

Temporary limitations

Cambodia

- 1.F.a. Business Services: Advertising Services: Commitments for Mode 1, 2, 3 unbound until 31 December 2008.
- 4.A. Distribution Services: Commission agents' services: Market Access Mode 1, 2, 3 unbound until 31 December 2008
- 4.D. Distribution Services: Franchising: Market Access Mode 1, 2, 3 unbound until 31 December 2008

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