

**ISSUES OF INTEREST TO LDCs IN THE WTO SERVICES NEGOTIATIONS
SERIES NO. 1: TOURISM AND TRAVEL -RELATED SERVICES**

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The South Centre has a *Project to Assist Developing Countries, and Especially the Least-Developed Countries, for their Better Participation in WTO Negotiations on Trade in Services*. In the years of implementing the project, the South Centre has come to realise that the LDC Group is faced with specific difficulties in understanding the implications of the General Agreement on Trade in Services for their economies and in participating in the current round of services negotiations taking place in the WTO. In their efforts to assist these countries, the South Centre integrates an LDC-specific focus within the assistance provided to the larger group of developing countries. In an effort to further strengthen its outreach to LDCs in this particularly crucial phase of negotiations, the South Centre has begun producing papers and analyses specific to the LDC audience. In this regard, a series of primers focussing on specific services sectors and modes will be prepared with the aim of improving the capacity of LDCs in the GATS negotiations. This first primer focuses on tourism and travel-related services.

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I. INTRODUCTION

1. The specific goal of this primer on the tourism and travel-related services sector (hereinafter referred to as “tourism services”) is to provide LDCs with both basic information pertaining to economic activity of the sector and insights of the GATS negotiations related to the sector. By reviewing not only the economic but also social, regulatory and developmental elements pertaining to the tourism sector, this primer aims to aid LDCs with assessing their domestic situation in tourism services and to develop their negotiating positions accordingly.
2. After the introduction, the second part of this paper discusses the economic relevance of tourism and its special significance to LDCs. The third part highlights the main economic and social issues relating to tourism. The fourth part focuses on GATS rules for the tourism sector. The fifth part summarises the Uruguay Round commitments on the tourism sector by LDCs and their markets of interests, i.e. Quad Members. Part six summaries the initial negotiating proposals made by developing country Members and the initial offers made by the markets of interests for LDCs. This part also analyses the reasons for the limited participation of LDCs in the negotiating process and suggests possible ways for improvements.

II. THE TOURISM SECTOR AND ITS SIGNIFICANCE TO A SUSTAINABLE ECONOMY FOR LDCS

A. Economic Relevance of this Sector

3. Tourism, as the third largest industry in the world, accounts for 12 percent of the world GNP and is becoming more important on the international trade agenda. Tourism ranks in the top five export categories for 83 percent of all countries, and it is the leading source of foreign exchange in many developing countries.¹ According to the World Tourism Organisation, tourism as a whole employed one in ten workers world-wide, making it the world’s largest employer. In 2003, worldwide receipts for international tourism amounted to US\$ 474 billion, corresponding to US\$ 1.3 billion a day or some US\$ 675 per tourist arrival.² Tourism can generate profits and be a major source of employment for destination countries. Through linkages among different sectors of an economy, tourism can also stimulate other related industrial sectors and provide additional employment opportunities for the economy.

B. Special Significance of Services and Tourism Services to LDCs

¹ WTO document S/C/51, Background Paper on Tourism Services, para.12.

² World Tourism Organisation, *Tourism Highlights*, Edition 2003, p.2

4. Services are the fastest growing area of trade, exceeding the growth in traditional trade in goods. Balance of trade data shows that global trade in commercial services, as a share of total trade has increased from 16.2 percent in 1980 to 19.9 percent in 2002.³ Though LDCs as a group constitute only 0.4 percent of total world exports of commercial services, and around 1 percent of total world imports of commercial services, services trade occupies an average of 41 percent of the GDP for LDCs. Countries such as Djibouti, Eritrea, Kiribati, Sao Tome and Principe, Senegal and Vanuatu have a 60 percent share of their GDP in services trade.⁴ LDCs exports of commercial services as a share of their total trade is 18 percent on average, which is below the world average of 20 percent. The commercial service imports by LDCs is 26 percent on average, which is much higher than the world average of 18 percent. This shows that LDCs are net importers of services and therefore are more important as destination markets and less so as exporters.

5. The nature of tourism services can benefit the destination market from the arrival of tourists in many ways. The arrival of tourists brings employment opportunities, not only in the tourism service sector but also in other related service sectors, such as telecommunications, constructions, distribution, advertising, cultural and entertainment service industries. The local consumption of goods and services by tourists brings income to the destination country. Furthermore, the development of the tourism industry can stimulate the production or investment in other industries, including goods, of destination countries, such as arts and crafts and entertainment.

6. Many LDCs are tourist destination countries and expect fast growth in tourism. For example, according to statistics from World Travel and Tourism Council, Chad, Solomon Islands, and Angola are among the top countries projected to grow their personal travel and tourism sector most rapidly in 2004.⁵ The top five countries expected to grow their travel and tourism visitor exports include two LDCs, which are Rwanda and Madagascar. The top five countries expected to grow their travel and tourism industry GDP fastest in 2004 includes Chad and Gambia. The top five countries expected to grow their travel and tourism “other” exports most rapidly in 2004 include Chad, Sierra Leone, Vanuatu and Rwanda. From these statistics, we can draw the conclusion that tourism is an important sector for LDCs and can be a starting point for their economic development. Therefore, it is important for LDCs to recognise both the potentials and pitfalls of the tourism industry, and take advantage of this industry to develop a sustainable economy.

III. MAIN ISSUES RELATING TO THE TOURISM SECTOR

7. In the Doha round of WTO negotiations, LDCs have strong incentives to reach their fundamental goals in furthering liberalisation of the tourism sector. Through years of

³ UNCTAD (2003) *Handbook of Statistics*

⁴ Ibid.

⁵ Source of statistics: World Travel & Tourism Council, the 2004 Travel & Tourism Economic Research. For the detailed definition of each category and economic factors included, please refer to p. 9 of this reference.

experience in this sector, Members not only drew lessons from their own development in tourism, but have also realised that many areas remain to be improved in the current round of negotiations.

8. The main areas of concern to LDCs in tourism can be summed up into three categories: economic development, environmental issues, and cultural issues.

A. Economic Development

9. An issue of concern to many LDCs is anti-competitive practices. Anti-competitive practices can take many forms, such as the exclusive use or abuse of the Global Distribution System (GDS) and Computer Reservation System (CRS); de-racking (removing brochures of small hotels from shelves by large tour operators in an attempt to negotiate larger commissions); and price-fixing through monopoly of access.
10. Another economic concern of the LDCs is the so-called “leakage” problem, i.e. overseas operators offering tourism services keep most of the income generated by tourism in their own country by offering pre-packaged tours, chain hotel bookings, and cruise boat trips. Although the tourists are physically in the destination country, the real tourist revenue and profit are kept in the originating countries. The governments of destination countries are, however, the ones to bear the cost of tourist infrastructure building and maintenance of the tourist sites. This situation hampers LDCs from achieving the goal of developing a sustainable economy through growth in tourism services.
11. To achieve the goal of developing a sustainable economy, “linkage” from the tourism sector to the development of the local economy is needed. Destination countries need to ensure that tourists consume locally and tourism generates profits locally. Thus, countries can utilise local profits to invest in or stimulate other sectors of the economy. If the “leakage” problem continues and “linkage” is not achieved, the sheer flow of tourists will not allow the LDC destination countries to achieve the expected economic development. On the contrary, tourist concentrated sites will suffer from price inflation and conflicts with local residents for the consumption of local resources.

B. Environmental Issues

12. The protection of the environment is vital to the sustainable development of the tourism industry. There have been many lessons from the past decades where once attractive tourist sites were transformed into deserted areas with overcrowded hotels and a polluted environment, leaving them unattractive to tourists. Much of these harmful effects were due to a lack in planning and management of tourist sites. The protection of the environment and tourism development should and can be mutually beneficial. Indeed, the development of tourism not only depends on an attractive

environment, but can also create environmental awareness and generate funds for environmental protection.

C. Cultural Issues

13. Similar to the connection between the environment and tourism, there is also a mutually beneficial relationship between the protection of local cultures and development of tourism. With tourists flying into the country and bringing with them western culture and habits, the culture and tradition of the destination country may be threatened. However, local culture constitutes part of the tourist attraction, and many tourists travel for unique cultural experiences. With good management and marketing strategies, tourism should not only preserve the local culture but also promote it and achieve “linkage” between the tourism and culture industry.

D. Recommendations

14. To address the issues discussed above, LDCs should develop more effective domestic regulations to safeguard their interests in the development and liberalisation of tourism services. These regulations can range from national environmental standards, zoning regulations, regulations on foreign invested companies and joint ventures either applied generally across all service sectors or specific to the tourism sector or individual tourist sites. For example, while a national environmental regulation can set general standards for the protection of the environment, specific regulations on the tourism sector or tourist sites on the other hand can specify the methods by which hotels must dispose of their wastes.
15. If developing national regulations or standards is difficult, LDCs can utilise license and permit requirements to manage tourist sites on an *ad hoc* basis. For example, a country may limit licenses or permits if there is an overcrowding of hotels or other types of harmful environmental or cultural impacts.
16. The solution to anti-competitive practices is a complicated issue and the following discussion presents preliminary recommendations in this area. First, LDCs could develop domestic competition laws to regulate anti-competitive activities in their domestic markets. This might take a rather long time for LDCs, given the lack of established institutions and legal framework in the area. Secondly, LDCs could pursue discussions with developed countries to extend the scope of developed country competition laws to regulate and prevent anti-competitive practices taking place in LDC markets. However, the mere extension of scope of law would pose additional challenges because LDCs would be required to bring legal disputes in the jurisdiction of developed countries. This could take a lot of time, money, and human resources. Given the limited resources of many LDCs, this recommendation to extend the scope of developed country laws may not be readily beneficial.

17. A more direct, but not necessarily easier solution is to negotiate universal anti-competitive standards in the tourism sector. However, obligations on such standards should be voluntary allowing for the consideration of the different levels of development of countries. These standards should also include special and differential treatment for the LDCs.

IV. TOURISM UNDER GATS

18. The GATS contains three types of provisions. The first are unconditional obligations, which apply to all services sectors irrespective of whether specific commitments have been taken by WTO Members. The second group are conditional obligations which apply only to scheduled specific commitments. The remaining provisions in GATS are permissive provisions.
19. Apart from these general provisions applying to all Members, each Member has its own schedule of specific commitments, which consist of negotiated undertakings of each Member. In these schedules, services are divided into different sectors and sub-sectors. The GATS provides that services can be traded through four modes of supply, i.e. cross-border supply (mode 1), consumption abroad (mode 2), commercial presence (mode 3), and presence of natural persons (mode 4).
20. There are both so-called positive lists and negative lists in any given schedule of specific commitment. The column of "sectors" in the schedule of specific commitments is the positive list (i.e. each country decides in which sector(s) it chooses to make commitments). Then for each of the chosen sectors the country must indicate, for the four modes of supply, its specific market access and national treatment commitments in its respective columns. This is done through a negative list (i.e. the country indicates which "limitations" on market access and national treatment it would like to maintain). Developing and least developed countries, by putting conditions under the limitations on market access or national treatment, can exempt part of the commitments made through the positive listing. For example, when offering market access to tour operator services, the country can put limitations like "only in the form of joint ventures." If the word "none" appears in the schedule, that means there are no limitations under this mode and in this sector (i.e. full liberalisation), while "unbound" means that the country is not committing under this mode and in this sector. Finally, the fourth column of the schedule of specific commitment allows countries to take additional commitments. This column can include any measure which affects trade in services which is not scheduled under the market access or national treatment columns, such as technical standards, licensing requirements or domestic regulations. GATS Articles XVI, XVII, and XVIII state what needs to be scheduled under each column.
21. Services supplied in the exercise of governmental authority are specifically excluded from the scope of the GATS. GATS Article I.3 (b) stipulates that "Services includes any service in any sector except services supplied in the exercise of governmental

authority”, which is further defined in GATS Article I.3 (c) as “any service which is supplied neither on a commercial basis, nor in competition with one or more service suppliers.”

A. Sub-sectors of Tourism under GATS

22. According to the WTO document “Services Sectoral Classification List”⁶ there are four sub-sectors under “Tourism and Travel Related Services”:

- (a) Hotels and restaurants (including catering)
- (b) Travel agencies and tour operators services
- (c) Tourist guide services
- (d) Other

23. Members can choose to commit under any of the sub-sectors or under all of them by listing them in the column of “sectors or sub-sectors”. Although the use of the W/120 list is recommended and followed by almost all WTO Members, a Member can use its own definition or modify each sub-sector of the list by carving out part of the sub-sector. For example, under A. Hotels and restaurants (including catering) some countries scheduled “A. Hotels and restaurants (*excluding* catering)”. However, in doing so, Members should make sure that the modification is very clear and concrete (like the example above). Any ambiguity in the schedule can lead to potential trade or even legal disputes.

B. Different Modes of Supply in Tourism

24. For Mode 1, examples of trade in tourism services would be the provision of services through telecommunications or mail, and embodied in exported goods (such as maps and guides in a diskette). The tourism service supplier is therefore not physically present within the territory of the Member where the service is delivered. The limitations appearing in the schedules of commitments include residency requirements or requirements of commercial presence in the country.

25. Mode 2 is often referred to as “movement of the consumer” and in this case, the movement of tourists from their home country into destination countries. The liberalisation of this mode from the source country is very important to the LDCs. However, this mode is very liberal and very few countries added limitations to their commitments in this mode.

26. Mode 3 covers the physical presence of juridical person, or legal entities with the same characteristics. Examples in tourism could be setting up travel agencies and tour operator offices in the territory of another Member country. There are many

⁶ See WTO Document MTN.GNS/W/120

limitations in this mode such as nationality or citizenship requirements, limitations on the type of legal entities, the requirement for minimum investment, etc.

27. Mode 4 covers natural persons who are themselves service suppliers or employees of service suppliers. In tourism, examples are employees of foreign tour agencies or foreign tour guides. This is the mode that most LDCs (and developing countries) have a comparative advantage in and where they are requesting more liberalisation.

V. URUGUAY ROUND COMMITMENTS FOR THE TOURISM SECTOR

28. This section first summarises the specific commitments taken by LDCs during the Uruguay Round to illustrate their interests. It then examines the commitments made by some of the markets of export interests for LDCs, i.e. Quad Members.

A. Commitments made by LDCs

29. Among the 31 WTO LDC Members, 28 of them made commitments in the tourism sector. Moreover, tourism is the only sector committed by Bangladesh, Chad, Tanzania and Uganda in their schedules of specific commitments. This high number of commitments suggests that LDCs find the tourism sector to be one of the more important service industries in their economies. The table below shows the number commitments (partial and full) made by LDCs under each mode of supply of each tourism sub-sector. LDCs have made the most commitments in mode 3, followed by mode 2, mode 1 and finally mode 4, which has the least amount of commitments made. Sub-sectors A. Hotels and restaurants and B. Travel agencies and tour operator services have received more commitments than sub-sector C. Tourist guide services. Finally, no LDC has made a commitment in the "Other" sub-sector.

Table 1: Number of LDCs Taking GATS Commitments (includes full and partial commitments) in Tourism and Travel Related Services

Sectors/Sub-sectors		Market Access	National Treatment
A. Hotels and restaurants (incl. catering)	Mode 1	19	20
	Mode 2	26	27
	Mode 3	26	25
	Mode 4	6	6
B. Travel agencies and tour operators services	Mode 1	14	15
	Mode 2	15	16
	Mode 3	15	15
	Mode 4	2	2
C. Tourist guides services	Mode 1	9	10
	Mode 2	11	13
	Mode 3	11	13
	Mode 4	0	2

B. Commitments made by the Markets of Interest to LDCs

30. According to statistics, the top five international tourism expenditure countries are: United States, Germany, United Kingdom, Japan and France.⁷ The EC and US together constitute almost half of the total demand for travel and tourism; more than half of the personal travel and tourism consumption, and more than half of travel and tourism visitor exports in the world.⁸ The top five countries expected to earn the largest amount from travel and tourism exports in 2004 are: United States, France, Spain, Germany and Italy. Countries expected to earn the largest amount on travel and tourism “other” exports in 2004 are: Germany, United States, France, Japan and Canada. Countries expected to produce the largest amount of travel and tourism industry GDP are: United States, Japan, France, Italy and Germany.⁹
31. Since the major demand of tourism services are from developed countries, they are major markets of interest for LDCs. Furthermore, major developed countries are the leading exporters in the tourism sector and therefore present strong competition to LDCs. Therefore, LDCs should request those countries with strong and concentrated competitive advantage to liberalise their tourism sectors to further increase LDC participation in global trade.
32. A summary of the Quad Members commitments on the tourism sector is presented below. The tourism sector sections of the Quad Members schedules of commitments are reproduced in Annex 1.

Canada

33. In “A. Hotels and Restaurants (including Catering)”, Canada took full commitments with no limitations in both modes 1 and 2. Under mode 3, three provinces made limitations for Market Access concerning the sale of liquor, and four provinces made limitations for National Treatment. Under mode 4, Canada did not make any commitment.
34. In “B. Travel Agencies and Tour Operators Services”, Canada took a full commitment under mode 2. Under mode 1, two provinces made limitations (commercial presence) for Market Access and National Treatment (residency requirement). Under mode 3, one province made limitations under National Treatment. Under mode 4, Canada did not make any commitment for tourism.
35. Canada did not make any commitment under “C. Tourist Guides Services”

⁷ World Tourism Organisation Tourism Highlights edition 2003.

⁸ World Travel & Tourism Council, the 2004 Travel & Tourism Economic Research.

⁹ Ibid.

EC

36. In “A. Hotels and Restaurants (including catering)”, the EC took a full commitment under mode 2. Under mode 1, the EC did not make any commitment except for catering. Finland made full commitments for everything, while Austria made no commitments at all. Under Mode 3, four countries made limitations for Market Access and no limitations were made for National Treatment. Under mode 4, the EC made only horizontal commitments for Inter Corporate Transferees (ICT) and Business Visitors (BV).
37. In “B. Travel Agencies and Tour Operators Services”, the EC made a full commitment under mode 2. Under mode 1, one country made a limitation for Market Access. Under mode 3, five countries made limitations for Market Access. Under mode 4, no sector specific commitment is made except a couple of countries made some exceptions for ICT and BV.
38. In “C. Tourist Guides Services”, the EC made a full commitment under modes 2 and 3. Under mode 1, three countries made limitations for Market Access and one country placed limitations for National Treatment. Under mode 4, no sector specific commitment is made except for a couple of exceptions for ICT and BV by some countries.

Japan

39. In “A. Hotels and Restaurants Services (excluding catering services)”, Japan took full commitments under modes 2 and 3. Japan took no commitment under mode 1 due to the lack of technical feasibility and no commitment except in the horizontal commitment under mode 4. For catering, Japan took full commitments under modes 1, 2, and 3, while taking no commitment under mode 4 except in the horizontal commitment.
40. In “B. Travel Agencies and Tour Operators Services”, Japan took full commitments under modes 1, 2 and 3, while taking no commitment under mode 4 except in the horizontal commitment.
41. In “C. Tourist Guide Services”, Japan made full commitments under modes 2 and 3, no commitment under mode 1, and no further commitment under mode 4 except as indicated in the horizontal commitment.

The US

42. In “A. Hotels and Restaurants Services”, the US made full commitments under modes 1, 2, and 3. Under mode 4, the US did not make any commitment for Market Access

except in the horizontal commitments, while making full commitment for National Treatment.

43. In “B. Travel Agencies and Tour Operators”, the US made full commitments under modes 1 and 2. Under mode 3, the US made limitations for Market Access but no limitation for National Treatment. Under mode 4, the US did not make any commitment for Market Access except in the horizontal commitments, while making full commitment for National Treatment.

44. In “C. Tour Guide Service“, the US made full commitments under modes 1 and 2. Under mode 3, the US made limitations for Market Access but not for National Treatment. Under mode 4, the US did not make any commitment for Market Access but full commitment for National Treatment.

VI. INITIAL OFFERS OF THE DOHA ROUND

45. So far, no LDC has made a proposal on tourism services. However, this does not mean that LDCs have no concerns in this sector, because many LDCs face limited resources with participating in negotiations. However, LDCs share similar concerns and interests with developing country Members in the tourism sector, and therefore they may wish to evaluate the relevance of the issues raised by developing countries to the needs of their own tourism services sector. In light of the above, this section summarises proposals and communications developing countries have submitted to the Council of Trade in Services regarding their interests and concerns of liberalisation of the tourism sector. Secondly, this section examines the initial offers of the Quad Members, which are markets of interest for the LDCs in tourism. Finally, this section discusses what LDCs can do to increase their participation in the current Doha round of negotiations, in light of their interests in tourism.

A. Summary of Negotiating Proposals from Developing Country Members

46. In November 1999, the Dominican Republic made a proposal to negotiate an Annex on Tourism.¹⁰ The proposal suggested that the Annex could cover issues such as: definitions, competitive safeguards, access to information, fair and transparent use of global distribution systems, linkage between tourism and air transport, and security conditions for services contracts. In a new proposal made in May 2000, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua and Panama demanded follow up of the Annex on Tourism proposal in this round of negotiations. This proposal also included new suggestions relating to unfair competition and consumer safeguards.

¹⁰ WTO document S/C/W/127.

47. In its proposal dated November 2001, Colombia stated that economic needs test in market access should be eliminated; full commitment should be adopted for mode 1 and mode 3 to promote two-way tourism. It also requested the facilitation of further movement of natural persons supplying services in tourism and the recognition of professional qualifications related to tourism.
48. Costa Rica requested developed countries, in its proposal of November 2001, to undertake broader and more in-depth commitments on all modes of supply, in particular on Modes 2 and 3, as well as additional commitments regarding disciplines on the prevention of anti-competitive practices, consumer protection, and access and use of information.
49. Cuba, in its proposal of May 2002, expressed the need for access to technology, distribution channels and information networks, and to eliminate anti-competitive practices. It also requested developed countries to take countries' different levels of development into consideration and to grant developing countries market access in the mode of supply of export interest to them (such as mode 4). Cuba also raised the issue of protection of local culture in tourism.
50. The States parties to MERCOSUR (Argentina, Brazil, Paraguay and Uruguay) submitted a proposal in November 2001 urging all WTO members to make full commitments with no limitations in all tourism sectors.
51. In sum, the developing countries expressed, in their communications and proposals, the following demands for further liberalization of tourism services:
 - Facilitation of movement of natural persons supplying tourism services and the recognition of professional qualifications
 - Elimination of anti-competitive practices and unfair competition
 - Elimination of requirements for commercial establishment or presence
 - Elimination of nationality or residency requirements

B. Initial Offers of the Quad Members

52. The following is a discussion of the initial offers made by Quad members that offers market access to their tourism industries. The initial offers of all WTO Members (excluding the Quad Members) are discussed in Annex 2.
53. Only Canada and the EC of the Quad Members made initial offers for tourism services. Their initial offers are summarised in the tables below. In summary, Canada mainly removed many residency or citizenship limitations in its initial offer for

liberalisation of tourism services. The EC mainly removed some “economic needs tests”, nationality and establishment requirements and a few mode 4 limitations.¹¹

Summary of the Initial Offer of Canada for Tourism Services

Sub-Sector	Description of modification introduced in the schedules
Hotels and Restaurants (including catering)	MA: Nova Scotia modified its limitation under mode 3. Ontario removed the requirement for residency under mode 4 for sale of alcoholic beverages.
	NT: Ontario removed the citizenship or residency requirement under mode 3. Nova Scotia modified the residency requirement under mode 3.
Travel Agencies and Tour Operators Services	NT: Québec removed residency requirement under mode 1 and mode 4.

Summary of the Initial Offer of the EC for Tourism Services

Sub-Sector	Description of modification introduced in the schedules
Hotels and Restaurants (including catering)	MA: Some limitations are removed under mode 4. Italy modified its economic needs test under mode 3 to be more concrete. France removed the nationality requirement under mode 4.
Travel Agency and Tour Operator Services	MA: removed the numerical ceiling under mode 4. Sweden removed the requirement for establishment under mode 1 and mode 3. Belgium removed the nationality requirement under mode 3. Italy removed the economic needs test under mode 3 and mode 4. Finland removed the citizenship and nationality requirement under mode 4. Belgium, Denmark, Germany, Italy, Ireland and Sweden removed professional certificate requirement under mode 4.
Tourist Guides Services	MA: Austria and Portugal removed all restrictions under mode 1.
	NT: Austria removed all restrictions under mode 1.

¹¹ EC has a new Schedule for the newly enlarged EC, but this table is based on the initial offer dated 10 June 2003. WTO document TN/S/O/EEC.

C. LDCs in the Doha Round Negotiations

54. Among the offers submitted so far, none of them are from LDCs. This is mainly due to their lack of capacity and limited resources to analyse their domestic economy, assess previous liberalisation, and make initial requests and offers. Article IV:3 of GATS stipulates that particular account shall be taken of the serious difficulty of the least-developed countries in accepting negotiated specific commitments in view of their special economic situation and their development, trade and financial needs.”. Paragraph 7 and 8 of the Modalities for the Special Treatment for Least-Developed Country Members in the Negotiations on Trade in Services explicitly reaffirms to increase the participation of the LDCs and calls for the collective work of the Members to implement IV:3 of GATS.¹² LDCs should collectively operationalise these various mechanisms that are available within the GATS to communicate their interests and concerns of the tourism services liberalisation as well as to foster their proper participation in the negotiations.

VII. CONCLUSION

55. Tourism is an important service sector for LDCs in their development of a sustainable economy. LDCs should be aware of the economic, environmental and social effects involved in the development of tourism. In the new round of negotiations, the LDCs should determine the goals they want to achieve and their target markets. To do so, LDCs need to assess the impacts on their own economy of the Uruguay Round commitments in the tourism sector. In this assessment process as well as in elaborating their negotiating positions LDCs should involve all relevant domestic stakeholders (e.g. various government ministries and departments responsible for trade, economic development, protection of the environment, health, etc; NGOs and academics). These stakeholders need not only be limited to actors in the tourism sector, but can be from related sectors of the economy (all the sectors that can possibly be reached through “linkage”). This will allow LDCs to have a better idea of what to ask from their trading partners and what they can accept as compromise during the request and offer process. In this light, a sample request for further liberalisation of the tourism sector is presented as Annex 3.

¹² WTO Document TN/S/13.

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ANNEX 1. QUAD MEMBERS' SCHEDULE ON TOURISM AND RELATED TRAVEL SERVICES

Uruguay Round Commitments of Canada

Sectors and Subsectors	Limitations on Market Access	Limitations on National Treatment	Additional Commitments
<p>9. TOURISM AND TRAVEL RELATED SERVICES</p> <p>A. <u>Hotels and restaurants</u> (including catering)</p> <p>Hotel and other lodging services (CPC 641)</p> <p>Food and beverage serving services (CPC 642/3)</p>	<p>1) None</p> <p>2) None</p> <p>3) None, other than:</p> <p><u>Sale of liquor on premises</u> (Nova Scotia): New licences require a majority approval in a public vote</p>	<p>1) None</p> <p>2) None</p> <p>3) None, other than:</p> <p><u>Purchase of recreational property</u> (Ontario): Non-residents are required to pay a 20 percent land transfer tax</p>	
	<p><u>Sale of liquor in a tavern, restaurant or bar</u> (Québec): For juridical persons not listed on a Canadian stock exchange, all shareholders owning 10 percent or more of voting shares must be Canadian citizens or permanent residents</p> <p>(Saskatchewan): The majority of shareholders must be Canadian and manager must be a Canadian citizen or permanent resident</p>	<p><u>Sale of alcoholic beverages</u> (Ontario): The majority of the board of directors must be Canadian citizens or landed immigrants and ordinarily resident in Ontario</p> <p>(Alberta): At least one director must be a permanent resident</p>	

	<p><u>Sale of liquor</u> (Québec): Is limited to federally incorporated companies</p> <p>4)Unbound except as indicated in the horizontal section, and: <u>Sale of liquor in a restaurant and tavern</u> (Québec): Requirement for residency and citizenship <u>Sale of alcoholic beverages</u> (Alberta, Saskatchewan and Ontario): Requirement for permanent residency (Manitoba): Requirement for citizenship and residency (Nova Scotia): Licences for the sale of alcoholic beverages will be granted only to Canadian citizens</p>	<p>(Newfoundland, Nova Scotia and Alberta): Agents or managers must be Canadian citizens, resident in the province</p> <p>4)Unbound except as indicated in the horizontal section</p>	
<p><u>B.Travel agencies and tour operators services</u> Travel agency and tour operator services (CPC 7471)</p>	<p>1) None, other than: <u>Travel agencies and travel wholesalers</u> (Ontario): Services must be supplied through a commercial presence <u>Travel agencies</u> (Québec): Services must be supplied through a commercial presence</p> <p>2) None 3) None</p>	<p>1) None, other than: <u>Travel agents</u> (Québec): Residency requirement <u>Travel counsellors</u> (Québec): Residency requirement <u>Travel agents and wholesalers</u> (Ontario): Residency requirement 2) None 3) None, other than: <u>Travel agencies</u> (British Columbia): At least one of the partners in a partnership or one of the directors of a corporation</p>	

Sectors and Subsectors	Limitations on Market Access	Limitations on National Treatment	Additional Commitments
	4)Unbound except as indicated in the horizontal section, and:	must be ordinarily resident in the province 4)Unbound except as indicated in the horizontal section, and: <u>Travel agents</u> (Québec - natural persons): Residency requirement <u>Travel counsellors</u> (Québec): Residency requirement <u>Travel agents and wholesalers</u> (Ontario - natural persons): Residency requirement	

Uruguay Round Commitments of EC

Sectors and Subsectors	Limitations on Market Access	Limitations on National Treatment	Additional commitments
<p>9.TOURISM AND TRAVEL RELATED SERVICES</p> <p>A. <u>Hotels, Restaurants and Catering</u> (CPC 641, 642, 643) (excluding catering in transport services sector)</p>	<p>1)Unbound* except for catering: none</p> <p>2)None</p> <p>3)E, GR, P: Authorization can be denied in order to protect areas of particular historic and artistic interest.</p> <p>I: Local economic needs test on opening of new bars, cafés and restaurants; authorization can be denied in order to protect areas of particular historic and artistic interest.</p> <p>4)Unbound except as indicated in the horizontal section and subject to the following specific limitations:</p> <p>F: Cafés and bars: condition of nationality.</p>	<p>1)Unbound* except for catering: none</p> <p>2)None</p> <p>3)None</p> <p>4)Unbound except as indicated in the horizontal section</p>	

*A commitment on this mode of supply is not feasible.

Sectors and Subsectors	Limitations on Market Access	Limitations on National Treatment	Additional Commitments
<p>B. <u>Travel Agencies and Tour Operators Services</u> (including tour managers) (CPC 7471)</p>	<p>1)None</p> <p>2)None</p> <p>3)B: Authorization for non-EC incorporated companies to act as travel agencies is possible only if the company has a permanent base in Belgium (siège d'opérations permanent) and if the person directing the daily operations (or the person asking for the authorization) is an EC national.</p> <p>P: Requirement of constitution of a commercial company having its corporate base in Portugal.</p> <p>I: Economic needs test.</p> <p>4)Unbound except as indicated in the horizontal section and subject to the following specific limitations:</p> <p>GR: Access limited to two persons per entity.</p>	<p>1)None</p> <p>2)None</p> <p>3)None</p> <p>4)Unbound except as indicated in the horizontal section</p>	

Sectors and Subsectors	Limitations on Market Access	Limitations on National Treatment	Additional Commitments
<p>C. <u>Tourist Guides Services</u> (CPC 7472)</p>	<p>1)I, P: Unbound.</p> <p>2)None</p> <p>3)None</p> <p>4)Unbound except as indicated in the horizontal section and subject to the following specific limitations:</p> <p>E, I: The right to exercise the profession is reserved for the local organizations of tourist guides.</p> <p>GR, E, F, I, P: Access to the activity is subject to condition of nationality.</p>	<p>1)None</p> <p>2)None</p> <p>3)None</p> <p>4)Unbound except as indicated in the horizontal section</p>	

Uruguay Round Commitments of Japan

Sectors and Subsectors	Limitations on Market Access	Limitations on National Treatment	Additional Commitments
<p>9. TOURISM AND TRAVEL RELATED SERVICES</p> <p>A. <u>Hotels and Restaurants Services</u> (excluding catering services) (641-643, except 6423CPC 6411, 6412, 64194, 6421, 6422, 6431, 6432)</p> <p style="padding-left: 40px;">Catering services (6423)</p>	<p>1) Unbound*</p> <p>2) None</p> <p>3) None</p> <p>4) Unbound except as indicated in HORIZONTAL COMMITMENTS</p> <p>1) None</p> <p>2) None</p> <p>3) None</p> <p>4) Unbound except as indicated in HORIZONTAL COMMITMENTS</p>	<p>1) Unbound*</p> <p>2) None</p> <p>3) None <i>except as indicated in HORIZONTAL COMMITMENTS</i></p> <p>4) Unbound except as indicated in HORIZONTAL COMMITMENTS</p> <p>1) None</p> <p>2) None</p> <p>3) None <i>except as indicated in HORIZONTAL COMMITMENTS</i></p> <p>4) Unbound except as indicated in HORIZONTAL COMMITMENTS</p>	
<p>B. <u>Travel Agencies and Tour Operators Services</u> (7471)</p>	<p>1) None</p> <p>2) None</p> <p>3) None</p> <p>4) Unbound except as indicated in HORIZONTAL COMMITMENTS</p>	<p>1) None</p> <p>2) None</p> <p>3) None <i>except as indicated in HORIZONTAL COMMITMENTS</i></p> <p>4) Unbound except as indicated in HORIZONTAL COMMITMENTS</p>	

<p>C. <u>Tourist Guides Services</u> (7472)</p>	<p>1) Unbound* 2) None 3) None 4) Unbound except as indicated in HORIZONTAL COMMITMENTS</p>	<p>1) Unbound* 2) None 3) None <i>except as indicated in HORIZONTAL COMMITMENTS</i> 4) Unbound except as indicated in HORIZONTAL COMMITMENTS</p>
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Uruguay Round Commitments of the United States

Sectors and Subsectors	Limitations on Market Access	Limitations on National Treatment	Additional Commitments
9. TOURISM AND TRAVEL RELATED SERVICES			
A. HOTELS AND RESTAURANTS (INCLUDING CATERING)	1) None 2) None 3) None 4) Unbound, except as indicated in the horizontal section	1) None 2) None 3) None 4) None	
B. TRAVEL AGENCIES AND TOUR OPERATORS	1) None 2) None 3) Official tourism offices with diplomatic or official status are not permitted to operate on a commercial basis in the United States or to act as agents or principals in commercial transactions 4) Unbound, except as indicated in the horizontal section	1) None 2) None 3) None 4) None	

C. TOUR SERVICES	GUIDE 1) None 2) None 3) The number of concessions available for commercial operations in federal, state and local facilities is limited 4) Unbound, except as indicated in the horizontal section	1) None 2) None 3) None 4) None	
Sectors and Subsectors	Limitations on Market Access	Limitations on National Treatment	Additional commitments
D. OTHER	1) None 2) None 3) None 4) Unbound, except as indicated in the horizontal section	1) None 2) None 3) None 4) None	

ANNEX 2. SUMMARY OF INITIAL OFFERS SUBMITTED ON TOURISM SECTOR¹³

Among those WTO Members (excluding the Quad members who were discussed earlier) who submitted their initial offers, the following countries did not make any initial offers for the tourism sector: Argentina, Australia, Bahrain, Bolivia, Bulgaria, Chile, Fiji, Guatemala, Iceland, Japan, Poland, Singapore, Slovak Republic, Sri Lanka, St. Christopher and Nevis, Suriname, Chinese Taipei, Turkey, United States and Uruguay. The initial offers that were made by countries and their market access implications are described below.

China removed one capital requirement under mode 3 for sub-sector B. Travel agency and tour operators. This could allow for easier access to establish commercial presence in the Chinese market.

Colombia offered an additional commitment for sub-sector C. Tour guide services, which allows more service providers into its territory.

Costa Rica removed one capital requirement under mode 3 for sub-sector B. Travel agency and tour operators. This could allow for easier access to establish commercial presence in the Costa Rican market. It has also offered an additional commitment under mode 4 on D. other services related to tourism.

Czech Republic offered an additional commitment under mode 1 for B. Travel agency and tour operators. This could allow countries to deliver travel agency and tour operator services in a cross border mode of supply to the Czech Republic.

Hong Kong, China offered additional commitments in both sub-sectors A. Hotels and restaurants (including catering) and B. Travel agency and tour operators under both mode 1 and mode 2. This improvement could allow for cross border delivery of tourism services, but also could increase the tourists from Hong Kong to other destination countries.

India removed ceiling restrictions under mode 3 in both sub-sectors A. Hotels and restaurants (including catering) and B. Travel agency and tour operators as well as offering an additional commitment under mode 2 in both sub-sectors. This could allow for easier access to establishment of commercial presence in the India market and allow more tourists seeking services in the destination countries.

Israel removed a limitation under mode 3 for sub-sector B. and restaurants (including catering). This could make it easier for foreign tour agencies and tour operators to establish presence in Israel.

¹³ As of 28 September 2004.

Liechtenstein removed a limitation under mode 3 for sub-sector A. Hotels and restaurants (including catering). This could make it easier for foreign tour agencies and tour operators to establish presence in Liechtenstein.

Macao, China offered additional commitments under mode 2 for both sub-sector A. Hotels and restaurants (including catering) and B. Travel agency and tour operators. It also modified limitations under mode 3 for sub-sector B. Travel agency and tour operators, which could allow for easier establishment of foreign tour agencies and tour operators.

Mauritius eliminated some limitations under mode 1 for sub-sector A. Hotels and restaurants (including catering), which could facilitate the delivery of tourism services across the border. However, it also modified the limitations under mode 3, and seems to have added a new requirement of “staffed predominantly by Mauritius nationals”.

Mexico offered an additional commitment for sub-sector D. Other on spa services. It also modified the limitations under mode 3 for all sub-sectors, which could make it easier for foreign spa service providers to establish in Mexico.

Panama offered an additional commitment for food services, which would enlarge its commitment under sub-sector A. Hotels and restaurants (including catering).

Peru modified its limitations under mode 3 for both sub-sector A. Hotels and restaurants (including catering) and B. Travel agency and tour operators, which could make it easier for foreign tourism providers to establish in Peru.

Paraguay clarified its commitment under sub-sector B. Travel agency and tour operators. However, the change under mode 3 might be back-tracking, because it changed “operators for tourism in the country” to “unbound”.

Slovenia offered additional commitments for both sub-sector C. Tourist guide services and D. Other, which enlarges the scope of its commitment.

Switzerland removed a licensing requirement under mode 3 for sub-sector A. Hotels and restaurants (including catering), as well as a residential requirement under mode 3 for sub-sector C. Tourist guide services. Both could facilitate the establishment of foreign service providers in Switzerland.

Thailand modified limitations under mode 3 for sub-sectors A. Hotels and restaurants (including catering), B. Travel agency and tour operators and D. Other, this could make the establishment of foreign tourism providers in Thailand easier. There is a change under mode 4 for sub-sector D. Other which changed from “none” to “unbound”.

ANNEX 3: SAMPLE REQUEST FOR FURTHER LIBERALISATION IN TOURISM SERVICES¹⁴

This sample request is prepared to assist the LDCs in the current request and offer stage of the Doha round of negotiations. This sample request tries to provide the LDC Group a comprehensive list of what can be requested in the tourism and travel related services sector. Since the level of development and comparative advantages can be different among LDC countries, the export interests are presumably different for each LDC Member. Therefore, each LDC Member should first define its own export interests, through assessment of its own tourism industry and consultation with the domestic stakeholders. Once the export interests are narrowed down to specific sub-sectors and modes, the Member can then look at the specific export markets to list its targeted countries. On this basis, the Member can review the Uruguay Round commitments and initial offers (if the countries have already made the initial offers) of the targeted countries in the sub-sectors and modes of export interests to the LDC. During this process, the LDCs can use this sample request as a checklist to make its own request.

For example, if a LDC has decided that its export interest is in sub-sector C. Tourist Guide Services under mode 1 and its targeted county is A, the LDC first looks at the Uruguay Round commitments of country A's horizontal commitment. Suppose the LDC found residency and commercial presence requirements in the horizontal commitment under mode 1. The LDC then checks the initial offer of country A. If the requirements are not removed in the initial offer, the LDC will write down in its horizontal request under mode 1: "Please remove any requirements of residency and commercial presence in country A."

Secondly, the LDC looks in subsector C. Tourist Guide Services under mode 1 of the schedule of country A. Suppose that the LDC finds both residency and commercial presence requirements in the column of Market Access, and "unbound" in National Treatment. The LDC then looks at the initial offer of country A, and finds that country A has removed only the residency requirement in Market Access. Therefore the LDC will make its request in subsector C under mode 1 as follows: "Please remove the requirement of commercial presence in country A in Market Access, and make full commitment, i.e. "none" in National Treatment."

¹⁴ The majority of the LDCs have already made rather extensive commitments under tourism and travel related services. Indeed, full commitments under both Market Access and National Treatment are quite common in the LDCs' Schedules. Therefore, it does not leave too much for the LDCs to offer in this sector. Therefore, LDCs should not feel too much pressured by the requests from other Members for opening their market. Article XIX:2 of GATS provides that "[t]here shall be appropriate flexibility for individual developing country Members for opening fewer sectors, liberalizing fewer types of transactions, progressively extending market access in line with their development situation." The LDCs should use this flexibility provided in GATS in the current round of negotiations to achieve their export interests through requesting targeted markets. Therefore, we attached to this paper a sample request only.

REQUEST BY COUNTRY X TO COUNTRY Y

Country X wishes to request the following improvements in both the horizontal commitments and several sub-sectors under Tourism and Travel Related Services. Country X wishes to reiterate that it puts forth its requests primarily on the basis of Article IV and the Modalities for Special and Differential Treatment of LDCs of GATS which stipulates negotiations should facilitate the access of least developed countries to the sectors and modes of interest to them, and with a view to strengthening of their domestic services capacity and its efficiency and competitiveness of their services. Country X also wishes to recall the objective of the Modalities for the Special Treatment for Least-Developed Country Members in the Negotiations on Trade in Services that “[p]articular account shall be taken of the serious difficulty of LDCs in undertaking negotiated specific commitments in view of their special economic situation and their development, trade and financial needs”. This request may be supplemented in the course of negotiations.

Horizontal Request

Country X requests the improvement of horizontal commitments addressing the following issues:

- Clear and publicly accessible procedures for applications for licenses and/or authorizations, and their renewal.
- Effective mechanisms to respond to inquiries on regulations and applications from service suppliers.
- Offering at reasonable intervals and not at a cost which limits the number of the applications examinations required as part of the application process for a license or authorization.

Horizontal request mode 1:

Market Access:

- remove any requirement of residency or citizenship/nationality
- •

National Treatment:

- remove any requirement of residency or citizenship/nationality

Horizontal request mode 2:

Market Access:

- remove any requirement for all transactions to be conducted through any form of exclusive agency of the government.

Horizontal request mode 3:

Market Access

- remove any requirement of residency or citizenship/nationality
- Transparent and publicly accessible criteria for any economic needs tests that appears in the schedule.

National Treatment

- remove any requirement of residency or citizenship/nationality

Horizontal request mode 4:

Market Access:

- increase the categories of natural persons providing services which are allowed entry into and temporary stay in the country, particularly for lower skilled workers.
- remove any requirements for residency or citizenship/nationality
- transparent and publicly accessible regulations regarding work permit and visa applications
- reasonable fees for work permit and visa applications that do not limit the number of applications
- remove any pre-employment requirements
- recognition of equivalency in qualifications and experience

National Treatment

- exempt Foreign Service suppliers from social security payment requirements.
- remove any requirements for residency or citizenship/nationality
- recognition of equivalency in qualifications and experience

Sub-Sector Request:

A. Hotels and Restaurants (including catering) (CPC: 641-643)

Mode 1:

Market Access:

- remove any requirements of residency or citizenship/nationality
- remove any requirement for commercial presence in the country

National Treatment:

- full commitment under national treatment

Mode 2:

- full commitment under both Market Access and National Treatment

Mode 3:

Market Access:

- remove any requirement of residency or citizenship/nationality
- remove any requirement for pre-employment residency or professional experience
- remove any limitations on the number of service suppliers
- remove any investment percentage requirement/foreign equity ceiling
- remove any economic needs tests that are unnecessary barriers to trade, and specify the specific criteria of other economics needs tests
- remove limitations on the types of legal entities or joint ventures allowed

National Treatment:

- remove any local content requirement for foreign service suppliers
- remove any restrictions on ownership of local property that restricts foreigners from supplying services

Mode 4:

Market Access:

- remove any economic needs tests that are unnecessary barriers to trade, and specify the specific criteria of other economics needs tests
- remove any requirements for residency or citizenship/nationality
- remove any pre-employment requirement
- recognition of qualifications and experience
- remove any limitation on the number of persons

National Treatment:

- full commitment under national treatment

If country Y is not committed under any of the four modes or any of the sub-sectors, request for the full commitment in the specific sub-sector under specific mode (include this in the instructions section).

B. Travel Agencies and Tour Operators Services (CPC 7471)

Mode 1:

Market Access:

- remove any requirement of residency or citizenship/nationality
- remove any requirement for commercial presence in the country

National Treatment:

- full commitment under national treatment

Mode 2:

- full commitments under both Market Access and National Treatment

Mode 3:

Market Access:

- remove any requirement of residency or citizenship/nationality
- remove any requirement of pre-employment residency or professional experience with foreign entities
- remove any limitations on the number of service suppliers
- remove any investment percentage requirement/foreign equity ceiling
- remove any economic needs tests that are unnecessary barriers to trade, and specify the specific criteria of other economics needs tests
- remove any requirement of types of legal entities or joint ventures
- remove any requirement for the headquarter or permanent base of the commercial presence to be situated in the host country
- remove any requirements for minimum turnover
- remove any restrictions on ownership of local property that restricts foreigners from supplying services

National Treatment:

- remove any local content requirements for foreign service suppliers
- remove any restrictions on ownership of local property, e.g. can only acquire property through participation of joint ventures.

Mode 4

Market Access:

- remove any economic needs tests that are unnecessary barriers to trade, and specify the specific criteria of other economics needs tests
- remove any requirements for residency or citizenship/nationality
- remove any pre-employment requirements
- recognition of qualifications and equivalent experiences
- remove any limitation on the number of persons per entry
- remove the limitation of foreign services suppliers can only work in the foreign entities

National Treatment:

- full commitment in National Treatment

C. Tourist Guides Services (CPC 7472)

Mode 1:

Market Access:

- remove any requirement of residency or citizenship/nationality
- remove any requirement of commercial presence in the country

National Treatment:

- full commitment under national treatment

Mode 2:

- full commitment under both Market Access and National Treatment

Mode 3:

Market Access:

- remove any requirement of residency or citizenship/nationality
- remove any requirement of pre-employment residency or professional experience with foreign entities
- remove any limitations on the number of service suppliers
- remove any investment percentage requirement / the foreign equity ceiling
- remove any economic needs tests that are unnecessary barriers to trade, and specify the specific criteria of other economics needs tests
- remove any requirement of types of legal entities or joint ventures
- remove any requirement for the headquarter or permanent base of the commercial presence to be situated in the host country
- remove any requirement of minimum turnover
- remove any restriction on the scope of the services supplied within tour guide sector

National Treatment:

- remove any restrictions on ownership of local property that restricts foreigners from supplying services

Mode 4

Market Access:

- remove any economic needs tests that are unnecessary barriers to trade, and specify the specific criteria of other economics needs tests
- remove all requirements for residency or citizenship/nationality
- remove any pre-employment requirements
- recognition of qualifications and equivalent experience
- remove any limitation on the number of persons per entry
- remove any limitation of foreign services suppliers can only work in the foreign entities only

- Allow independent service suppliers to come into the county and provide tour guide service.

National Treatment:

- full commitment in National Treatment
-



Chemin du Champ d'Anier 17
Case postale 228, 1211 Geneva 19
Switzerland

Telephone : (41 22) 791 8050
Fax : (41 22) 798 8531
Email : south@southcentre.org

Website:
<http://www.southcentre.org>