

# Note on Impacts of WTO Agreements on Tourism and Livelihoods

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*The World Trade Organization (WTO) is a fertile ground for controversial trade agreements that push for opening up of a member nation's markets. This has had disastrous effects on developing country economies. The General Agreement on Trade in Services (GATS) of the WTO aims at the deregulation of international markets in Services like education, health, energy, water distribution, culture, environment and tourism. One of the concerns with the GATS is the implications of its negotiating process. The Ministry of Commerce in India which negotiates on behalf of the government acts without due consultation with the state and local governments and other ministries. Many Services that the GATS address are under the jurisdiction of local governments. Thus, agreements made in such a manner are undemocratic. Tourism Services Sector is one of the largest and least restricted sector that comes under the purview of GATS. This paper presents concerns and impacts that the GATS can have on tourism, local governments and livelihoods.*

The World Trade Organisation was formed in 1995 to set rules and principles for international trade. Over the years, the WTO has given birth to controversial agreements that open up nations' agriculture, industries, fisheries, forests, basic services, intellectual property and even culture for trade in the international market. One of the important agreements is the GATS – that is the WTO Agreement for rules on trade in services. Tourism, environmental services (like water), cultural services, health, education, energy are some of the vital sectors covered by the GATS. It is very important to recognise the potential impacts of this agreement from the standpoint of access to basic services and impacts of trade-induced investment on sustainability and livelihoods in the region.

## **What is the GATS?**

- The General Agreement on Trade in Services (GATS) – a trade agreement that came into existence in 1995 is one of the many sub-agreements that are administered by the WTO. Like other agreements of the WTO all members (150 countries) are signatory to this agreement.
- The GATS is legally enforceable and is aimed at deregulating international markets in services, including public services like education, health, water distribution, energy, communications and sanitation. The agreement aims at a progressive phasing out of government 'barriers' to international competition in the services sector
- The Scope and Definition of GATS is given in Article 1 of the Agreement:
- 'This Agreement applies to measures by Members (i.e. national government signatories to the Agreement) affecting trade in services ..... for the purposes of this Agreement, measures by members means measures taken by central, regional or LOCAL GOVERNMENT AUTHORITIES'.

## **What is the link between tourism, GATS and local governments?**

Tourism is one of the 12 sub-sectors covered under the GATS and includes hotels and other accommodation, restaurants, travel agent and tour operator services and guide services. It is the least restricted sector and most WTO member countries have opened up their tourism sectors under the GATS. Other services covered under the GATS which are linked to tourism and therefore also need to be monitored are environmental services, cultural services and transport services. Tourism's presence in the GATS is far too removed from local realities in tourism destinations as the language of sustainability, benefit sharing, conservation and democratisation is excluded from the WTO lexicon. There is no questioning the fact that tourism is an immensely lucrative activity and a source of employment –both direct and indirect, for millions worldwide.

- GATS encourages governments to do away with all barriers to market access. In tourism this would mean removing restrictions like setting up of hotels/resorts in particular geographic zones, not limiting the number of hotels/resorts that can be established in a place and not limiting the volume of trade.
- GATS states that governments should treat domestic and foreign service providers equally. In tourism this could mean doing away with reservation of jobs in tourism for the locals, preference to local ownership in tourism industry and government support to help boost local efforts.
- Above all, GATS calls for diluting/removing domestic regulations that could be barrier to trade. This includes all regulations put in place by national, state or local governments. Regulations could be related to environment, investment, planning, social policy like reservations, production, taxation or any other matter related to tourism in any way. If foreign enterprises feel that the regulation is a "barrier to trade" in any way

(i.e. does not allow them to function in a profitable manner) then through GATS the governments can appeal for dilution of the regulation.

### **What does this mean for the powers and functioning of local governments?**

Most of the sectors covered under the GATS like basic services, natural resources are those that come under the jurisdiction of local governing institutions. GATS provisions severely restrict the ability of local governments to regulate tourism development in their regions. How? –

- GATS and all other WTO Agreements are negotiated by the national government (specifically the Ministry of Commerce) without due consultation with state or local-level governments. But the commitments undertaken under GATS (i.e. to what extent which sector will be opened and what regulations will or will not apply) apply to ALL levels of government
- GATS provision of domestic regulation calls into question all those policies, notifications, laws, regulations, practices that local governments may have traditionally followed or put in place to serve local priorities. These may not be related to trade but to other local environmental, cultural or social issues – but if it is seen as an obstacle to provision of tourism services – it will be called into question
- Disputes on WTO Agreements and commitments are not handled under national laws but decided at the WTO Court of Law i.e. the Dispute Settlement Mechanism which is not accountable to any national government, let alone local government

### **What needs to be done?**

The GATS negotiations are presently gathering force in the WTO secretariat in Geneva. In its offer before the Hong Kong Ministerial, the government of India has excluded Schedule V and VI Areas of the Indian Constitution from the purview of GATS. But subsequently, they were brought back under the GATS regime, without any consultation with state, local governments or communities. Local governments are not 'parties' to the GATS, yet are subject to the full extent of the obligations.

To oppose such an unjust, undemocratic agreement, several municipalities in France, Canada and Switzerland have declared themselves "GATS Free Zones". This is the official statement declaring the particular area – village/municipality is outside GATS purview and not subject to its provisions. Our panchayats, grama sabhas and municipalities must also consider this move.

If national governments are allowed to continue with the present non-consultative method of arriving at commitments in the WTO local governments will soon find themselves automatically bound by the restrictive clauses of the GATS. This is unlikely to happen unless elected local government representatives assert their rights calling for a clarification on GATS and its impacts on policies that are presently under their purview. If this does not happen, and soon, fruits of years of struggle translated into the historic 73 and 74 Amendment to the Indian constitution and PESA will be eroded.

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Contact us

[info@equitabletourism.org](mailto:info@equitabletourism.org)

+91-80-2545-7607 / 2545-7659

EQUATIONS, # 415, 2C-Cross, 4th Main, OMBR Layout, Banaswadi, Bangalore 560043, India

[www.equitabletourism.org](http://www.equitabletourism.org)