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Trade liberalization, tourism

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► **International tourism** has become one of the most significant global trade flows. Trade accounts for around 25 % of the total international trade in services. International efforts for trade liberalization in tourism under the framework of the World Trade Organization or bilateral agreements play a decisive role for its development. Unlike other services, tourism is not a specific type of activity, but an assortment of goods and services consumed by travelers. The most common goods and services covered by this industry are lodging, food and beverages, ► **transportation**, gifts and souvenirs, cultural services, and sporting and other recreational services (Zhang and Jensen 2007).

Tourism being a complex phenomenon involves the following main categories of ► **travel purposes**: business, ► **leisure**, ► **education**, and health. Indirect liberalization impacts (e.g., through freer trade in goods), liberalization of foreign investment (inducing more business travel), or specific incentives to increase international exchange in education are also relevant to

the industry but are beyond the scope of this brief entry.

In Table 1, ► **trade liberalization** is narrowed down to any legislation with a direct ► **impact** on tourism-related activities. As a cross-tabulation with the three levels governing liberalization, the table identifies what constitute the most important events in the relatively brief history of the tourism industry.

Free Movement of Tourists

The most decisive piece of legislation in this area is the one that pertains to international passports. In 1980, the UN agency – International Civil Aviation Organization – launched a global initiative that standardized passports. According to Hjalager (2013), this was a facilitator and not an impediment to the advancement of tourism. The standardized passport is regarded as one of the major innovations having transformed the industry. Now individual countries can more easily implement bilateral visa regulations, which have paved the way for tourism to be developed in its present form as an organized, transparent, legally recognized (e.g., from insurance perspective), and safe activity.

Visa regulations establish rules on the basis of which regional free movement of people can be made possible. The most developed regional trade agreement that has paved the way for an absolute barrier free movement of tourists is

Trade liberalization, tourism, Table 1 Institutions and organizations leading to freer trade in tourism services

Levels by tourism-related activities	Bilateral	Regional	Global
Free movement of tourists	Visa regulations	Schengen (European Union)	Standardization of passport (International Civil Aviation Organization, United Nations)
Free movement of service providers		Association of Southeast Asian Nations, European Union, Mercosur, North America Free Trade Agreement	General Agreement on Trade in Services

known as the Schengen Agreement. Most European Union member countries are part of this agreement. It helps, among others, to facilitate an easy and free flow of tourists among the member states. No other regional trading arrangement currently constitutes a passport union. However, the Association of Southeast Asian Nations and Mercosur have taken steps in such a direction, especially to facilitate easier access for tourists from third countries (Wong et al. 2011).

Free Movement of Service Providers

Viewed globally and from the perspectives of service providers to the industry, tourism is regulated foremost by the General Agreement on Trade in Services under the World Trade Organization, which seeks with its new services database to collect all liberalization efforts pertaining to this industry at the global, regional, or bilateral levels.

Notably, in tourism, the General Agreement on Trade in Services consists of four pillars of liberalization efforts for service providers: Hotels and restaurants, travel agencies and ► **tour** operator services, ► **tourist** guide services, and others. In addition, countries may also make horizontal commitments in areas that affect market access for local and international service providers. One example could be liberalization of real estate as in the question of whether foreign operators are allowed to acquire real estate on equal terms

with local operators. This system is based on volition, which means that member countries can choose themselves whether or not to make a commitment under each pillar. More than 139 member countries have made commitments under at least one of these pillars. Hotels and restaurants are almost completely liberalized today. In contrast, there are fewer horizontal commitments, implying that the underlying market access conditions may still be different.

Jensen and Zhang (2013) find that the most hesitant liberalizers today under the General Agreement system are the small island economies that can be very dependent on tourism for their local economic development. They are thus more likely to adopt special legislation that protects their indigenous populations, tourism businesses, and ecological systems. Regional agreements also have an impact on service provisions. The most important one is the European Union service directive (Kox et al. 2004) or the Association of Southeast Asian Nation's service protocol (Wong et al. 2011). Both have similar aims to harmonize the economic conditions among local and international providers of services in the tourism industry.

Like research on the impact of the legislative or policy changes affecting the area of tourism, academic literature on trade liberalization in tourism is very much in its infancy. Jensen and Zhang (2013) provide for one of the first systematic attempts at evaluating the role of trade liberalization for tourism. Future research on this topic could look at the impact that regional integration

agreements have on the industry or how the real estate market affects the internationalization of the industry.

See also ► [Comparative advantage](#), ► [economic development](#), ► [international tourism](#), ► [rule and regulation](#), ► [visa](#).

References

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