

**THE POSITION OF THE CARIBBEAN HOTEL ASSOCIATION (CHA)
ON THE
CARICOM SINGLE MARKET AND ECONOMY (CSME)**

“With all of this, ladies and gentlemen, there continues to exist the unfathomable anomaly that Tourism, the sector that drives most Caribbean economies, is not even on the Agenda for this CARICOM Summit. Tourism may, of course, be subsumed in various agenda items over the next three days. Still, the Caribbean’s major provider of jobs and revenues should be an automatic candidate for permanent listing on the Agenda of every CARICOM Summit.”

From the opening address by the Hon. Baldwin Spencer, Prime Minister, Antigua and Barbuda, and outgoing Chairman, CARICOM, at the Twenty-Fifth meeting of the Conference of Heads of Government of the Caribbean Community, 4th July 2004, St. George’s, Grenada.

October 2004

Executive Summary

The Caribbean Hotel Association (CHA)¹, as the regional private sector association for tourism, is a strong believer in the benefits of a regional approach to tourism development. For many years, CHA has been working with public sector partners to market the Caribbean as a single tourism destination. The CSME offers an exciting opportunity to achieve a harmonised approach to tourism policy among CARICOM states. This would compliment the industry's regional marketing initiatives.

As the largest industry in the CSME area, and the only viable economic growth trajectory for some CARICOM states, tourism must take centre stage within the CSME. Tourism is one sector where CARICOM states have the capacity to be leaders in the global marketplace despite their small size and vulnerability. They already are for cruise tourism, and can be for land-based tourism as well. A strong regional policy framework through the CSME, that provides the right enabling environment for investment and sustainable tourism development, will help the public and private sectors to achieve this objective.

Other regions of the world, such as the Association of South East Asian Nations (ASEAN), have used tourism as a driver of regional integration. CHA believes CARICOM should do likewise.

CHA recognises that the CSME is a work in progress. The industry's hope and expectation is that it will resolve some of the structural problems facing the regional tourism industry, not least the lack of affordable inter-island air transport.

Proposals

In order to place sustainable tourism at the heart of the CSME, CHA wishes to highlight the following positions of the regional tourism private sector. They complement CHA's previous submissions to government on tourism and international trade in services negotiations.

- 1. (*Tourism definition*) Agree a CARICOM tourism definition for inclusion within the CSME.
- 2. (*Facilitation of Travel*) Agree a timetable for the phasing out of travel levies and taxes on CARICOM nationals visiting other CARICOM states.
- 3. (*Facilitation of Travel*) Agree harmonised visa procedures for international travellers visiting CARICOM states (e.g. a CARICOM visa).
- 4. (*Free movement of persons*) Expand the categories of workers permitted to move freely among CARICOM states to include the following tourism professionals: hotel manager, restaurant manager, tour operator, travel agent; and graduates from national hospitality training institutes.

¹ The CHA represents 850 hotel members with some 120,000 hotel rooms, as well as 750 allied members and 35 National Hotel Associations in the CARICOM and Greater Caribbean region.

- 5. (*Free movement of persons*) Clarify the meaning of “technical, managerial and supervisory staff” in relation to tourism enterprises and the free movement of labour under the CSME.
- 6. (*Recognition of tourism skills*) Ensure that tourism credentials and qualifications developed in CARICOM states are eligible for recognition by the national and regional accreditation bodies established under the CSME and by the “Certificate of Recognition of CARICOM skills qualification”.
- 7. (*Facilitate imports of tourism inputs*) Review and streamline administrative measures in place for the supply of CARICOM-produced goods to the regional tourism sector (e.g. furniture, fresh produce, processed and unprocessed food, juices, distilled spirits).
- 8. (*Sectoral tourism programme for CSME*) CHA supports the introduction of a new sectoral tourism programme to harmonise tourism policy within the CSME.
- 9. (*Tourism and Competition*) CHA supports the development of a Community Competition Commission to ensure fair competition in the CARICOM tourism sector.
- 10. (*Preservation of some tourism activities for regional suppliers*) CHA proposes that a list of tourism services that should be preserved for regional services suppliers should be drawn up to ensure these are not liberalised in international trade in services negotiations (e.g. GATS, FTAA, EPA).

Introduction

1) The importance of tourism to CARICOM states has been well documented in the recently produced World Tourism and Travel Council (WTTC) report entitled “*The Caribbean: The impact of Travel and Tourism on Jobs and the Economy*”. Statistics from the report are provided in the Annex to this submission. They confirm tourism’s leading contribution of tourism to GDP and employment in CARICOM states.

Timing

2) In October 2004, Prime Minister Owen Arthur of Barbados stated that the essential aspects of the programme to create the regional Single Market, involving the removal of all restrictions on the free movement of goods, the provision of services, the free flow of capital, the establishment of enterprises and the movement of skills have been agreed to and are now intended to be implemented by all participating countries by the year 2005.

3) In the same speech², he acknowledged that the main aspects of the Single Caribbean Economy may not be in place until 2008. These include the coordination of macro-economic policies, harmonisation of incentives to business, the establishment of the Caribbean Court of Justice (CCJ), the establishment of new regional institutions for Accreditation, Standards and Competition, and common legislation in areas such as company law, customs and taxation.

Proposals

4) ***Tourism definition:*** A regional definition for tourism would assist tourism planning at both the national and regional levels to develop our complex and fragmented industry. This is an opportunity for CARICOM to be world leaders in tourism policy. A CARICOM tourism definition would, for example, help policy makers to achieve an appropriate level of regulation of the cruise and land-based tourism sectors by recognising that they are both tourism services (cruise ship services are currently classified as a maritime transport service under the GATS). Regulatory coherence between the cruise and land-based tourism sector is essential for the future of Caribbean tourism.

5) The development of a regional tourism definition is an essential first step to achieving a wider definition of tourism under the GATS³ and all other regional and hemispheric trade in services negotiations. It is recommended that a regional tourism definition be rapidly developed, using the list of “Tourism Characteristic Products⁴” utilised by the Tourism Satellite Accounting (TSA) system as a starting point. Those tourism characteristic services – such as “ski field operation services” – that are not

² *The role of labour in promoting the Caribbean Single Market and Economy*, lecture by the Rt. Hon Owen Arthur, Prime Minister of Barbados to the 15th Triennial Delegates’ Congress, Caribbean Congress of Labour, Paramaribo, Suriname, October 19th 2004.

³ The GATS uses the Services Sectoral Classification list (MTN.GNS/W/120), within which category 9 on “Tourism and Travel Related Services” consists of the following: A. Hotels and restaurants, including catering, (CPC 641-643); B. Travel agencies and tour operators services (CPC 7471); C. Tourist guides services (CPC 7472); D: Other.

⁴ Available from www.world-tourism.org/statistics/tsa_project/basic_references/ingles/A.3.3.1.htm

relevant for CARICOM tourism should be omitted from the definition, and be replaced by emphasis on cultural, heritage and entertainment services and other unique selling points for the CARICOM tourism product.

➤1. Agree a CARICOM tourism definition for inclusion in the final CSME agreement.

6) ***Facilitation of Travel.*** CARICOM states are currently working on three initiatives relating to the facilitation of travel within the CSME⁵. These are the elimination of the need for passport by CARICOM nationals for intra-regional travel, the development of a CARICOM passport, and the introduction of a common entry/departure form. To prepare for the CSME, CARICOM states have already established separate lines for CARICOM and Non-CARICOM nationals at ports of entry.

7) These initiatives will help to encourage intra-regional tourism, which is particularly important for some CARICOM states such as Dominica, Guyana, St. Kitts and Nevis, St Vincent and the Grenadines and Trinidad and Tobago. For example, the Caribbean market accounted for as much as half of total incoming tourists for these countries in 2001 (source: CTO statistics). CHA welcomes these attempts to streamline administrative procedures for the entry and exit of CARICOM nationals visiting other CSME states for tourism or business purposes, but believes they should go further.

8) CHA recommends that CARICOM states also consider two additional proposals that will firstly stimulate intra-CARICOM tourism and, secondly, facilitate the entry of international tourists to CARICOM states⁶, including those wishing to pursue multi-destination itineraries within the CSME area. These are:

➤2. Agree a timetable for the phasing out of travel levies and taxes on CARICOM nationals visiting other CARICOM states.

➤3. Agree on harmonised visa procedures for international travellers visiting CARICOM states (e.g. a CARICOM visa).

9) ***Free movement of persons.*** A phased approach is being taken to the removal of restrictions to permit the free movement of labour within the CSME. Under these provisions, restrictions are being removed to ensure that, after December 31st 2005, the following types of workers are free to seek work or compete for employment (without work permits or permits of stay) in other CARICOM states:

- i. Five categories: university graduate, artist, sports person, musician and media worker.
- ii. Other approved categories: these include as self-employed service providers, entrepreneurs, technical, managerial and supervisory staff of companies,

⁵ *Establishment of the CARICOM Single Market and Economy (CSME) – Summary of Status of Key Elements*, CARICOM Secretariat, October 2004.

⁶ The ASEAN Tourism Agreement, signed at Phnom Penh, Kingdom of Cambodia on 4th November 2002 adopted these two policy measures, and a range of others, to promote tourism in ASEAN states.

spouses and immediate dependent family members, persons consuming services abroad.

10) CHA is concerned that none of the above categories explicitly refer to workers from the region's largest industry: tourism. This is worrying for two reasons. Firstly, these provisions do not bridge the gap between the reality of labour mobility for Caribbean tourism and the letter of the law. Tourism labour in CARICOM states is already highly mobile, and the CSME must reflect this. Secondly, international trade partners (e.g. EU, US) will likely reject CARICOM trade negotiating requests for the temporary movement of CARICOM tourism workers to their markets if CARICOM states do not explicitly permit this type of movement within their own formal arrangements. For example, any attempt by CARICOM to negotiate arrangements for the temporary movement of semi-skilled tourism workers to external markets under Mode 4 will likely be rejected because the CSME will not formally permit this type of labour mobility between CARICOM states.

11) CHA wishes to propose the following in relation to the CSME as it affects the free movement of persons:

➤4. **Expand the categories of workers permitted to move freely among CARICOM states to include the following tourism professionals: hotel manager, restaurant manager, tour operator, travel agent, and graduates from national hospitality training institutes.**

➤5. **Clarify that the meaning of “technical, managerial and supervisory staff” in relation to tourism enterprises and the free movement of labour permitted for “other approved categories” under the CSME.**

13) ***Recognition of tourism skills.*** To prepare for the CSME, CARICOM states are establishing a national and regional accreditation infrastructure in the form of “National Accreditation bodies” and a “Regional Accreditation Body.” CHA is ready to work with these authorities to grant equivalency and accreditation for tourism industry credentialing programmes (e.g. CaribCert), and qualifications obtained in the national hospitality training institutes of CARICOM states. The industry also understands that a “Certificate of Recognition of CARICOM Skills Qualification” will be introduced - to be obtained from a designated Ministry in each CSME member state - to facilitate the free movement of labour between states under the CSME. In this regard, it is essential that tourism qualifications be granted the same recognition as other professional qualifications.

14) This issue also has important implications for CARICOM participation in international trade in services negotiations. The EU, US and others are unlikely to agree to CARICOM negotiating requests to recognise tourism credentials and qualifications developed in Caribbean states if these are not recognised within CARICOM's regional integration arrangements.

➤6. **Ensure that tourism credentials and qualifications developed in CARICOM states are eligible for recognition by the national and regional**

accreditation bodies established under the CSME and by the “Certificate of Recognition of CARICOM skills qualification”.

15) *Facilitate imports of tourism inputs.* One of the main elements of the CSME relates to the free movement of goods. Import duties, therefore, have been reduced to zero for goods of Community origin that are traded among CARICOM states, except in exceptional cases. CHA members wish to, wherever possible, source tourism inputs such as fresh produce and furniture from regional suppliers in order to extend tourism’s linkages into other sectors of regional economies. The industry is already a major consumer of locally produced goods and services in CARICOM states (e.g. *Sandals* resorts in Jamaica consume 14,000 eggs per day that are produced locally).

16) However, some tourism companies have reported that overly burdensome administrative procedures (e.g. import licences, other permits and in a few cases, residual import duties) have made purchasing regionally produced goods commercially unattractive. While prohibitively high freight rates may also be a factor, CHA wishes to propose that a review of all import procedures and non-tariff barriers for selected tourism inputs is rapidly undertaken. The aim should be to ensure that regional tourism operators do not face unnecessary administrative procedures when seeking to import goods produced in the CSME area. Where unnecessary restrictions such as import licenses exist, they should be removed.

➤7. Review administrative measures in place for the supply of CARICOM-produced goods to the regional tourism sector (e.g. furniture, fresh produce, processed and unprocessed food, juices, distilled spirits).

17) *Sectoral tourism programme for CSME.* The advent of the CSME offers CARICOM states an historic opportunity to harmonise tourism policy within the CSME area. CHA believes that this opportunity to create an attractive enabling environment for tourism activities and investment should not be missed. All tourism sub-sectors within the CSME area would benefit from a regional approach to regulation. Tourism and the environment is an area where regional policy initiatives could be particularly useful.

18) CHA understands that work is currently underway to remove restrictions to the free trade in hotel and accommodation services among CARICOM states. These efforts will facilitate a regional approach to attracting tourism investment through agreement on a common set of incentives and other fiscal concessions (e.g. import duty concessions)⁷. All the above will lead to a more transparent and predictable environment for both regional and international investors in the tourism sector. There are many other tourism sub-sectors that could also benefit from a regional approach to

⁷ During the focus groups conducted for the 2004 WTTC report, participants “called for “one stop shopping” or “fast track” programmes to ease the process of establishing new businesses, and suggested that more attention should be paid to indigenous operators willing to re-invest in the community to compete fairly with the multinationals. The participants called for consistency of investment application, clarity and transparency of the incentive process. Surprisingly, they also called for greater policing of investment regulations, indicating that some operators were taking advantage of the public’s trust”. (WTTC report, p.62).

tourism policy e.g. timeshare, cruise tourism, heritage tourism, cultural tourism and sports-related tourism.

19) To avoid re-inventing the policy wheel, the 2002 Caribbean Tourism Strategic Plan should be used as a starting point for the harmonisation of tourism policy within CARICOM states.

➤8. CHA supports the introduction of a new sectoral tourism programme to harmonise tourism policy within the CSME.

20) *Tourism and Competition.* As the regional market for tourism approaches full liberalisation, the issue of competition and tourism is becoming more critical to the sustainable development of the tourism sector. There is anecdotal evidence that some of the following anti-competitive practises are common in the CARICOM states: predatory pricing, abuse of dominance through exclusivity clauses, refusal to deal, and tied sales. Unsurprisingly, it is usually smaller tourism companies with weak bargaining power and minimal access to the tourism distribution channels that are victims of unfair competition in the regional market. CHA therefore fully supports the development of a Regional Competition Commission to ensure that fair competition prevails for the benefit of both consumers and tourism companies in the CARICOM tourism sector.

➤9. CHA strongly the development of a Community Competition Commission to ensure fair competition in the CARICOM tourism sector.

21) *Preservation of some tourism activities for regional suppliers.* The preservation of some tourism-related services for regional service providers is important to ensure local community involvement in the tourism sector, a fundamental pillar of sustainable tourism development. At the regional level, it will be important for a list of such services to be compiled in order to ensure that these services are not liberalised further in international trade negotiations.

22) The benefits to regional companies arising from the CSME, in terms of being able to take advantage of an open regional market for all tourism services, will be lost if this market is simultaneously opened up to larger tourism companies, with healthier balance sheets, from the US, EU and Canada. The recent trend towards vertical integration – of developed country companies in CARICOM tourism markets – poses a direct challenge to the involvement of CARICOM companies and communities in tourism activities. It also increases the leakage of tourism profits from CARICOM states. A regional strategy is required both to counter the effects of this trend, and to reduce the levels of foreign exchange leakage from tourism.

➤10. CHA proposes that a list of tourism services that should be preserved for regional services suppliers should be drawn up to ensure these are not liberalised in international trade in services negotiations (e.g. GATS, FTAA, EPA).

Annex

Tourism's contribution to **GDP** in selected CARICOM states for 2004

	Tourism and Travel <i>Industry</i> GDP		Tourism and Travel <i>Economy</i> GDP	
	US\$m	% of total	US\$m	% of total
Antigua and Barbuda	192.6	24.9	1,253.5	93.9
Bahamas	990.4	18.6	2,986.8	56.0
Barbados	420.3	15.8	1,391.9	52.2
Dominica	21.1	8.2	64.4	25.1
Grenada	38.0	8.3	127.8	27.8
Haiti	54.9	1.6	158.5	4.5
Jamaica	870.5	11.8	2,647.8	36.0
St. Kitts and Nevis	29.4	7.9	112.1	30.1
St. Lucia	112.2	15.6	345.1	47.9
St. Vincent and the Grenadines	39.1	10.0	133.8	34.1
Trinidad and Tobago	244.7	2.3	1,147.5	10.8

Tourism's contribution to **employment** in selected CARICOM states for 2004

	Tourism and Travel <i>Industry</i> employment		Tourism and Travel <i>Economy</i> employment	
	2004E	% of total	2004E	% of total
Antigua and Barbuda	10,380	34.8	28,310	95.0
Bahamas	42,080	26.0	113,290	69.9
Barbados	28,040	19.8	82,430	58.3
Dominica	2,840	7.7	8,390	22.7
Grenada	3,580	8.2	11,350	26.2
Haiti	40,026	1.2	118,280	3.6
Jamaica	10,710	10.7	31,840	31.8
St. Kitts and Nevis	1,700	9.0	5,750	30.3
St. Lucia	11,200	16.5	32,400	47.7
St. Vincent and the Grenadines	4,280	9.2	14,100	30.4
Trinidad and Tobago	14,420	2.6	58,470	10.4

Source: *The Caribbean: The impact of Travel and Tourism on Jobs and the Economy*, World Travel and Tourism Council (2004).

All figures provided are WTTC estimates using the Tourism Satellite Account: Recommended Methodological Framework (TSA:RMF) as developed by the World Tourism Organization and approved by the United Nations Statistical Commission. The WTTC defines "Tourism and Travel *Industry*" as "direct impact of visitor activity (transportation, accommodation, food and beverage, recreation, entertainment and travel services)", and "Tourism and Travel *Economy*" as "direct and indirect impact of visitor activities, capital investment, exports and government services".

The estimates for Grenada were produced before Hurricane Ivan.