

Council for Trade in Services
Special Session

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COMMUNICATION FROM COSTA RICA¹

Tourism Services

The following communication has been received from the delegation of Costa Rica, with the request that it be circulated to Members of the Council for Trade in Services.

I. IMPORTANCE OF THE SECTOR

1. The tourism industry is of great importance to developing countries and can contribute significantly to the goal of sustainable development by generating employment, preserving natural resources, developing infrastructure and attracting foreign direct investment.

2. In Costa Rica, the tourism sector is of considerable economic importance. In 2000, total tourism-related earnings amounted to US\$1.145 million, accounting for 67.4 per cent of total services exports and almost 15 per cent of total exports in goods and services. In the first half of 2001, the number of tourist arrivals increased by 8.8 per cent as compared to the first six months of the previous year.

3. According to domestic surveys, more than 67 per cent of holiday passengers who entered the country during the high season 2000 did so on an independent basis, spending an average of US\$85.60 a day for an average stay of 11.1 nights.

4. In terms of direct and indirect employment, tourism generates some 170,000 jobs. Costa Rica has a capacity of 30,940 rooms, most of which are managed and run by small and medium-sized enterprises. Close to 58 per cent of the rooms are located in the provinces of Guanacaste, Puntarenas and Limón, which have the lowest development indices in the country.

5. As is to be expected, however, the sector is directly affected by the economic slowdown in the industrialized countries, and global performance in the economic, political and social spheres therefore impacts on tourism in Costa Rica.

6. The terrorist attacks of 11 September in the United States have had serious consequences, and the task of determining and measuring their magnitude is only just beginning. It is estimated that tourism receipts in Costa Rica will drop by US\$100 million this year and by some US\$200 million in 2002. Job creation was down by 14 per cent with 18,000 lay-offs in the fortnight that followed the

¹ This communication is without prejudice to Costa Rica's position on this and other sectors or to any future offers on any such sectors. Costa Rica reserves the right to amend its proposal during the negotiations. This proposal is not to be analysed as a legal document.

tragedy. The number of tourists fell by some 17.5 per cent as compared to the same period the previous year. As part of its review of trade in services, the Services Council should evaluate the effects of these events on tourism, and Members could share information on measures adopted in response to the crisis affecting the sector. The WTO Secretariat could, moreover, update Background Note S/C/W/51, taking into account the results of this evaluation. Today, it is vitally important to remove barriers restricting growth in the industry, which is the purpose of Costa Rica's proposal on the tourism services sector.

II. ANALYSIS OF NATIONAL SCHEDULES

7. A large number of WTO Members have undertaken commitments on tourism services, reaching a level that is "greater than for any other sector, and indicates the desire of most Members to expand their tourism sectors and to increase inward FDI as part of efforts to promote economic growth".² There nevertheless remain some obstacles relating, *inter alia*, to restrictions on foreign direct investment, immigration control, documentation requirements, restrictions on currency movements and lack of transparency. These limit the sector's potential and diminish the benefits for tourism service providers, and developing countries in particular.

8. The tourism services sector is directly linked to performance in other sectors such as distribution systems, advertising and hotel construction and management services, and in particular air transport services, which are not covered by the GATS. In Costa Rica's view, it is important to address obstacles in sectors related to tourism services that are liable to affect growth in the industry; this primarily concerns the use of specific anti-competitive practices.

III. PROPOSAL

9. Costa Rica considers it important to have a list of services characteristic of or related to tourism, in order to evaluate progress and achievements in the negotiations from a global perspective. The proposals submitted by various Members³ regarding a possible list of tourism services are extremely useful as a starting-point for the discussions.

10. In Costa Rica's opinion, it is also important that the Members should undertake broader and more in-depth commitments on all modes of supply⁴, in particular on Modes 2 (consumption abroad) and 3 (commercial presence).

11. The negotiations must include additional commitments regarding disciplines on the prevention of anti-competitive practices, consumer protection, and access to and use of information. The negotiation process must take account of advances made in the negotiations in other related sectors and in the area of competition, pursuant to the mandate given by the fourth WTO Ministerial Conference.

² Document S/C/W/51, Tourism Services: Background Note by the Secretariat, 23 September 1998.

³ See, *inter alia*, documents S/CSS/W/5, Communication from the European Communities and their member States: Reaction to the Communication from the Dominican Republic, El Salvador and Honduras on the Need for an Annex on Tourism, 28 September 2000; S/CSS/W/19, Communication from the Dominican Republic, El Salvador, Honduras, Nicaragua and Panama: The Cluster of Tourism Industries, 5 December 2000; and S/CSS/W/107, Communication by Bolivia, Dominican Republic, Ecuador, El Salvador, Honduras, Nicaragua, Panama, Peru and Venezuela: Draft Annex on Tourism, 26 September 2001.

⁴ It is recognized that in many cases commitments cannot be undertaken under Mode 1 for reasons of technical feasibility.