

# Sustainable Tourism in St. Lucia

## A Sustainability Assessment of Trade and Liberalization in Tourism-services

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## Executive summary

Over the past decade, many developing countries, particularly Small Island Developing States, have turned to tourism as an option for sustainable development. Sustainable development is “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (World Commission on Environment and Development 1987). It requires a fair and equitable distribution of the benefits of development, improved well-being for citizens and respect and care for the environment. Tourism enjoys an advantage for development in small developing states. It has been one of their fastest-growing economic sectors over the past 10 to 15 years, it is a main contributor to GDP and a lead export and foreign exchange earner. However, given the vulnerability of small developing states, there is growing concern about the environmental sustainability of tourism, the potential impacts of further liberalization in the sector and the need to enhance tourism’s economic and social development contribution.

This paper examines the role tourism trade and liberalization plays in fostering or constraining sustainable development. In short, it explores the question: what are the opportunities and barriers to achieving sustainable development through trade in tourism-services? The paper draws on relevant current literature, and existing data on tourism-services in St. Lucia, a popular tourism destination in the eastern Caribbean.

Tourism emerged from being a relatively small-scale activity into a global economic sector from the 1960s onwards. In 2004, tourism was expected to generate 10.4 per cent of world GDP; 9.4 per cent of global capital investments; 8.1 per cent of worldwide employment; and 12.2 per cent of worldwide exports of goods and services. At present, tourism ranks in the top five world export categories.

Tourism’s impact on the economies of developing countries is very significant. In recent years, tourism’s economic contribution in developing countries has exceeded that of traditional economic activities like agriculture and mineral extraction. It is often the first source of foreign exchange, and is one of the five leading sources of export revenue for at least 69 developing countries. In St. Lucia, the sector currently accounts for approximately 38 per cent of GDP and 73 per cent of total exports of goods and services. Hotels and restaurants employ on average 10.2 per cent of the total labour force on the island.

Despite this potential, there are a number of sustainability issues facing tourism restricting its contribution to sustainable development. A few vertically-integrated corporations, located primarily in developed countries, are increasingly controlling international tourism. This tilts the balance of trade in tourism-services in favour of developed countries and encourages anti-competitive behaviour. For example, it is estimated that large tour operators in developed countries retain at least 75 per cent of the retail price of package tours paid by tourists. They use their market power to exert pricing-pressure on small service providers in developing countries. The benefits of trade in tourism-services are also

restricted by the high leakage rate of foreign exchange earnings in developing countries, as high as 56 per cent on some small islands. The leakage results from high levels of imports by the sector and repatriation of profits by foreign investors. In St. Lucia, where 55 to 60 per cent of all hotel rooms are foreign owned, the propensity for leakage of foreign exchange is very high.

Uncontrolled tourism development can impose detrimental impacts on the physical and social environment. Poorly managed tourism leads to deforestation and erosion; degradation and depletion of biological diversity; disruption of natural habitats; and over-consumption of resources like freshwater and energy. St. Lucia's hotel sector alone consumes 17 per cent of the island's energy resources. Social impacts include: commodification of cultures; disruption of traditional economic activities through wage labour and marginally higher incomes in tourism; increasing prices of land and food for locals; and the spread of disease, prostitution and other social ills.

Trade liberalization in tourism-services became an important sustainability concern with the General Agreement on Trade in Services (GATS). The GATS is the first enforceable multilateral agreement on trade and investment in services. Tourism plays an important role in the agreement and is one of the most popular sectors in which developing countries have made commitments, especially in liberalization of foreign investment and foreign establishment. Trade liberalization in itself is not the main cause of concern, since tourism-services in many developing countries were already widely liberalized before GATS. The issue is that the Most Favoured Nation treatment (MFN), and the national treatment and market access rules of the GATS impose major limitations on domestic regulations. This aspect of the GATS threatens to undermine governments' power to regulate in the interest of the public and to foster sustainable development.

There is no doubt that developing countries face a huge challenge to manage trade in tourism-services while meeting their economic, social and environmental objectives and obligations under trade agreements like the GATS. This calls for more extensive research on the impacts of trade and liberalization in tourism-services. It also requires informing policy-makers and guiding future liberalization negotiations. Developing countries are encouraged to make better use of trade negotiation mechanisms and safety valves—such as schedule limitations—to protect domestic “policy space,” level the balance of trade between developed and developing countries, and to enhance the sustainable development potential of trade in tourism-services.

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## Acronyms

CEHI	Caribbean Environmental Health Institute
CTO	Caribbean Tourism Organization
EIA	Environmental Impact Assessment
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
IDS	International Development Studies
IHRA	International Hotel and Restaurant Association
IIED	International Institute for Environment and Development
IISD	International Institute for Sustainable Development
LDCs	Least Developed Countries
LUCELEC	St. Lucia Electricity Services Ltd.
MFN	Most Favoured Nation
NGO	Non-Governmental Organization
OECD	Organisation for Economic Co-operation and Development
ODI	Overseas Development Institute
OHCHR	Office of the High Commissioner on Human Rights
SIDS	Small Island Developing States
SLHTP	St. Lucia Heritage Tourism Program
UNEP	United Nations Environment Programme
UN	United Nations
WASCO	Water and Sewage Company
WDI	World Bank World Development Indicators
WTO	World Tourism Organization
WTTC	World Travel and Tourism Council
WWF	World Wide Fund for Nature

## 1. Statement of development problem

In recent years, tourism has become a major option for sustainable development in many parts of the world, particularly in Small Island Developing States (SIDS). Unlike large continental territories, small islands have a number of special features which greatly restrict their options for social and economic development. These features include: small size and populations; limited resources and productive capacity; small domestic markets; fragile ecosystems; and vulnerability to natural disasters (UN 1994). In light of these constraints, small islands have traditionally depended on one or two primary commodities for export and economic survival (Pantin 1999). Since the World Trade Organization was established and the subsequent erosion of preferential trading arrangements for agricultural exports in developed markets, many islands have experienced a catastrophic decline of their main exports. Over the past decade, this has had major economic and social impacts, demonstrated by reduced foreign exchange earnings, increased unemployment and social ills, and low growth rates in many islands. The Caribbean islands are an excellent example of the devastating effects on small islands by the loss of preferential markets. Between 1995 and 2000, the unit value of seven out of 11 of their main exports fell, with five of these declining by more than 25 per cent. This led to an increase in trade deficits from US\$1.2 billion in 1994 to US\$3.4 billion in 2001 (WTO 2004).

In response to the formidable challenges imposed by globalization, many small islands have increased their commitment to economic diversification and have targeted tourism as a strategic development priority. This emphasis on tourism can be attributed to a variety of factors. First, in spite of their limited resource base, small islands are endowed with rich natural and cultural assets—such as scenic landscapes, beaches, waterfalls, forests and fascinating histories—which are major attractions for tourism. The sector is viewed as one of the few industries in which they enjoy comparative advantage. Second, tourism has been one of the fastest growing economic sectors in most SIDS over the past 10 to 15 years. For instance, between 1990 and 2002, international tourist arrivals to the Caribbean islands grew at an average annual rate of 4.6 per cent from 11.4 million in 1990 to 16.1 million in 2002 (WTTC 2004). This average annual rate exceeded the world's performance of 3.7 per cent (WTO 2004). A third reason is that tourism accounts for a significant share of the economies of small islands, contributing heavily to exports, job creation, GDP, investment and foreign exchange earnings. Currently, earnings from tourism as a proportion of total exports exceed 20 per cent in 19 SIDS, 30 per cent in 13 SIDS, and 40 per cent in eight SIDS. It also accounts for as much as 20 to 50 per cent of GDP in some smaller island states (WTO 2004).

Small islands tend to turn to tourism as a development choice because it provides many opportunities for linkages with traditional economic sectors such as agriculture, fisheries and manufacturing. It brings the consumers to the product, thus increasing the potential for additional demand for goods and services throughout the economy. Finally, developing countries face relatively few trade barriers to the promotion of tourism in international markets (WTO 2002).

Despite the enormous potential of tourism, there are several sustainability issues facing the industry that impact its contribution to sustainable development. Sustainable development is “development that meets the needs of the present without compromising the ability of future generations to meet their own needs,” (World Commission on Environment and Development 1987). Further, the UN Declaration on the Right to Development asserts development should be a “comprehensive economic, social, cultural and political process, which aims at the constant improvement of the well-being of the entire population and of all individuals on the basis of their active, free and meaningful participation in development and the fair distribution of benefits resulting therefrom.” (OHCHR 2000: p. 4).

Based on these definitions, any sustainable development strategy must incorporate the essential dimensions of fairness and equity, progressive human development and environmental sustainability. Yet, in spite of the remarkable growth in tourism in small islands over the years, evidence suggests the benefits of tourism have not translated to meaningful improvement in the livelihood of local populations.

There is still widespread unemployment and poverty with much of the population deprived access to basic needs like clean water, improved sanitation, health and education, and financial and physical assets. In the eastern Caribbean, a 2002 study on inequality and poverty found that of the 11 countries surveyed (including St. Lucia) six reported poverty rates of over 30 per cent of their populations. Moreover, the majority of the poor are located in rural communities (Granger *et al.* 2003). These indicators raise concern that the benefits of tourism are not equitably distributed and are failing to impact the lives of those who need them the most.

One obstacle to sustainable development through tourism is the high leakage rate of tourism receipts in small islands. This leakage, which is as high as 56 per cent in some islands (WTO 2004), is primarily a result of the repatriation of profits by foreign companies and personnel, and high levels of imports of goods and services by the sector. The cost of food imports in Caribbean SIDS increased by as much as 47 per cent between 1994 and 2001 (WTO 2004). These weaknesses in the industry drain the islands of much-needed foreign exchange reserves and more importantly, limit the multiplier effect and the impact of tourism benefits within the local economies.

Another growing concern is the potential impact of international trade agreements—especially the GATS—on governments' ability to foster sustainable development. Tourism plays an important role in the GATS, accounting for as many as 116 of the 727 commitments made to date. The GATS promotes equal treatment of all trading partners, grants foreign suppliers access to domestic markets on agreed terms and conditions, and requires host destinations to treat foreign suppliers as they would domestic suppliers. Given that a large share of trade in services takes place within national boundaries, there is widespread apprehension that the GATS threatens to limit domestic “policy space” and undermine governments' ability to protect their environment and local populations.

At the same time, rapid tourism growth presents many challenges for the environment and local communities. Due to their fragile ecosystems, small islands are very susceptible to environmental damage, which has wide reaching effects because of the close link between the environment and development. Consequently, any negative environmental impacts from tourism or any other sector would have significant consequences, mostly for the poor who are dependent on natural and cultural resources for their livelihood. Some of the impacts of tourism in small islands include: damage to coastal ecosystems such as coral reefs, beaches and wetlands; deforestation and erosion; increased pressure on limited energy and freshwater resources; ecological disruption and degradation of biological diversity; pollution and waste generation; resource-use conflict; and threats to local culture and traditions (UN 1994).

These sustainability issues are of grave concern; they have major implications for the long-term sustainability of the tourism industry, the sustainable livelihoods of present and future generations, and the survival of SIDS. This emphasizes the urgent need for proper planning and management of the sector. This paper seeks to objectively examine the role trade and liberalization in tourism-services plays in fostering or constraining sustainable development.

Section 1 stated the development problem while Section 2 is a literature review exploring tourism as a sustainable development strategy and the link between trade liberalization in tourism-services and sustainable development. Section 3 looks at St. Lucia, one of the islands of the eastern Caribbean, highlighting critical developments in trade in tourism-services and the potential positive and negative effects. The section also outlines the methodology used for the assessment and the limitations of the approach. Section 4 builds on the previous sections by presenting potential policies and strategies to enhance the benefits of trade and liberalization in tourism-services and reducing negative impacts. The section also assesses the feasibility of the proposed measures, particularly with their compatibility with the GATS obligations.

## 2. Literature review

### 2.1 Tourism potential and impacts

Tourism is “activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes” (WTO 2002). It has emerged from being a relatively small-scale activity into a global economic phenomenon from the 1960s onward. Today, it is described as one of the world’s largest and fastest growing economic sectors (UN 1999; WTO 2002). According to the WTO, the growth of international tourist arrivals significantly outpaces the growth of economic output as measured by GDP. From 1975 to 2000, annual international tourist arrivals increased an average of 4.7 per cent, while GDP grew 3.5 per cent. In 2004, 760 million people travelled internationally, a 10 per cent increase over the 691 million in 2003 (WTO 2005). Receipts from international tourism have also grown steadily. In 2003, international tourism receipts totalled US\$523 billion, a 6.5 per cent increase over 2002. The WTO remains confident that international tourism will continue to grow, and projects that visitor arrivals will reach an estimated 1.0 billion by 2010 and 1.6 billion by 2020.

The rapid growth and impact of this industry has placed it at the centre of international discussions on sustainable development. From an economic perspective, tourism is widely endorsed for creating economic growth and development (WTO 2002). The sector makes a considerable contribution to the global economy through exports, GDP, employment and investment. In 2004, travel and tourism was expected to generate 10.4 per cent of world GDP, 9.4 per cent of global capital investments and 12.2 per cent of worldwide exports of goods and services (WTTC 2004). This places tourism in the top five export categories, preceded only by exports of chemicals, automotive products and fuels (WTO 2004).

Tourism’s contribution to employment cannot be overlooked. It is argued that because of its labour-intensive nature, investments in tourism tend to generate a larger and faster increase in employment than equal investments in other economic activities (Neto 2003). Currently, it provides 214,697,000 jobs, representing one in every 12.3 jobs worldwide or 8.1 per cent of total employment (WTTC 2004). Tourism also contributes to government revenue and supports investments in infrastructure such as roads, telecommunications and health and public facilities. Researchers, therefore, argue this can go a long way in improving local living conditions and attracting additional investments (Neto 2003).

The impact of tourism on developing countries is a critical sustainability issue. Proponents note that in recent years, tourism’s economic contribution in many developing countries has exceeded that of traditional economic activities such as agriculture and mineral extraction (UN 1999). From 1995 to 1998, tourism revenues were one of the top five sources of export revenue for 69 developing countries and the main source of foreign exchange earnings in 28. In countries where tourism was the main source

of foreign currency, its share in total exports was between 79 and 20 per cent (Diaz 2001). Least Developed Countries (LDCs) have been recording increasing shares in the international tourism trade. The WTO claims tourism now accounts for a growing 70 per cent of total services exports in LDCs and is often the first source of foreign exchange earnings.

Tourism is also identified as the only major service sector in which developing countries have consistently recorded trade surpluses relative to the rest of the world (UN 1999; Neto 2003). Between 1980 and 1996, their positive travel account balances increased from US\$4.6 billion to US\$65.9 billion, primarily as a result of the growth of inbound tourism in Asia, the Pacific and Africa (UN 1999). Coupled with its large potential multiplier and spill-over effects, tourism is promoted as a major driving force for economic development in developing countries (UN 1999).

The link between tourism and the environmental and social components of sustainable development has received increasing attention. Industry stakeholders assert that, besides its economic contribution, tourism can lead to ecologically and socially sustainable development (WTTC and IHRA 1999). It is suggested that tourism can act as a catalyst for conservation and environmental protection because of the following factors: 1) it is generally non-consumptive and has less impact on natural resources than most other industries; 2) it is based on the appreciation of natural and cultural assets and has greater motivation to protect its resource base; and 3) it can provide valuable revenue and economic incentive to conserve resources which would otherwise be used in more damaging activities (WTTC and IHRA 1999). Socially, tourism is credited for its potential impact on employment; income redistribution and poverty alleviation; contribution to native craft revival, festivals and traditions; and improvements to the physical and social infrastructure, enhancing overall health and social welfare (UN 1999).

There are many critics who question tourism as a sustainable development strategy. Some contend that, although tourism has proved effective as a vehicle for economic growth, the fundamental principles of sustainable development—including equity, holistic planning and sustainability—cannot be easily transposed onto the sector (Sharpley 2000).

### 2.1.1 Economic issues

Many researchers are skeptical about the local economic impact and viability of the tourism industry, especially in developing countries. Much skepticism is about the perceived multiplier effect and the uneven distribution of benefits. The multiplier effect implies that earnings from tourism will flow through transactions of workers in the local market, resulting in benefits for the entire destination (McLaren 2003).

There is widespread agreement that very little of tourism revenue actually remains in the local economy because of “leakages” (Gossling 2003; McLaren 2003). Leakage from tourism can be: a) internal, or import-related; b) external, or pre-leakage; and c) invisible leakage associated with resource damage or degradation (Diaz 2001). Internal leakage is highest where there are insufficient backward and forward linkages between tourism and other related sectors of the economy (Diaz 2001, WTO 2002). In most developing countries, the average internal leakage is 40 to 50 per cent of gross tourism earnings for small economies, and 10 to 20 per cent for more advanced and diversified economies (Diaz 2001). External leakage refers to tourism revenue that is not captured by the destination country and is of greater concern among researchers. The external leakage effect in developing countries is exacerbated by the structure of international tourism and anti-competitive behaviour in the sector (Sharpley 2000; Diaz 2001; McLaren 2003).



The main components of tourism—transportation, accommodation and procurement of customers—are dominated by a few vertically-integrated players located mainly in developed countries. These suppliers have significant market power and control the flow of package travellers to tourism destinations. They exert extreme pricing-pressure on small suppliers in developing countries, and capture most of the price paid by the tourists (Sharpley 2000; Diaz 2001). According to Diaz, as much as 75 per cent of the retail price of package tours is retained in developed countries.

Foreign ownership within the destination country can also influence the extent of the leakage effect. High levels of foreign ownership and control—especially by transnational corporations—lead to repatriation of tourism revenue in the form of profits, income and imports (McLaren 2003). Besides inequitable distribution of benefits, some critics argue that socioeconomic inequities are also reinforced by existing patterns in the tourism destinations (Sharpley 2000). Sharpley claims that in many less developed countries, tourism is often unevenly distributed, reducing the opportunity for equitable development. He argues tourism is often controlled and influenced by powerful economic and political players, placing small local entrepreneurs at a major disadvantage.

Tourism is viewed as an unsustainable development option because of its relative instability (McLaren 2003). Tourism demand is generally seasonal and susceptible to shocks and unexpected events such as natural disasters, regional conflicts and political instability. The number of persons travelling internationally can also be influenced by changes in consumer preferences and the state of the global economy (UN 1999; McLaren 2003; Neto 2003). This is demonstrated by the 1.7 per cent decrease in international tourist arrivals from 703 million in 2002 to 691 million in 2003. The decrease was from events such as the outbreak of SARS, uncertainties from the Iraq conflict, and a weak global economy (WTO 2004). In this respect, researchers caution that the fickle nature of tourism can increase the vulnerability of tourism-dependent economies and worsen their economic situation (UN 1999; McLaren 2003; Neto 2003).

Some critics contend the employment opportunities promised by tourism have not been realized in many developing countries (McLaren 2003). Besides quantity issues, jobs are usually temporary, menial and low wage when compared to other socially comparable occupations (McLaren 2003; Hochuli and Pluss 2004–2005). McLaren argues that most middle and top management positions tend to be occupied by foreigners with little opportunity for locals to move up.

These deficiencies and inequities in the industry can have serious implications for the economic stability of small developing countries. They can negatively impact the international balance of payments, reduce the multiplier and spill-over effects of tourism, and threaten the financial viability of the sector as a whole. Some proponents point out that many of the disadvantages are not peculiar to tourism, but are rather characteristics of growth and globalization (Deloitte and Touche, IIED and ODI 1999; WTO 2002). They maintain there is no clear evidence that effects like leakage and the perceived high level of foreign ownership are greater in tourism than in other economic sectors.

### **2.1.2 Environmental issues**

The rapid expansion of tourism poses serious threats to the natural environment in tourism-dependent countries. The large number of persons travelling to tourism destinations often exceeds the carrying-capacity, and can impact the environment in various ways (McLaren 2003). Over consumption of natural resources such as freshwater, energy, land and marine resources can lead to resource depletion and degradation. They also contribute to resource conflicts between locals and the industry (Gossling 2003;

McLaren 2003; Neto 2003). It is argued that, on average, tourists use greater quantities of both energy and freshwater than locals (Dixon, Hamilton, Pagiola and Segnestam 2001). In Phuket, Thailand, the daily freshwater need of one guest in a hotel far exceeds the half-cubic metre requirement of an entire local village (McLaren 2003). Concentrated tourism development can also affect natural landscapes through processes such as deforestation, loss of wetlands and soil erosion (Neto 2003). This is a major issue in coastal areas where large-scale development occurs in clusters (Gossling 2003; McLaren 2003).

Another major environmental impact of uncontrolled tourism development is damage to ecologically sensitive areas and ecosystems (Neto 2003). Damage arises primarily through pollution, overuse and inappropriate practices. The tourism sector is a key generator of both solid and liquid waste (Dixon *et al.* 2001; McLaren 2003). The disposal of this waste—often inadequately treated—contributes to contamination of land, freshwater and ecosystems such as coral reefs and wetlands. The sector is also highly energy intensive (McLaren 2003; Neto 2003). Hotels and other facilities use large amounts of energy for heating, lighting and other purposes, while tourism transportation consumes significant amounts of fossil fuels. Naturally, this high level of energy consumption and release of emissions can contribute to air pollution and ecosystem damage in host destinations (Gossling 2003; McLaren 2003).

Other environmental impacts include disruption of wildlife habitats, impact on marine resources through recreational activities such as snorkeling and diving, and increased pressure on endangered species from hunting and trading activities (Perrin, Juda and Richardson 2001). It is important to note that because tourism is linked to the environment, its impacts on the environment can also affect the long-term sustainability of the industry. Gossling explains that this threat exists because tourism destinations tend to evolve through cycles, and tourist-flows will decline as destinations become saturated and undesirable (Gossling 2003).

These environmental impacts are mostly associated with mass tourism development. Alternative forms of tourism, such as ecotourism, are praised for being more ecologically sensitive and valuable for conserving natural and cultural resources (Honey 1999). Ecotourism emphasizes low-impact and small-scale development, controlled visitor numbers, education for locals and visitors, financial benefits for conservation and local communities, and appreciation of nature, culture and local populations (Honey 1999; UN 2001). Given these characteristics, proponents argue that, if practised properly, ecotourism can contribute to environmental conservation, international understanding and cooperation, economic and political empowerment of local communities, and preservation of cultures (Honey 1999; McLaren 2003). It is also argued that ecotourism could have a more positive socio-economic impact on local communities despite smaller numbers than conventional tourism. Ecotourists tend to stay longer and are more likely to consume local products and support locally-owned facilities (Honey 1999; Diaz 2001). Therefore, ecotourism could reduce the potential for foreign exchange leakage and promote greater equity in the distribution of benefits.

Some researchers contend that the promises of ecotourism have not been realized (McLaren 2003). There are very few examples of financially-viable ecotourism projects and an increasing recognition that many projects labelled ecofriendly are often not sustainable (Gossling 2003). This sustainability problem is attributed to the growing trend towards “greenwashing”—the practice of promoting products, services or destinations as “green” or ecofriendly when they are not (Honey 1999; McLaren 2003). McLaren notes that many hotels and resorts are awarding themselves green certificates for recycling and reusing plastics, while continuing to consume environmentally-damaging amounts of energy and chemicals (McLaren 2003: pp.28). This is a very dangerous trend which can undermine the capability of ecotourism and threaten the resource base upon which it depends (Honey 1999).

### 2.1.3 Socio-cultural issues

Tourism's impact on local populations is another key sustainability issue. While some researchers claim that tourism can be an instrument for global peace and cooperation, there are many who stress the negative effects of the industry on host communities. One of the main criticisms is the disruption of traditional and subsistence activities by wage labour opportunities and marginally-higher incomes offered by tourism (Stronza 2001; Gossling 2003). In Zanzibar, Gossling observed that after tourism had become a major economic sector, much of the local population shifted their labour from traditional activities such as fishing and seaweed farming, to tourism-related activities. Researchers argue the danger lies in the strong potential for local communities to become overly reliant on tourism, thus increasing their economic vulnerability (Stronza 2001; Gossling 2003).

Another significant impact is on the commodification of cultures. Commodification is the process whereby items such as rituals, ceremonies, history and traditions become viewed as goods and are marketed to the tourism industry (Stronza 2001; McLaren 2003). In Bali, once sacred cremation ceremonies have become major tourist attractions (McLaren 2003). Besides commercializing cultures, commodification can also affect local identity when locals alter their practices to satisfy the expectations of what visitors think is authentic (Stronza 2001; McLaren 2003). In such situations, cultures become deformed and unreal, as visitors' perceptions of "authentic" are often not the same as historical fact (Stronza 2001; McLaren 2003). Loss of cultural identity can also happen when locals view their culture as inadequate and reject their lifestyles for that of the visitors (Stronza 2001; McLaren 2003). On the other hand, researchers note that tourism has as much potential to revitalize and reinforce cultures as it does to destroy them. Stronza claims that when locals are left to present their own definitions of who they are, tourism can be a very empowering tool and preserver of cultures.

Tourism can impose many other socio-cultural impacts on host communities. The industry has been criticized for increasing the price of necessities such as land and food, making them unaffordable for locals (Gossling 2003; McLaren 2003). In Zanzibar, Gossling found that the price of fish—a vital protein source for the local population—had risen substantially after the growth of tourism. As a result, parts of the population were forced to substitute carbohydrates and vegetables for fish.

Tourism can also contribute to the spread of disease, prostitution, drug abuse, human rights abuse and the exploitation of vulnerable groups (McLaren 2003). There are many examples in Africa, Asia and Latin America where locals have been displaced and denied access to their land and resources for the purpose of tourism development. In addition, women and youth are being exploited in the growing tourism sex-trade, and children are used as labour in the industry (McLaren 2003). Some estimates indicate that approximately 10 to 15 per cent of employees in tourism are children and youth under the age of 18 (Hochuli and Pluss 2004–2005).

## 2.2 Sustainable tourism development

Concern over the economic, environmental and socio-cultural effects of unsustainable tourism has led to increasing international agreement and action promoting sustainable tourism development (UN 2001; Neto 2003). Sustainable tourism development attempts to incorporate the principles of sustainable development into tourism to minimize its negative effects and maximize benefits (WTO 2004). Sustainable tourism emphasizes using environmental resources to maintain biological processes and conserve the natural heritage. It respects the socio-cultural authenticity of host communities and distributes socioeconomic benefits like stable employment, income-generating opportunities, poverty



alleviation and social services. It provides informed and meaningful participation of all stakeholders—especially local and indigenous communities—and provides high levels of tourist satisfaction (WTO 2004).

Two international instruments developed to encourage sustainable development are the International Guidelines for Sustainable Tourism under the Convention on Biological Diversity, and the WTO Global Code of Ethics for Tourism. The WTO stresses that these guidelines be integrated into national tourism plans and policies to ensure the sector's long-term contribution to sustainable development.

Lately, there has been a move to prioritize poverty alleviation within the sustainable tourism development agenda. This is due to growing recognition that the economic benefits of tourism do not automatically trickle down to the poor (WTO 2002). In fact, the poor are more vulnerable to the negative impacts of tourism and are least able to participate in its economic opportunities (Deloitte and Touche, IIED and ODI 1999).

Many researchers are convinced that tourism can be used to address the poverty problem more directly (Ashley, Roe and Goodwin 2001; WTO 2002). These researchers contend that tourism has many advantages over other economic sectors, making it an effective tool for poverty alleviation. These advantages include:

- tourism is consumed at the point of production and provides opportunities for linkages and the sale of additional goods and services;
- tourism is a diverse industry and can build upon a wide resource base. This increases the scope for wider participation and for the development of the informal sector;
- tourism is dependent on natural capital such as wildlife and culture, which are assets that some of the poor have or are gaining control over through processes of decentralization and devolution of tenure;
- it offers better labour-intensive and small-scale opportunities than all other sectors except agriculture;
- it can be developed in poor and marginalized areas that have few export and diversification options; and
- it employs relatively-high proportions of women and can help address gender inequality problems.

Given this comparative advantage, it is recommended that the poverty agenda should be incorporated more explicitly into national tourism plans and strategies to enhance the participation and opportunities for the poor (WTO 2002). The role of government is critical for providing the enabling policy environment (WTO 2002). Proponents argue that pro-poor measures should: 1) increase access to tourism markets for the poor; 2) remove barriers such as lack of credit, skills and assets; 3) promote local management and partnerships to maximize local employment, use local supplies, and managerial training; 4) minimize negative environmental impacts; 5) increase linkages with other sectors such as agriculture, craft and manufacturing; and 6) increase visitor expenditure and use of services provided by the poor. (Deloitte and Touche, IIED and ODI 1999; Ashley *et al.* 2001; WTO 2002).

## 2.3 Tourism and trade liberalization

Trade liberalization in tourism-services has received increasing attention. Tourism became part of the multilateral trade agenda when it was one of the twelve services sectors under the General Agreement on Trade in Services (GATS) during the Uruguay Round in 1994. Under this agreement, tourism is classified as “Tourism and Travel Related Services” and consists of four categories including: hotels and restaurants; travel agencies and tour operator services; tour guide services; and other (Perrin *et al.* 2001). This limited classification of tourism-services has been widely criticized for not capturing the complex, multifaceted nature of the industry. It excludes a number of vital services such as air transport, cruise services, distribution systems and business and recreational services, all of which are directly linked to tourism and represent significant proportions of its sales (Perrin *et al.* 2001; Fletcher, Lee and Fayed 2002).

The GATS is the first enforceable multilateral agreement to cover trade and investment in services (Mashayekhi 2000; Perrin *et al.* 2001). Its main objective is to help expand trade in services by gradually eliminating trade barriers, promoting economic growth of trading partners and development of developing countries (Mashayekhi 2000). The GATS provides for the progressive liberalization of trade in services through a three-tiered structure including: general provisions and principles applying to all members; annexes setting out rules for particular sectors such as telecommunications and air transport; and national schedules of commitments on market access and national treatment (Feketekuty 2000; Mashayekhi 2000; Perrin *et al.* 2001). Feketekuty points out this structure reflects that liberalization of trade barriers cannot be accomplished overnight, not all countries can progress at the same rate and some sectors cannot be liberalized without appropriate regulatory regimes (Feketekuty 2000).

The main principles and provisions of the GATS include: 1) Most Favoured Nation Treatment, in which all services and mandates of all member countries should be treated equally; 2) Transparency; 3) National Treatment, calling for the equal treatment of foreign and domestic service providers; and 4) Market Access, covering the four modes of supply including cross-border trade, consumption abroad, commercial presence and presence of natural persons (Mashayekhi 2000; Perrin *et al.* 2001).

The market access and national treatment provisions play a very important role in the trade in services. Unlike their application under the General Agreement on Tariffs and Trade (GATT), these provisions are not regarded as general obligations under the GATS (Perrin *et al.* 2001). This means member states are not obligated to grant market entry and are free to choose the specific sub-sectors and modes of supply to which they want to commit. Similarly, national treatment only applies when a country has made specific commitments and is subject to limitations. Thus, liberalization in services can be assessed on the number of sub-sectors and modes of supply members have made commitments in, as well as the number of restrictions on their commitments (Perrin *et al.* 2001).

The tourism-services sector is one of the most popular sectors in which developing countries have made commitments (IDS 1999; Fletcher *et al.* 2002). By the end of the eighth round of GATS negotiations, tourism-services had attracted schedules from 97 of the 115 countries that participated (Fletcher *et al.* 2002). Some researchers say this heavy subscription is partly because tourism-services in many developing countries were already largely liberalized before 1994 (IDS 1999).

Despite this popularity, proponents of liberalization claim there are still many barriers to trade in tourism-services that limit the further expansion and contribution of the sector (Fletcher *et al.* 2002). Unlike restrictions to goods, these trade barriers are less conspicuous and are typically domestic regulations, legislation and administrative processes (Perrin *et al.* 2001; Fletcher *et al.* 2002). Examples

of these barriers are: restrictions on entry visas and foreign currency; restrictions on foreign ownership and investment; obstacles to hiring foreign personnel; and administrative regulations like economic needs tests, restrictions on transfer of funds and repatriation of profits, exchange controls and restricted access to the benefits of national programs (Krumholz 1998; Fletcher *et al.* 2002). Fletcher *et al.* argue that many developing countries implement these types of restrictions because they regard tourism as an infant industry and are obligated to protect their domestic companies. This can be problematic since what a government views as a “necessary regulatory measure,” a foreign supplier may view as a discriminatory trade barrier.

Proponents also emphasize that all trading partners stand to benefit from liberalization of trade in tourism-services. They list the benefits as: expansion of tourism activities; boosts in GDP and export earnings; job creation, particularly in more stable and lucrative areas like business and convention travel; increased foreign exchange earnings and foreign direct investment; increased focus on quality and competitiveness; declining prices for consumers; transfer of commercial knowledge and technology; boosts in government revenue; and spill-over benefits to other related sectors such as financial services (Krumholz 1998; Frayed and Fletcher 2002). All the same, some acknowledge that the specific characteristics of a country—such as the level and type of tourism development, the structure and diversification of the economy, its geography, and institutions and social and political realities—could influence the extent of benefits (Krumholz 1998).

Many researchers are concerned about the perceived benefits and potential detrimental effects of further liberalization in tourism-services. Some argue that the current multilateral trade rules are skewed in favour of developed countries and large corporations to the detriment of poor people in developing countries (Woodroffe and Joy 2002). Others assert that the provisions and principles of the GATS are incompatible with the principles of sustainable development (Hoad 2002; Hochuli and Pluss 2004–2005). Woodroffe and Joy claim that many of the benefits—such as increased export earnings, foreign direct investments and spill-over effects in the local economy—are often overstated and restricted by high leakage rates in developing countries. Furthermore, they stress that developed countries stand to gain far greater benefits than developing countries since they are the dominant players in the services sector.

Another unrealized benefit for developing countries is improved access to distribution networks and information. Article IV of the GATS calls on members to negotiate specific commitments on “the improvement of developing countries’ access to distribution networks and information” (Hochuli and Pluss 2004–2005). Critics contend that such negotiations have not materialized. On the contrary, developing countries’ access to networks such as global reservation systems is more difficult, due to high costs and domination by large corporations receiving priority screen display (Diaz 2001; Hochuli and Pluss 2004–2005).

Apart from debates on the extent of benefits, critics argue that developing countries are exposed to many potentially detrimental effects from services liberalization. One major effect is increased concentration in the industry (McLaren 2003; Hochuli and Pluss 2004–2005). Concentration is when a small number of vertically-integrated corporations dominate the international tourism industry. It is believed the intense competition and pressure-on-prices from liberalization will accelerate concentration, since small domestic enterprises will find it more difficult to compete with large, financially-superior corporations (Diaz 2001; Hochuli and Pluss 2004–2005). Diaz also notes that increased concentration can intensify unfair practices and anti-competition, potentially exacerbating the uneven distribution of trade benefits between developed and developing countries.

One of the most frequent consequences of trade liberalization in tourism-services is its impact on domestic policy-making. Market access rules control quantitative and legal restrictions, while the most favoured nation treatment (MFN) and national treatment provisions require equal treatment of all member states and service suppliers. Critics lament that these provisions of the GATS—perhaps more than many other trade agreement—undermine national governments’ ability to regulate tourism-services and promote sustainable tourism development (Honey 1999; Hoard 2002; Woodroffe and Joy 2002; Hochuli and Pluss 2004–2005). It is widely recognized that, to effectively achieve sustainable development objectives, governments may need to implement appropriate regulatory mechanisms (Hoard 2002). For example, measures such as carrying-capacity limits in sensitive areas, environmental standards and codes of conduct, and restrictions on the number of tourism operators/services may be necessary to protect the environment. Similarly, preferential credit terms, stipulations on use of local supplies and labour, and restricted access to certain activities may facilitate local participation and ensure equitable distribution of benefits. However, these measures can be viewed as violating the rules of the GATS and challenged as discriminatory trade barriers (Hoard 2002).

Contrary to the view that governments’ ability to regulate is threatened by the GATS, defenders maintain the bottom-up approach of the agreement allows governments to freely choose the services they would commit to the rules of the GATS. They claim that countries can choose a desired mix of obligations, such as offering national treatment but not market access in a given sector, and use their option to place limitations on their commitments to protect their regulations (Woodroffe and Joy 2002). Critics counter that developing countries’ ability to capitalize on these safeguards is restricted by the lack of information to accurately determine what limitations to place on commitments, the “irreversible” nature of commitments, and political pressure applied by developed countries encouraging them to make commitments or remove limitations (Woodroffe and Joy 2002).

### 3. The case of St. Lucia

#### 3.1 Objective

In light of the growing importance of tourism in small islands and sustainability concerns on trade and liberalization in the sector, this section examines the positive and negative effects of trade and liberalization in tourism in St. Lucia.

St. Lucia presents a good learning opportunity because of the important policies it has implemented to boost tourism development. First, the island demonstrated its support for trade liberalization in tourism-services when it made commitments in the Tourism and Travel Related Services Sector under the GATS agreement in 1995. These commitments are specifically related to hotel and resort development, including restaurants with a few restrictions to market access. These restrictions include a limitation of no fewer than 100 rooms for hotel, and resort development and work permit regulations for employment of foreign natural persons.

Second, in 1996, St. Lucia enacted the Tourism Incentives Act, encouraging development and expansion in the tourism industry through income tax relief and customs duty exemptions for investors. The Act provides a maximum of 15 years tax holidays and duty free concessions for hotels of six rooms or more, and restaurants for EC\$50,000 or more in capital stock, and other approved tourism products.

Third, the government of St. Lucia has officially stated promoting tourism as a key sector of the island’s economy in various policy documents, such as the 1996 to 1998 and 2000 to 2002 Medium Term

Economic Strategies and more recently, in the Draft National Tourism Policy (2003). One of the main objectives in this new policy is to establish tourism as a strategic economic development priority by ensuring it receives primary consideration when allocating financial, technical and physical resources. Its ultimate goal is to ensure benefits generated by tourism are as widely distributed as possible throughout the nation and among local communities (Ministry of Tourism 2003: p. 5).

These policies have major sustainability implications and provide strong justification for an assessment of the industry. A sound knowledge of the sustainability issues of existing trade in tourism-services would help towards promoting sustainable development by:

- i. enhancing general understanding of the relationships between trade in tourism, liberalization and sustainable development;
- ii. clarifying the link between national economic, environmental and social goals and policies; and
- iii. identifying critical areas for policy to foster a tourism industry that optimizes social and economic benefits for all, conserves natural and cultural resources, respects the rights of locals, and promotes their active involvement in the development and management of the industry.

## **3.2 Methodology**

### **3.2.1 Broad approach**

The author conducted a sustainability assessment to identify the positive and negative effects of trade in tourism-services in St. Lucia. This type of assessment differs from traditional assessments that focus mainly on economic effects of trade-related policies. It is instead an integrated approach taking into account all dimensions of sustainable development including economic, social and environmental. Publications produced by the United Nations Environmental Program (UNEP 2001), the Organisation for Economic Co-operation and Development (OECD 2002) and the World Wide Fund for Nature (WWF International 2001) were reviewed for methodology. The sustainability priorities were selected based on issues in the literature, the author's observations and experiences while working in the industry, and information from existing assessments and data-sets of tourism indicators. The specific criteria used for the indicators include: data availability, reliability of measures, relevance to St. Lucia's context and coverage of the broad range of sustainable development dimensions (see Appendix I for assessment indicators).

### **3.2.2 Scope of assessment**

The assessment covers the national tourism industry. It incorporates data from all essential tourism-services—especially hotels and restaurants, which constitute the largest component of the industry and have the most readily available data. The assessment is both quantitative and qualitative and is based exclusively on existing sources of data, covering 1999 to 2003.

### **3.2.3 Definition of key terms**

All-inclusive hotels are properties offering pre-paid packages that include all or most of guest services including room, food, entertainment, tours and sometimes beverages. This indicator is useful for assessing leakages and demand for local goods and services.



Leakages refer to the outflow of tourism revenue. High levels of outflow can minimize positive economic benefits of tourism.

Package-tour visitors are individuals who purchase inclusive or semi-inclusive vacation packages through the network of tour operators and travel agents. These tour packages can cover all aspects of the trip including flight, airport transfers, accommodation, meals, and sites and attractions. This is a key indicator of leakages and the multiplier effect of tourism.

Average hotel occupancy measures the number of rooms or bed-places in the destination occupied over a set period of time. It provides an indication of the profitability and financial viability of hotels.

Foreign ownership indicates the role of foreign companies and multi-national corporations in providing tourism-services. It is a good indicator of leakage and the multiplier effect of tourism, plus the level of local involvement and control in the industry.

Total tourist receipts refer to total expenditures of tourists during their stay in the destination. This gross figure does not account for leakages.

Receipts as a percentage of GDP and total exports measure the value added and balance of payments contributed by tourism.

Government revenue indicates the revenue generation potential of the industry. This revenue is collected as direct and indirect taxes such as hotel occupancy taxes, departure taxes, cruise tax, income taxes, alien landholding licences, and consumption and excise taxes.

Local involvement and benefit indicators go beyond total employment to include the type of employment created by tourism, wages relative to other sectors, the sector's impact on women, and local ownership and control.

Domestic-linkages indicators measure the extent to which tourism is integrated with other sectors of the economy, which is critical for reducing leakages.

Resource consumption indicators are concerned with freshwater management and energy efficiency and conservation.

Pollution and waste indicators help assess the negative externalities resulting from tourist consumption of tourism products.

Planning and regulatory indicators demonstrate if the legislative environment supports sustainable tourism development and if synergy exists between environment and development objectives.

### **3.2.4 Data collection and analysis**

Data collection proved to be a very challenging and tedious task because of a lack of readily available data. Data sources consulted include relevant national and international agencies and Web-based resources such as the St. Lucia Government Statistics Department Web site, the World Bank's World Development Indicators Database, the World Tourism Organization Database and the Caribbean Tourism Organization Web site (see Appendix II). In addition to these sources, the author reviewed specific reports to supplement the quantitative data obtained from the agencies. These reports comprise:

The National Biodiversity Strategy and Action Plan of St. Lucia (2000); Practical strategies for pro-poor tourism: A case study of the St. Lucia Heritage Tourism Program (2001); Compendium of Environmental Statistics (2001); and Environmental Policy in Saint Lucia (2004).

The quantitative analysis was developed from calculations of changes and growth rates. These figures demonstrated important trends over a five-year period and allowed comparison of critical tourism data with data from other industries and regional benchmarks, where available.

### 3.2.5 Limitations of research

This research has a number of limitations, both methodological and practical aspects that must be considered in review of the findings. One limitation is the use of aggregate figures to measure economic impacts. Broad indicators—such as total tourist receipts—are inadequate because they assess gross impact and do not take into account leakages. Economists argue the incremental impact of tourism as measured by tourism multipliers is better as it assesses additional impact generated by additional tourism activity.

Another limitation is exclusion of the indirect impacts of tourism from the analysis. Tourism is a complex, multi-faceted industry that stimulates activity in many other sectors such as banking, insurance, construction, utilities and agriculture. Although these indirect impacts are difficult to measure because of lack of suitable data collection and measurement models, their inclusion would provide a more accurate measure of tourism's economic contribution. It should also be mentioned that because a large part of the data is specifically related to hotels and restaurants, the analysis falls short on providing the full picture of tourism's impacts.

A third and major limitation is data availability. Some of the required data were not readily available, resulting in the omission of important variables, estimation in a few instances, and inadequate assessment of some of the impacts—particularly the environmental, socio-cultural and liberalization-related impacts. Measuring environmental impacts was also difficult because of: the complexity in distinguishing the effects of tourism from that of other sectors; the lack of baseline information to measure change; and limitations in establishing causality.

A fourth limitation is the downturn in tourism activity during the assessment period. This distorted trends and made it difficult to always arrive at precise conclusions. The method of data collection is also limited to secondary sources of data. Field investigation and other primary methods of research would greatly enhance the assessment.

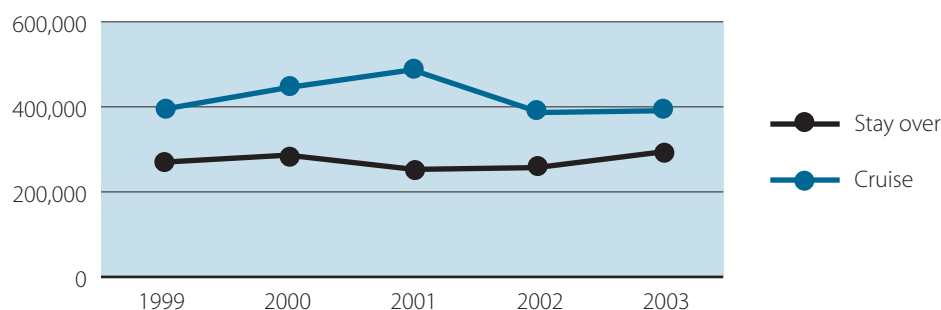
## 3.3 Presentation of findings

### 3.3.1 Tourism activity

One of the main findings of the assessment is vulnerability of the tourism industry to exogenous factors. Although tourist arrivals increased from 263,793 in 1999, to 276,948 in 2003, the growth-rate was noticeably affected by a seven per cent decline in 2000 and 2001. Similarly, the growth in cruise passengers was disrupted by a 21 per cent reduction in 2001 and 2002. This decline in tourism activity was the result of the September 11 event, which led to widespread fear of travel, preference for shorter trips and loss of profits for tourism businesses from major discounting. The number of hotel rooms on the island also fell by two per cent, declining from 4,428 in 2002, to 3,749 in 2003. This fall could be

attributed to the closure of some properties from economic losses from September 11. Graph 1 illustrates the trend in visitor arrivals over the period.

Graph 1: Visitor Trends



Of even greater importance, the fickle nature of the industry underscores the vulnerability of small economies heavily dependent on trade in tourism-services. The downturn in tourism activity between 2001 and 2002 resulted in a 16 per cent decline in foreign exchange earnings from tourism. This in turn contributed to a six per cent reduction in the island’s overall GDP during that same period (WDI 2001).

### 3.3.2 Economic effects

The assessment reveals that trade in tourism-services plays an important role in the economic growth and development of St. Lucia. Total tourist receipts increased from US\$268 million in 1999 to US\$283 million in 2003. This represented a growth of eight per cent over the period. These receipts accounted for on average 73 per cent of total exports of goods and services, and 38 per cent of GDP. Thus tourism is a main contributor to GDP and the largest source of foreign exchange earnings for the island. Table 1 shows the trend in tourist receipts over the period and its relationship to total exports and GDP.

Table 1: Tourist Receipts as a Percentage of Exports and GDP

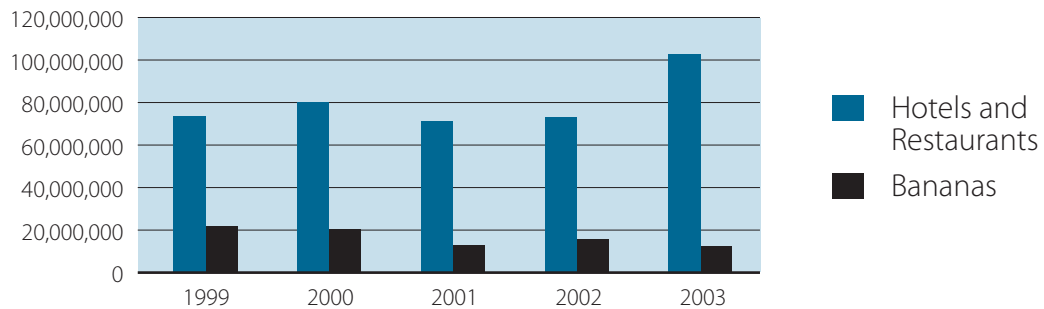
Year	Receipts (US\$)	As % of Exports	As % of GDP
1999	263,000,000	73	39.3
2000	279,000,000	74	40.8
2001	233,000,000	72	36.2
2002	210,000,000	71	31.8
2003	283,000,000	72.5	40.7

Source: WTO/WDI

Hotels and restaurants account for a significant portion of the industry’s share of GDP. A comparison of the sub-sector’s performance against that of bananas—the traditional mainstay of the economy—shows hotels and restaurants increasing its contribution to GDP (with the exception of the downturn between 2000 and 2001) while banana’s contribution is decreasing steadily (see Graph 2). This further illustrates the growing role of tourism as the growth engine of the economy. The government also receives a substantial portion of its revenue through direct and indirect taxes from the industry. Between 1999 and 2003, government revenue from tourism increased from US\$7.67 million to US\$10.23 million. In 2003, it accounted for a 5.9 per cent share of total government revenue compared to 3.5 per cent in 1999.



Graph 2: Contribution to GDP - Bananas vs. Hotels and Restaurants



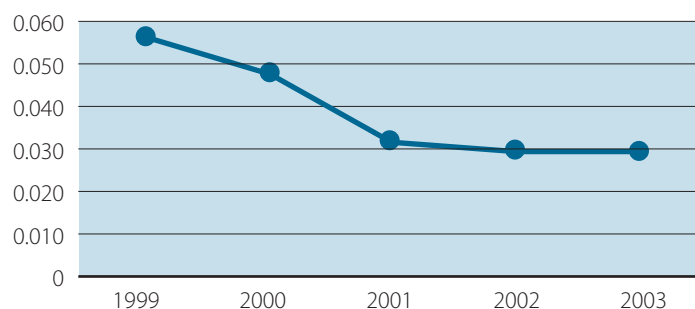
Although trade in tourism-services stimulates national economic growth, patterns in the industry suggest the income distribution and multiplier effect may not be very significant. Extrapolation of data from the St. Lucia Tourist Board shows foreign companies own at least 55 to 60 per cent of all hotel rooms on the island. This indicates a high propensity for leakage of gross tourism receipts, as returns from foreign investment are normally repatriated to the countries of origin. Another feature limiting the distribution effect of income from tourism is the increasing number of package-tour visitors to the island. Between 2001 and 2003, visitors arriving on package tours increased from 35.3 per cent to 59.6 per cent. As mentioned earlier, as much as 75 per cent of the package-tour visitor's expenditure goes to tour operators in the tourist generating markets.

The large number of all-inclusive hotels also presents a barrier to the distribution of tourism income throughout the local economy. Currently, 56.6 per cent of rooms are all-inclusive—the majority located in foreign-owned resorts. Thus, all-inclusive properties could increase repatriation of profits and reduce opportunities for locals to gain income from tourists because the hotels already provide almost everything the tourists need.

Cruise tourism can act as a barrier in a similar way. Cruise ships offer many products and services such as restaurants, gift shops and salons that are in direct competition with local destination suppliers. Cruise-visitor expenditure tends to be lower than stay-over visitor expenditure. The Worldwide Travel and Tourism Council (WTTC) estimates that cruise passenger contribution to tourism earnings is only about eight to 10 per cent of total receipts. Presently, cruise passenger arrivals account for more than 50 per cent of total visitors to St. Lucia on a yearly basis (WTTC 2004).

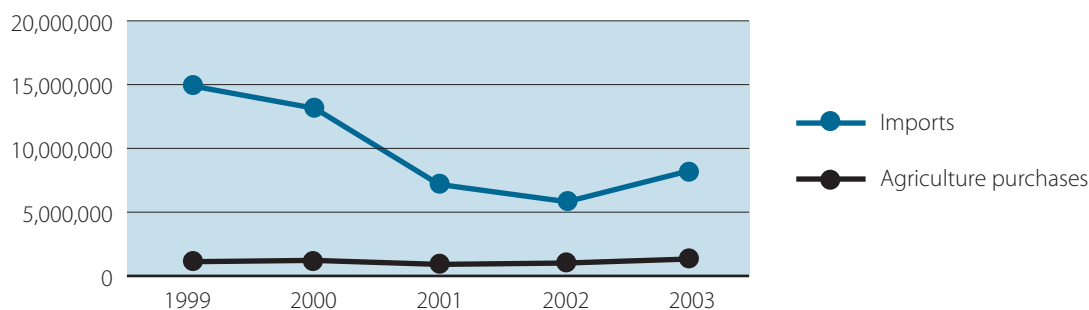
Leakage of tourist receipts also occurs through importation of goods and services for the tourism industry. Imports by St. Lucia's tourism sector have traditionally been high compared to other islands such as Jamaica. This has primarily been due to insufficient linkages with other economic sectors like agriculture. Between 1999 and 2003, imports by the hotel sector fell from US\$14.87 million to US\$8.11 million. Despite a 33 per cent increase between 2002 and 2003, an analysis of imports per dollar of gross receipts confirms imports are declining relative to gross tourism earnings (see Graph 3).

Graph 3: Imports per Dollar of Gross Tourism Receipts



At the same time, there is a positive trend in the purchase of local agricultural products, which bodes well for reducing import leakages. Purchases increased by one per cent between 1999 and 2000 but fell by 29 per cent and four per cent in 2001 and 2002 respectively. This decline was most likely due to the effects of September 11, since purchases increased by 42 per cent between 2002 and 2003. Graph 4 shows the trend in local purchases and imports over the period.

Graph 4: Imports vs. Local purchases



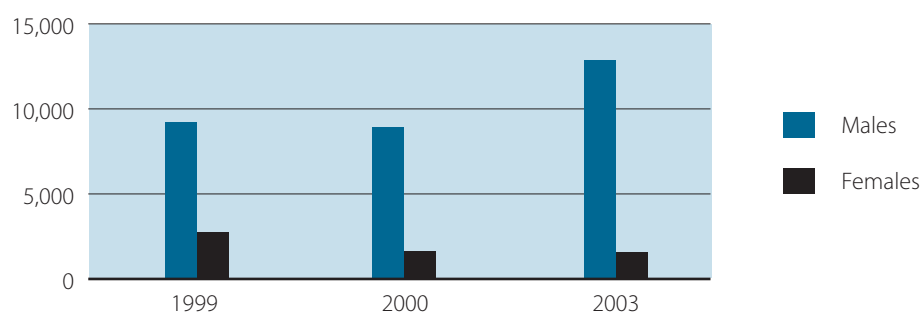
The positive trend towards the purchase of local products could be attributed to increasing willingness of all major players—such as the Ministry of Tourism, Ministry of Agriculture, farmers, hotels and restaurants—to enhance linkages between the agriculture and tourism sectors. Because of this St. Lucia was selected in 2003 as the national pilot site for a Market Access Initiative launched by Oxfam GB to increase the trading power of Caribbean farmers and allow them to participate in tourism markets on fair terms. The specific objectives of this program, scheduled to start in 2004 are to: 1) ensure systems are in place to provide small-scale farmers with the required support including training, credit and market information to take advantage of the tourism market; 2) develop an efficient distribution facility allowing local and regional farmers to sell produce into local and regional markets; and 3) develop or augment public policy on agriculture, tourism and trade that supports access of small-scale farmers to tourism markets on fair terms (GrangerTyler *et al.* 2003).

### 3.3.3 Socio-economic effects

One positive socio-economic impact of trade in tourism-services on St. Lucia is its contribution to local employment. Employment in the hotels and restaurants sub-sector alone accounted for an average of 10.2 per cent of total employment during the period. Total persons employed in the sub-sector increased

substantially from 11,420 in 1999 to 27,020 in 2003. Interestingly, the sector employs a larger proportion of females than males, although the ratio of males to females has increased from 0.78 in 1999 to 0.9 in 2003. Nonetheless, this increased equality in employment is an improvement; up until 1998, the ratio of males to females was 1.10.

**Graph 5: Employment in Hotels and Restaurants by Sex**



Data on earnings also reveal the disparity between males and females is small compared to other economic activities. On the other hand, the data show tourism is among the top sectors with the longest average hours of work, while earnings fall just below mid-range for all sectors reviewed. Tables 2 and 3 provide a comparative illustration of earnings and hours of work for salaried and wage employees in some key sectors of the economy.

**Table 2: Average Earnings of Salaried Persons by Major Industry 2003**

Category	Avg. Normal Hrs of Work	Men's Avg. Earnings rate/hr	Women's Avg. Earnings rate/hr
Construction	157	23.00	13.21
Health and Social Services	158	11.68	6.77
Financial Intermediation	158	17.55	16.24
Transport, Storage and Communication	159	16.98	13.15
Manufacturing	164	14.47	11.68
Wholesale and Retail	166	12.03	10.78
Hotels and Restaurants	176	13.29	12.93
Electricity	176	29.15	24.41

Adapted from: St. Lucia Earnings and Hours of Work Report 2003, St. Lucia Government Statistics Department

**Table 3: Estimated Average Minimum and Maximum Weekly Earnings for Male and Female Wage Earners by Major ISCI Group 2003**

Category	Avg. Hrs of Work per Week	Men's Avg. Minimum Weekly Wage	Men's Avg. Maximum Weekly Wage	Women's Avg. Minimum Weekly Wage	Women's Avg. Maximum Weekly Wage
Agriculture	17	59.61	83.64	55.94	63.20
Health and Social Services	35	275.00	275.00	115.00	115
Wholesale and Retail	38	220.14	252.86	152.06	155.94
Construction	39	557.14	652.01	290.00	370.00
Hotels and Restaurants	40	271.63	316.85	271.83	320.42
Electricity, Gas and Water	40	534.00	831.00	534.00	831.00
Transport, Storage and Communication	41	431.05	491.09	371.77	542.91
Manufacturing	42	283.28	383.52	207.45	239.36

Adapted from: St. Lucia Earnings and Hours of Work Report 2003, St. Lucia Government Statistics Department

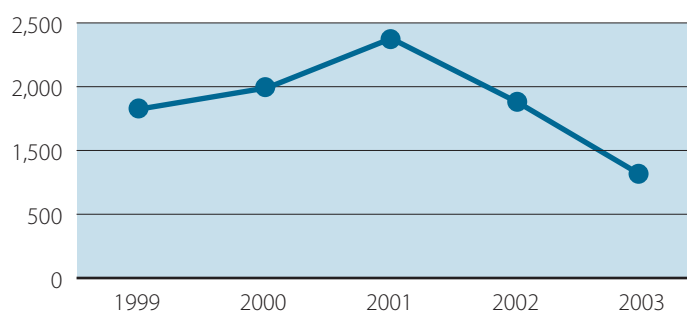
There was insufficient information to accurately assess the types of jobs occupied by locals. However, the author’s observation is many locals are employed at lower-level positions, though in recent years an increasing number are occupying middle and top management positions.

Despite the generally positive effects of employment, the high level of foreign ownership indicates limited local control in the industry, which likely restricts local benefits. A 2001 case study of the St. Lucia Heritage Tourism Program found that, despite the program increasing the participation of local communities in heritage tourism, many barriers still affect the involvement and success of locals—particularly the poor—in managing and developing tourism (Renard 2001). Some of the main obstacles include: 1) vertical linkages occurring mainly between hotels, tour operators and airlines, which lead to domination by large operators and reduced opportunities for small entrepreneurs; 2) fiscal policies and incentive mechanisms favouring large-scale development; 3) inadequate marketing of cultural and heritage products using the resources of the poor; 4) lack of financial and physical assets, exacerbated by financial institutions’ skepticism of financing small-scale tourism products; and 5) insufficient local capacity and understanding of the operations of the industry.

### 3.3.4 Environmental effects

Assessment of tourism’s impact on the environment was largely based on its contribution to waste generation, consumption of water and energy resources, and impact on biological diversity. With solid waste generation and disposal, findings reveal a vast improvement on the island. The solid waste generated by the hotel sector is minuscule, accounting for less than three per cent of total solid waste generated. Solid waste fell by 40.7 per cent from 1,681 tons in 1999 to 997 tons in 2003. However, further monitoring is required to determine whether solid waste generation is truly on the decline or simply the result of the downturn in activity after September 11 (see Graph 6). Solid waste disposal has improved significantly since the establishment of the St. Lucia Solid Waste Management Authority in 1996. The Authority has been successful in raising awareness of solid waste issues, improving collection and management practices—including recycling and reduction techniques—constructing a new sanitary landfill to meet the island’s capacity for the next 20 years, and implementing legislation addressing ship-generated waste. This legislation covers guidelines for segregation, collection and transportation of ship waste, requirements for operating in St. Lucia’s territorial waters, and the right of the Authority to inspect the vessels’ waste management systems.

Graph 6: Solid Waste Generation by Hotel Sector

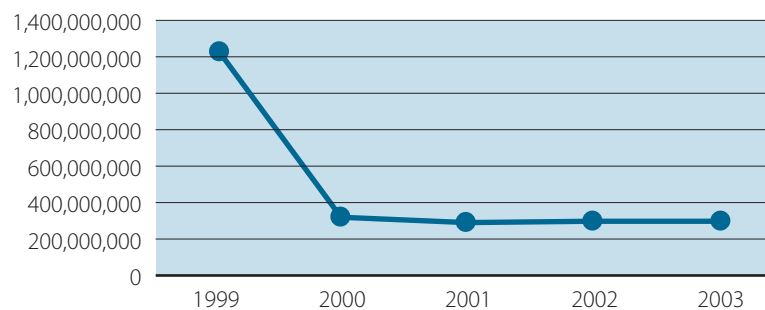


It was difficult to assess the impact of wastewater disposal due to a lack of data. However, from a 1998 baseline monitoring of three hotels on the West Coast of St. Lucia, the Caribbean Environmental Health Institute (CEHI) found: plant effluent exceeded guideline values set by CEHI; treatment plants needed

operational or design improvement; operators and supervisors were untrained or lacked understanding of the treatment processes; and regular plant monitoring was not conducted (CEHI n.d.) These deficiencies cause ineffective wastewater treatment damaging coastal ecosystems and human health when discharged into the marine environment. Although the data apply to the three hotels, the report noted the findings were reflective of the general situation in the Caribbean region.

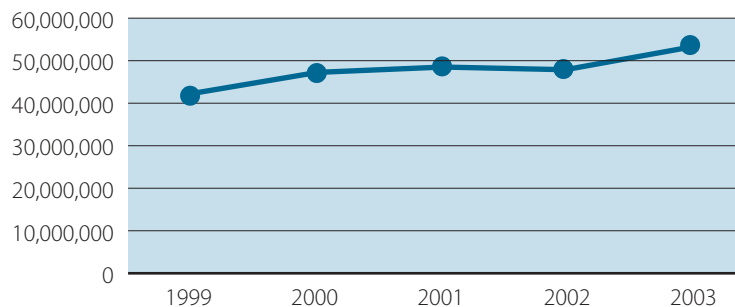
Resource consumption by the hotel sector has always been an area of concern due to limited island resources. Related to water consumption, figures from a metering system show a decline of 76 per cent from 1.24 billion gallons in 1999 to 299.2 million gallons in 2003. Unfortunately, the large decline of 73 per cent between 1999 and 2000 could not be readily explained in spite of efforts to ascertain the cause.

**Graph 7: Water Consumption by the Hotel Sector**



In contrast, energy consumption reflects a clear positive trend. Currently, hotels account for on average 17 per cent of total energy consumption on the island. Consumption increased from 41,290,000 kWh in 1999 to 53,109,000 kWh in 2003, a rise of 29 per cent. Interestingly, unlike water consumption, there was no corresponding decline in energy consumption with the downturn in tourism activity between 2000 and 2001. This upward trend in energy consumption is disturbing since St. Lucia relies on imported fossil fuels to meet energy demands. This has major implications for the country's balance of payments and its contribution to greenhouse gas emissions.

**Graph 8: Energy Consumption by Hotel Sector**



On a more positive note, evaluation of water and energy consumption per guest-night against regional benchmarks for small to medium-sized hotels (50 to 150 rooms) demonstrates that St. Lucia's hotel sector is above-average in consumption efficiency. This is a valid comparison considering more than 50 per cent of properties on the island are small to medium-size. Tables 4 and 5 demonstrate this evaluation.

**Table 4: Energy and Water Consumption per Guest-Night**

Year	Energy Consumption (kWh/GN)	Water Consumption (Gals./GN)
1999	17	516
2000	18	130
2001	18	116
2002	19	118
2003	19	108

Source: WASCO/LUCELEC

**Table 5: Small to Medium Sized Hotel Consumption Index**

Hotel Type	Energy Index kWh/GN	Water Index Gals./GN
Poor	>30	154-213
Good	22	<154
Average	26	160
Best hotel using technology	14	98
Best hotel using management techniques	12	

Source: Caribbean Alliance for Sustainable Tourism (CAST)

There is little documentation on tourism's impact on the island's biological diversity. However, most hotel development and tourism activity is on the coastline and there are no carrying-capacity limits for sites and attractions, and no official standards to guide visitors and locals behaviour. Given these factors, there is little doubt the sector contributes to threats to biodiversity, particularly in coastal areas. A 1998 review identified some general impacts including: solid and liquid waste generation affecting ecosystems and species; potentially negative impacts on plants used for handicraft and souvenirs; physical damage to coral reefs from diving, snorkeling and boating activities; demand for seafood often exceeding production limits; construction of tourism facilities in sensitive areas such as wetlands; and land-clearing for construction contributing to slope instability, erosion and sedimentation (Ministry of Agriculture, Forestry and Fisheries 2000).

### 3.3.5 Planning and regulatory effects

The assessment reveals a wide range of existing policy initiatives and instruments in St. Lucia conducive to sustainable tourism development. From an environmental perspective, there are many existing or pending laws and regulations on the island's natural resources. Recently, the government has encouraged energy efficiency, conservation and the development of renewable energy. In 1999, Cabinet adopted a policy to remove all import and consumption duties on renewable energy technology. In 2001, a draft Sustainable Energy Plan was developed to maximize renewable energy and efficiency alternatives to make St. Lucia a "Sustainable Energy Demonstration Country" by 2008 to 2012 (Ministry of Physical Development, Environment and Housing 2001). Very importantly, in 2001, a new Physical Planning and Development Control Act was implemented, which legally requires environmental impact assessments (EIA) for all major developments. The National Biodiversity Strategy and Action Plan is worth noting as it promotes sustainable use of the island's biodiversity by all sectors of the economy. Two projects earmarked for tourism include plans to determine the carrying capacity of critical areas used for tourism, and guidelines of behaviour for nature tourism sites and attractions.

The St. Lucia Heritage Tourism Program (SLHTP) plays an important role in facilitating local involvement in tourism. During its first phase, the SLHTP sought to diversify tourism and increase local participation through a process of education, capacity-building, technical and financial assistance, heritage tourism product development and marketing. Currently, the program focuses on eliminating

some identified barriers to entry including marketing and access to finance. Apart from the efforts of the SLHTP, an existing Small Hotels Program is working to increase the viability of small locally-owned hotels through marketing, product enhancement, training and environmental management assistance.

While these policy initiatives and instruments are commendable, a 2004 environmental policy review found many gaps and conflicts in the current environmental policy framework limiting the effectiveness of the initiatives (Renard 2004). Some findings include: absence of integrated national development planning, resulting in conflict between environment, social and economic objectives; lack of policy implementation and enforcement due to weak political commitment and organization; insufficient instruments for facilitating social and environmental responsibilities like incentives, guidelines and standards; limited effectiveness of EIA procedures due to complexity and pressure to secure investors; and an absence of specific instruments allowing the country to manage and limit the negative effects of trade liberalization on the environment.

## 4. Sustainable tourism development measures and GATS

### 4.1 Sustainable tourism policies and strategies

The previous section highlighted ongoing and pending measures in St. Lucia aimed at enhancing sustainable tourism development. These encompass: the Market Access Initiative to increase small farmers access to tourism markets and to strengthen linkages between tourism and agriculture; legislation controlling ship-generated waste; conservation legislation and regulations; and local empowerment initiatives. In addition, negative effects of trade and liberalization in tourism-services could be further minimized and benefits optimized through other targeted policies and strategies.

First, there is a pressing need for improved statistics and monitoring of tourism's impacts for more informed decision and policy-making. This would require greater coordination among relevant agencies, enhanced quantitative and information management capabilities and more importantly, development of an integrated management-information system for tourism. This management system should incorporate more comprehensive statistics including disaggregated data on direct and indirect contributions of trade in tourism-services, as well as environmental and social costs and benefits.

Second is the development and promotion of a voluntary, sustainable, tourism certification program. Such a program would help strengthen the current policy framework, which is strong on legislation and control, but weak on market-based initiatives (Renard 2004). As with the Certification for Sustainable Tourism Program in Costa Rica, the standards should cover a broad range of sustainability issues such as natural resource protection, local employment and purchase of local goods and services, use of renewable energy and efficiency alternatives, water consumption, waste management, health and safety, and product quality. They should also apply to all essential tourism-services to ensure consistency.

Since the proposed program is a voluntary market-based initiative, there are certain factors critical to its success. These include: involvement of stakeholders in developing standards that encourage acceptance and widespread participation; program promotion in local and international markets; and incentives through tax breaks, grants and loans for training or retrofitting, and marketing and technical assistance. For maximum effectiveness, the voluntary standards must be complemented by efficient use of existing regulations, and the institutionalization of integrated national development planning.



A third and vital recommendation is augmenting current initiatives for increasing local participation in planning, management and ownership of tourism. More effort must be made to develop tourism products around the assets of local communities. Emphasis can be placed on products such as arts, music and dance festivals, health tourism, village tours, eco-lodges and home-stays. These products enrich and diversify tourism and also attract more special-interest and independent travellers who stay longer and spend more. Increased support to small tourism enterprises will reduce their vulnerability and high potential for failure.

In addition to increasing access to capital, specialized business-support programs could be provided, such as long-term advisory and mentoring programs, marketing assistance, special fiscal-incentive schemes and concessionary funds. The current strengthening of agriculture and tourism-linkages could be extended to other economic sectors such as furnishings, garments, handicraft and agro-processing. Overall, these measures would help diversify the local economy, provide additional employment, boost micro-enterprise development and reduce foreign exchange leakages.

### 4.2 GATS – compatibility of measures

The proposed measures emphasize the importance of governments' ability to ensure tourism benefits are fairly distributed and maintain the resource base the industry depends on. However, such regulatory measures are increasingly threatened by the rules of the GATS. Where a sector is fully committed, market access rules prohibit the use of quantitative and legal limits on foreign service supply. In St. Lucia's case, a limit of 100 rooms was placed on the hotel and resort sub-sector and, therefore, reserves opportunities for local participation in small hotel development. As well, the proposal establishing carrying-capacity limits in critical tourism areas could be a cause for complaint under the market access rules if the measure is not included as a limitation.

Environmental protection strategies—such as control of ship-generated waste and guidelines of behaviour for nature tourism sites and attractions—could possibly be challenged as imposing unnecessary barriers to behaviour and access. Researchers note that the GATS makes provision for some general exceptions to free-trade rules covering public order and protection of public morals, and necessary measures to protect human, animal or plant life or health (Hoad 2002). Therefore, such environmental protection measures could be applied in a limited manner, providing they can be justified as “necessary” and are not viewed as “arbitrary or unjustified discrimination or disguised protectionism” (Hoad 2002: p. 163). Researchers also note that proving the “necessity” of regulatory measures can be challenging, particularly as the general exceptions have mostly been interpreted restrictively in past dispute settlements (Hoad 2002; Cosby *et al.* 2004).

The voluntary tourism standards program could be assessed under future rules to be negotiated under GATS Article VI (4). These rules stipulate qualifications and procedures, technical standards and licensing should be “no more burdensome than necessary” and not be unnecessary barriers to trade in services. The program's compatibility with the GATS would depend on a number of factors. The implementing agency is an important consideration. If the voluntary standards are developed and promoted by a non-governmental organization or trade association not supported by government, then the World Trade Organization has no jurisdiction over the entity or its activities (Font and Bendell 2002). However, if government supports the standards, the type of government measure would be considered. Standards mandated by government would most definitely fall under the jurisdiction of the GATS. In cases where standards are not mandatory—as recommended for St. Lucia—measures to create incentives like tax breaks, concessionary grants and marketing assistance could be challenged as



discriminatory barriers to trade. It is important to note here that the “no more burdensome than necessary” provision has not yet come into force and, therefore, is not an immediate threat to governments’ regulations on service provider qualifications, technical standards and licensing.

The MFN and national treatment rules threaten to restrict governments’ ability to support socially and environmentally responsible organizations, as well as their ability to maximize benefits from trade in tourism-services for the local population (Hoad 2002; Woodroff and Joy 2002). The national treatment rules require members to treat foreign services and suppliers like their own services and suppliers. Therefore, measures to support and encourage local business growth through specialized marketing and business management assistance, fiscal incentives and preferential access to financial capital, could be seen as contrary to the rules of national treatment. Researchers see this aspect of national treatment rules as a problem. It is difficult to design good-faith measures in a form that helps achieve national objectives while respecting the national treatment obligations (Hoad 2002; Cosby *et al.* 2004).

## 5. Conclusion

Trade and liberalization in tourism-services can have both positive and negative impacts on sustainable development. On one hand, it stimulates economic growth and provides valuable employment and resources for environmental protection and conservation. On the other hand, liberalization rules threaten to infringe on domestic “policy space,” high leakage of tourism receipts and inequities in the international tourism act restricting fair distribution of benefits, and uncontrolled developments negatively affect the social and physical environment. These negative effects appear to be greater among developing countries and poorer segments of society. The challenge facing developing countries is to create appropriate policies and strategies that would contribute more meaningfully to sustainable development, while adhering to international trade obligations. This calls for continuous research on the effects of trade and liberalization in tourism-services, and wiser use of trade negotiation mechanisms and safety valves such as schedule limitations, to protect public welfare and balance the benefits between developed and developing countries. Small developing states should also continue to make economic diversification a priority, as it is essential for building resilience and safeguarding citizens from the pitfalls of globalization.

## Appendix I: Assessment indicators

Issues	Indicators
<b>Tourism Activity</b>	
Structure and development patterns	<ul style="list-style-type: none"> <li>Number of tourist arrivals</li> <li>Number of hotel rooms</li> <li>Average hotel occupancy</li> <li>Number of cruise passengers</li> <li>Size of development</li> <li>Proportion of foreign owned facilities</li> <li>% of all-inclusive properties</li> <li>% of package-tour visitors</li> <li>Average length of stay</li> </ul>
<b>Socio-economic Effects</b>	
Contribution to economic growth and development	<ul style="list-style-type: none"> <li>Total tourist receipts/expenditure</li> <li>Receipts as a % GDP</li> <li>Receipts as a % of total exports</li> <li>Contribution to government revenue</li> <li>% of hotels and restaurants contribution to GDP</li> <li>Local involvement and benefit % of total employment in tourism</li> <li>Ratio of men to women employed</li> <li>Ratio of low skill to high skill jobs</li> <li>Wage and working conditions</li> <li>Local enterprise development</li> <li>Domestic linkages and leakages</li> <li>Value of local agricultural purchases</li> <li>Value of imports by the sector</li> </ul>
<b>Environmental and Socio-cultural Effects</b>	
Resource consumption	<ul style="list-style-type: none"> <li>Volume of water consumed</li> <li>Volume of energy consumed</li> </ul>
Pollution and waste production	<ul style="list-style-type: none"> <li>Volume of solid waste generated</li> <li>Liquid waste disposal</li> </ul>
Ecological stress	<ul style="list-style-type: none"> <li>Health status of biodiversity</li> </ul>
<b>Planning and Regulatory Effects</b>	
Adequacy of policy instruments, legislation, and institutions	<ul style="list-style-type: none"> <li>Existence of environmental policy and legislation</li> <li>Existence of environmental, health and safety standards and codes of practice for the sector</li> <li>Existence of special programs and mechanisms to facilitate local involvement in tourism</li> </ul>

## Appendix II: Data sources

Statistic/Indicator	Source
Total tourist arrivals	The St. Lucia Government Statistics Department
Number of cruise passengers	The St. Lucia Government Statistics Department
Number of rooms	WTO
Hotel occupancy	The St. Lucia Government Statistics Department
Average length of stay	WTO
Percentage of all-inclusive properties	The St. Lucia Government Statistics Department
Accommodation by type and number	St. Lucia Tourist Board
Percentage of package-tour visitors	The St. Lucia Government Statistics Department
Receipts as a percentage of GDP	WTO
Receipts as a percentage of exports	World Bank/World Development Indicators
Contribution to government revenue	The St. Lucia Government Statistics Department
Percentage of hotels and restaurants contribution to GDP	The St. Lucia Government Statistics Department
Percentage of total employment in hotels and restaurants sector	The St. Lucia Government Statistics Department
Ratio of men to women employed	The St. Lucia Government Statistics Department
Earnings in hotels and restaurants sector	The St. Lucia Government Statistics Department
Work permits issued to tourism sector	Ministry of Labour Relations
Value of local agriculture purchases by hotels	The St. Lucia Government Statistics Department
Value of imports by hotels	The St. Lucia Government Statistics Department
Volume of solid waste generated by hotels	St. Lucia Solid Waste Management Authority
Energy consumption by hotels	St. Lucia Electricity Services Ltd.
Water consumption by hotel	Water and Sewage Company

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