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# TIJARA PROVINCIAL ECONOMIC GROWTH PROGRAM

## TOURISM SERVICES IN IRAQ AND GATS NEGOTIATIONS RECOMMENDATIONS AND IMPACT



April 2009

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RECOMMENDATIONS AND IMPACT

### **DISCLAIMER**

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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# ACRONYMS

COSIT	Central Organization for Statistics and Information Technology
CPA	Coalition Provisional Agency
FDI	Foreign Direct Investment
FSU	Former Soviet Union
GATS	General Agreement on Trade in Services
GDP	Gross Domestic Product
GOI	Government of Iraq
ICT	Information and Communication Technologies
ID	Iraqi Dinar
ILO	International Labor Organization
IT	Information Technologies
MFN	Most Favored Nation
OECD	Organization for Economic Co-operation and Development
SME	Small and Medium Enterprise
UNCTAD	United Conference on Trade and Development
UK	United Kingdom
USAID	United States Agency for International Development
USD	US Dollar
WEF	World Economic Forum
WTO	World Trade Organization

# 1. INTRODUCTION AND METHODOLOGY

The purpose of this series of documents on various sub-sectors under services is to prepare the Government of Iraq (GOI) for the submission of the services chapter to the World Trade Organization (WTO). It also seeks to assist the GOI to better understand the context in which each sub-sector operates in the economy. WTO accession is hardly an end in itself. Instead, WTO Accession is the beginning of a process of serious economic reform. Accession to the “club” of WTO requires serious commitments to liberalization, as well as an understanding of the impact of these commitments on the economy at large and its broader benefits.

Each of the sub-sector reports is broken into five parts:

1. Introduction and methodology – the key analytical elements applicable to the sub-sector;
2. Sub-Sector Context within the General Agreement on Trade in Services (GATS) and Value Chain Development – the sub-sector in the context of GATS, international best practices, and value chain development of the sub-sector;
3. Iraq and the role of the specific sub-sector, including the regulatory environment, data, and the role of the private sector in WTO negotiations;
4. Recommendations for Iraq in the negotiations of the sub-sector;
5. A general discussion of the impact of the proposed liberalization commitments on Iraq in the sub-sector.

Section 2 describes the framework, or the “lens” through which the Iraqi Government Services Committee should consider in the analysis of their sector. The WTO framework, its modes, horizontal commitments and value chain underpin the essence of preparation, and are the main content of impact analysis.

Sections 3-5 provide a more detailed analysis of the sub-sector itself and its role and overall impact on the Iraqi economy.

There are five key methodological tools and concepts used to analyze the role of services in Iraq. These include:

- a. WTO framework (definition of “modes”);
- b. International best practices;
- c. Regulation;
- d. Mode analysis;
- e. Most Favored Nation (MFN) status, National Treatment and Market Access.

In each case we need to make sure that the GOI clearly understands the framework and context of the sub-sector analyzed and its relationship to the Four Modes contained in GATS.

Iraq applied for WTO accession in December 2004 and submitted a Memorandum on the Foreign Trade Regime in September 2005. The Working Party met for a second time in April 2008 to continue the examination of Iraq's foreign trade regime, however Services negotiations did not commence.

This study has been prepared as a background paper supporting Iraq's accession to the WTO. As part of the WTO accession process, Iraq must negotiate offers/commitments for Trade in Goods and for Trade in Services. The Iraqi Services sector is likely to be of particular interest to WTO members, due to its significant economic potential. An extensive consultation process underpins this study, which involved attending relevant meetings to make presentations and exchange information, meeting with experts in the government and civil society, and undertaking dialogue in an electronic discussion.

This study will be presented at various meetings of the GOI Services Committee. In addition to this paper, there are several lengthy presentation materials prepared by the Trade Division that will discuss various aspects of this paper in greater detail. Working Committee meetings will include members of civil society, as well as trade negotiators from Iraq. In the writing of this paper, consultation was undertaken in the form of face-to-face meetings with a range of stakeholders representing national and regional organizations.

## 2. SUB-SECTOR CONTEXT IN GATS AND VALUE CHAIN DEVELOPMENT

### 2.1 WTO DEFINITION AND FRAMEWORK

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The classification system that is used in the GATS by WTO members divides Tourism and Travel Related Services into the following four categories:

1. **Hotels and Restaurants** -including catering- (corresponding CPC: 641-643);
  - Hotel and motel lodging services
  - Holiday center and holiday home services
  - Letting services of furnished accommodation
  - Youth hostel services
  - Children's training and holiday camp services
  - Camping and caravanning site services
  - Sleeping-car and similar services in other transport media;
  - Hall residence of students
  - Meal serving services with full restaurant services
  - Meal serving services in self-service facilities
  - Other food serving services
  - Beverage serving services for consumption on the premises
2. **Travel Agencies and Tour Operators Services (CPC: 7471);**
  - Travel agency services
  - Tour operator services
3. **Tourist Guide Services (CPC: 7472);**
  - Sightseeing excursion services
  - Sightseeing services, aircraft or helicopter
  - Tourist guide services
  - Guide services (mountain, hunting, fishing)
4. **Other**
  - Tourist information services (including travel information, advice and planning services provided by tourist offices; accommodation reservation services; and airline, train, bus and other reservation services relating to travel)

The four modes of supply are all relevant for tourism:

- **Mode 1/ Cross-border supply:** the possibility for non-resident service suppliers to supply services cross-border into the Member's territory.
- **Mode 2/ Consumption abroad:** the freedom for the Member's residents to purchase services in the territory of another Member.
- **Mode 3/ Commercial presence:** the opportunities for foreign service suppliers to establish, operate or expand a commercial presence in the Member's territory, such as a branch, agency, or wholly-owned subsidiary.
- **Mode 4/ Presence of natural persons:** the possibilities offered for the entry and temporary stay in the Member's territory of foreign individuals in order to supply a service.

Within this framework, barriers affecting the trade in tourism services include the following:

- **Market access** limitations across all modes of supply including horizontal commitments (for all services).<sup>1</sup> Six types of limitations on market access must be scheduled under GATS if they are to be maintained:
  1. Limitations on the number of service suppliers whether in the form of numerical quotas, monopolies, exclusive service suppliers or the requirements of an economic needs test;
  2. Limitations on the total value of service transactions or assets in the form of numerical quotas or the requirement of an economic needs test;
  3. Limitations on the total number of service operations or on the total quantity of service output expressed in terms of designated numerical units in the form of quotas or the requirement of an economic needs test;
  4. Limitations on the total number of natural persons that may be employed in a particular service sector or that a service supplier may employ and who are necessary for, and directly related to, the supply of a specific service in the form of numerical quotas or the requirement of an economic needs test;
  5. Measures which restrict or require specific types of legal entity or joint venture through which a service supplier may supply a service; and
  6. Limitations on the participation of foreign capital in terms of maximum percentage limit on foreign shareholding or the total value of individual or aggregate foreign investment.
- **National treatment** limitations across all modes of supply and horizontal commitments<sup>2</sup>;
- **Domestic regulations** concerning in particular the right of establishment (related to mode 3) have to be considered even if they do not represent barriers to trade<sup>3</sup>. Even though the preamble of the GATS acknowledged the right of WTO Member States “to regulate, and to introduce new regulations, on the supply of services within their territories in order to meet national policy objectives”, GATS article VI demands that domestic laws and regulations “are administered in a reasonable, objective and impartial manner” and that they should not constitute unnecessary barriers to trade in services (Art. VI.4).

## 2.2 TOURISM SERVICES IN 2007 IN THE WORLD

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International tourist arrivals reached 903 million in 2007, up 6.6% from 2006. International tourism receipts grew to USD 856 billion in 2007, corresponding to an increase in real terms of 5.6% over 2006, according to the World Tourism Organization<sup>4</sup>. Worldwide, around 235 million people are employed in the tourism sector.

In the Middle East, 2007 counts for 39 million tourist arrivals and USD 28 billion receipts.

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<sup>1</sup> Article XVI GATS

<sup>2</sup> There is no closed list of measures subject to scheduling. However, any measure which affects competition to the detriment of foreign services suppliers must be scheduled (article XVII GATS)

<sup>3</sup> Domestic regulations are not subject to scheduling. There are important, such as the government control of new foreign companies though the issuance of licenses or permits

<sup>4</sup> World Tourism Organization: [www.unwto.org](http://www.unwto.org)

## 2.3 TRENDS IN THE WORLD TOURISM

The World Tourism Organization published its long term forecast, called Tourism 2020 Vision. International arrivals are expected to reach nearly 1.6 billion by the year 2020. Of these worldwide arrivals in 2020, 1.2 billion will be intraregional and 378 million will be long-haul travelers.

The total tourist arrivals by region shows that by 2020 the top three receiving regions will be Europe (717 million tourists), East Asia and the Pacific (397 million) and the Americas (282 million), followed by Africa, the Middle East and South Asia. Middle Eastern countries are forecasted to record growth at rates of 6.7% per year, compared to the world average of 4.1%.

## 2.4 TOURISM IN THE WORLD ECONOMY – ONE OF THE MOST IMPORTANT INDUSTRIES

Tourism ranks in the top five export categories for 83% of countries, according to the World Tourism Organization, notably in Europe, the Middle East and the Americas, and is the leading source of foreign exchange in at least one in three developing countries. One in every 10 workers worldwide is employed in the travel and tourism sectors. These sectors are often cited as the most important industry for emerging nation economies and account for 10% of world GDP, 8% of jobs, and 12% of global investment annually. In the Middle East, they account for 10% of employment. In Egypt, for example, 1.5 million people work in travel and tourism industries.

Tourism also has the highest potential for growth of any industry – currently running at more than 4% per year<sup>5</sup>. It is one of the largest and fastest-growing industries. It plays a key role in poverty alleviation, bringing jobs for unskilled or semi-skilled workers in hotels, resorts and at cultural sites, as well as encouraging job creation in supply industries<sup>6</sup>.

We have completed a benchmarking exercise to compare the tourism sector in Iraq to nine other countries in the region: Algeria, Egypt, Georgia, Jordan, Libya, Pakistan, Saudi Arabia, Turkey, and Tunisia. These countries were chosen on the basis of shared characteristics with Iraq, which are listed across the horizontal bar of Table 1 below.

**Table 1. Benchmarking characteristics shared with Iraq**

Country	Cultural sites	Religious tourism	Proximity	Unstable	New member	Advanced tourism sector
Algeria			●	●		
Egypt	●	●	●			●
Georgia	●	●		●	●	
Jordan	●	●	●		●	●
Libya	●		●			
Pakistan				●		
Saudi Arabia	●	●	●		●	●
Turkey	●		●			●
Tunisia	●		●			●

<sup>5</sup> World Economic Forum: the Travel and Tourism Competitiveness Report 2008, available at: [www.weforum.org/tcr08browse/index.html](http://www.weforum.org/tcr08browse/index.html)

<sup>6</sup> OECD Policy Brief: Opening up trade in services; key for tourism growth. February 2008.

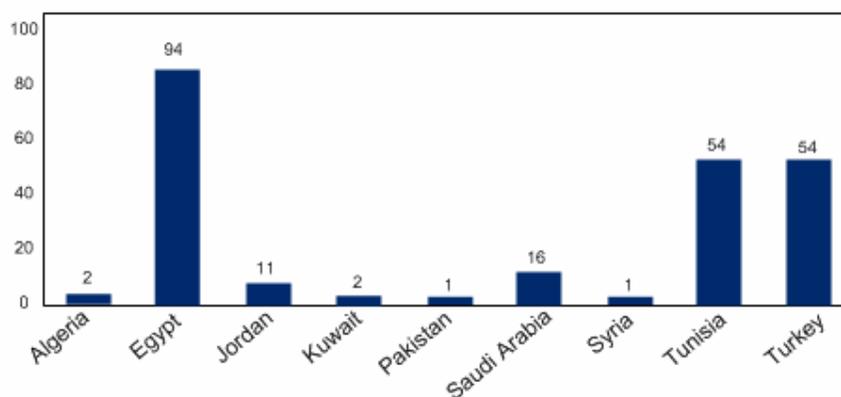
**Table 2. Economic role of travel and tourism industries in benchmarked countries**

Country	% of total GDP 2007 est.	% of total employment	International tourist arrivals (thousands), 2006	International tourism receipts (USD millions) 2006
Algeria	1.5	1.4	1,443	184
Egypt	8.7	7.3	8,646	7,591
Georgia	-	-	983	313
Jordan	8.6	8.2	3,225	1,642
Kuwait	1.1	1.6	91	203
Libya	2.2	3.1	149	250
Pakistan	2.4	1.9	898	254
Saudi Arabia	1.9	2.6	8,620	4,961
Syria	5.9	6.7	4,422	2,025
Tunisia	9.3	9.1	6,550	2,227
Turkey	4.9	2.8	18,916	16,853

Source: Data from Country Reports in World Economic Forum<sup>7</sup>

Many developing countries today are looking to tourism as a potentially promising avenue for economic and human development (through the application of backward and forward linkages). This perception is relatively new for some of these countries, and reflects the rapid increase in tourism arrivals, numbers and revenues for many developing countries in recent years.

Traditionally, tourism has been given lower priority than agriculture or manufacturing since it has not been considered a significant or appropriate source of growth. However, increasingly, the sector is identified as a means of earning export revenues and generating jobs promoting economic diversification (something resource rich countries desperately require if they are to avoid the Dutch Disease). Further, a more service-oriented economy revives declining urban areas and cultural activities, and opens up remote rural regions. The primary vehicle to produce these gains from service industry growth is foreign direct investment (FDI).

**Table 3. Number of foreign-owned hotels by economy, 2006**

Source: UNCTAD: FDI in tourism- the development dimension, 2007. No figures available for Libya.

<sup>7</sup> See World Economic Forum at [www.weforum.org/tcr08browse/index.html](http://www.weforum.org/tcr08browse/index.html)

## 2.5 EXAMPLES OF WTO MEMBERS' COMMITMENTS ON TOURISM

Tourism commitments have been made by nearly 130 WTO members, more than in any other services sector. This reflects their willingness to expand tourism and attract foreign direct investment. Not all the countries benchmarked with Iraq, are WTO members. The following table summarizes their status.

**Table 4. Membership in the WTO**

Country name	Status Towards the WTO
Algeria	Observer since June 1987
Egypt	Membership: 30 June 1995
Georgia	Membership: 14 June 2000
Jordan	Membership: 11 April 2000
Kuwait	Membership: 1st January 1995
Libya	Observer since July 2004
Pakistan	Membership: 1st January 1995
Saudi Arabia	Membership: 11 December 2005
Syria	Not a WTO member
Tunisia	Membership: 29 March 1995
Turkey	Membership: 26 march 1995

With respect to GATS commitments, tourism in the benchmarked countries is one of the most liberalized services sectors. All the benchmarked countries have made GATS commitments in this sector. However, commitments among them differ from one tourism sub-sector to another and from one mode of supply to another. All have made commitments for "hotels & restaurants" and "travel agencies & tour operator services", however few have done so for "tourist guide services". Among the seven countries, only Egypt has made commitments in all four tourism sub-sectors.

**Table 5. Specific GATS commitments:**

Country	9A Hotels & Restaurants	9B Travel Agencies & Tour Operators Services	9C Tourist Guide Services	9D Other	TOTAL
Egypt	•	•	•	•	4
Georgia	•	•			2
Jordan	•	•			2
Kuwait	•	•	•		3
Pakistan	•	•			2
Saudi Arabia	•	•	•		3
Tunisia	•	•			2
Turkey	•	•			2

Source: WTO

Trade barriers exist mainly under Mode 3 (commercial presence) and mode 4 (temporary movement of persons).

Under Mode 3 – commercial presence – foreign investors may face limitations on market access and on national treatment, as it is the case in Egypt, Jordan and Turkey. Table 6 below summarizes those limitations for a sub-set of benchmark countries:

**Table 6. Limitations of Market Access and National Treatment—Selected Countries**

Country	Limitations on market access	Limitations on national treatment
Egypt	<ul style="list-style-type: none"> <li>• License required</li> <li>• Foreign capital equity under 49% in Sinai</li> <li>• Limitation of the number of services operators depending on economic needs tests</li> <li>• Casino services are permitted only in 5-star hotels</li> </ul>	<ul style="list-style-type: none"> <li>• Training of Egyptian employees required</li> </ul>
Jordan	<ul style="list-style-type: none"> <li>• 50% foreign equity limitation for restaurants and travel agencies</li> <li>• Foreign travel agents must have their tours conducted by a local company</li> <li>• The nationality of the Director of Travel agencies must be Jordanian</li> </ul>	
Turkey		<ul style="list-style-type: none"> <li>• The amount of guarantees required for foreign travel agencies exceed the one applying for Turkish</li> <li>• Foreign companies should have a minimum amount of capital to be brought to be granted Operation Certificate by the Ministry of Tourism</li> </ul>

On Mode 4 – Movement of natural persons, most of the positions are unbound<sup>8</sup>, leaving countries free to introduce or maintain restrictions and/or refer to horizontal commitments such as *inter alia* working permits (for a specific period, position, or skill level when qualified nationals are unavailable)<sup>9</sup>.

## 2.6 NON-GATS RELATED BARRIERS AFFECTING TOURISM

The Travel and Tourism Competitiveness Report published by the World Economic Forum<sup>10</sup> defined a Travel and Tourism Competitiveness Index based on many indicators which should be considered for the development of tourism in any country. These indicators, identified as “pillars” by the WEF, are as follows:

- 1<sup>st</sup> Pillar: Policy rules and regulations
- 2<sup>nd</sup> pillar: Environmental sustainability
- 3<sup>rd</sup> pillar: Safety and security
- 4<sup>th</sup> pillar: Health and hygiene
- 5<sup>th</sup> pillar: Prioritization of Travel & Tourism
- 6<sup>th</sup> pillar: Air transport infrastructure

<sup>8</sup> Where a Member wishes to remain free in a given sector and mode of supply to introduce or maintain measures inconsistent with market access or national treatment, the Member has entered in the appropriate space the term UNBOUND.

<sup>9</sup> An annex to the GATS makes it clear, that the agreement has nothing to do with individuals looking for employment in another country, or citizenship, residence or employment requirements. Even if members undertake Mode 4 commitments to allow natural persons to provide services in their territories, they may still regulate the entry and stay of the persons concerned, for instance by requiring visas, as long as they do not prevent the commitments from being fulfilled (WTO)

<sup>10</sup> [www.weforum.org/ttcr08browse/index.html](http://www.weforum.org/ttcr08browse/index.html)

- 7<sup>th</sup> pillar: Ground transport infrastructure
- 8<sup>th</sup> pillar: Tourism infrastructure
- 9<sup>th</sup> pillar: ICT infrastructure
- 10<sup>th</sup> pillar: Price competitiveness in the T&T industry
- 11<sup>th</sup> pillar: Human resources
- 12<sup>th</sup> pillar: Affinity for Travel & Tourism
- 13<sup>th</sup> pillar: Natural resources
- 14<sup>th</sup> pillar: Cultural resources

GATS commitments provide the opportunity to open up tourism services to foreign competition, which will benefit consumers as well as stimulate job creation over the long run. In addition, in order to see widespread benefit of these investments and increased competition in the sector, it is recommended that GATS compliance be combined with linkages to other national policies to attract FDI and tourists. However, there are several different types of barriers often present that obstruct these linkages. These barriers thwart the benefits of GATS compliance. For this reason, it is recommended that service sector reform be integrated as part of an economy wide reform that focuses on barrier reduction, often known as *administrative barrier reductions*.

Some of the most important obstacles to the benefits of comprehensive trade reform are:

- Lack of security – war, terrorism, etc
- Absence of the rule of law – lack of contract enforcement
- Lengthy procedures for the issuing of licenses and bureaucratic “red tape” associated with new travel and tourism projects
- Restrictions on commercial presence is aggravated by the possibility of recourse to the economic needs test, which are cumbersome and discriminatory licensing requirements that foreign suppliers of tourism services must meet
- Land acquisition problems and property rights not adequately guaranteed
- Poor infrastructure: water supply, electricity networks, telecoms, transportation etc.
- Lack of open air transport (either limited access or poor infrastructure)
- High costs of production, including mandatory high wages, high costs of local and imported inputs, high import duties, high costs of distribution, etc.
- Inadequate information and marketing, and an inability to source these data easily

Apart from making GATS commitments, any country willing to develop its tourism sector should try to address those bottlenecks and to define a global economic strategy that accommodates tourism and its accompanying backward and forward linkages. The removal of these administrative barriers will serve to insure that the linkages can work more effectively, allowing full leverage of tourism sub-sector reform and GATS compliance.

The countries selected in this report that have tourism as one of the largest shares of their output – Turkey, Egypt, Saudi Arabia and Tunisia – in each case are also (relatively) politically stable. These countries have specific and well-defined policies to liberalize tourism and other sectors. They have done so to attract not only tourists, but also longer-run benefits of FDI. They have accomplished this, in part, through large investments in infrastructure, especially air transport, roads, electricity, and ICT networks.

## 2.7 TOURISM VALUE CHAIN: LINKAGES BETWEEN THE TOURISM INDUSTRY AND OTHER SECTORS

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The tourism sector is probably the only service sector that provides concrete and quantified trading opportunities for all nations, regardless of their level of development<sup>11</sup>. For many developing countries, tourism is one fundamental pillar of the development process, because it is one of the dominant activities in the economy. For others, particularly islands and some small economies, it is the only source of foreign currency and employment, and therefore constitutes the platform for their economic development. The tourism value chain is complex, and involves many sub-sectors, which can play a major role in tourism development (see Chart on the tourism value chain below).

The tourism sector is a major direct employer in many countries of the world and supports a much wider indirect employment base in supplying industries. It generates significant economic activity through linkages with other industries.

It is also important to note that tourism plays a critical role in poverty alleviation in many developing countries. The sectors producing goods and services are linked backwards with tourism, such as catering for the needs of tourists and tourism operators. Other examples include i.e. agriculture and food-processing industries, and manufacturing industries providing furniture, construction materials, and other articles required by tourism establishments. Similarly, many other services, such as transport, business services, financial services, professional services, construction design and engineering, environmental services, security services, government services, and telecommunication and ICT, also ensure the efficient performance of tourism operators<sup>12</sup>.

Each element in the core-tourism value chain is discussed below, while the chart details the ancillary effects of forward and backward linkages that derive from the industry itself.

### 2.7.1 Tour Operators Systems

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Tour operators create so-called “package tours” by combining two or more components of the tourism product (e.g. transport, accommodation, catering, entertainment, sightseeing) and selling them to final consumers – tourists – through travel agencies or directly. The sales take place in the country of origin of the tourists. They do not produce tourism services themselves (unless they own a hotel, aircraft or airline); rather, they act as distributors or wholesalers of these services. Services are produced by airlines, hotels, local transportation and tourist service companies (sometimes called incoming tour operators) and local guides, which tour operators contract ahead of time. Tour operators may have a limited number of staff to receive their clients in some countries.

The main impact of tour operators is that they are instrumental in sending large numbers of tourists to destinations worldwide, thus creating the volume of tourist traffic that could not be achieved through individual visitors.

### 2.7.2 Airlines

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Airlines are an integral part of the tourism industry, linking tourist demand with supply of tourism services in a destination country. By some estimates, globally, 30-40% of all international tourist arrivals are by air. While a number of developing countries have their own airlines, the large majority relies on major international airlines for tourist arrivals. For

<sup>11</sup> David Diaz Benavides: *The viability and sustainability of international tourism in developing countries*, UNCTAD, 2001

<sup>12</sup> Benavides, *The viability and sustainability of international tourism in developing countries*, UNCTAD, 2001

developing countries, which are often excluded from the regular international flights served by major airlines, charter flights can be an alternative to ensure an adequate and frequent supply of airplanes at competitive prices. The operation of charter services is highly dependent on the volume of passengers carried to a destination, being viable only when a critical mass of tourists is reached.

As in other tourist activities, developing countries face many constraints in the international air transportation markets, which can affect the competitiveness of their tourism products. Air transportation is often the largest component in value of the tourism product.

In countries relying on major international airlines for tourist arrivals, traffic can be monopolized by one airline (on the basis of an air service agreement), resulting in its ability to set unreasonably high air fares. This consequently reduces tourist demand in the home country of the airline (as air fares to other similar destinations can be much cheaper). In addition, the quality of airport infrastructure, high landing fees, and other charges can deter airlines from flying to a country.

The arrival of low-cost air travel has radically transformed tourism as a whole.<sup>13</sup> According to the World Travel and Tourism Council,<sup>14</sup> “aviation protectionism pulls customers away from the whole travel and tourism chain – from hotels, resorts, car rentals, computer reservations systems, entertainment, cultural attractions and all the rest of our industry.”

### 2.7.3 ICT

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The expansion of the use of the Internet and other forms of electronic communication opens up significant opportunities for countries to develop their tourism and air transport sectors. Their service suppliers can reach consumers around the world directly, offering both package tours and individual air and land services. They therefore eliminate the costs of intermediaries (e.g. agency fees) and transaction costs, and avoid the need for a direct commercial presence and its associated costs. Nevertheless, electronic marketing and trading have their own costs in terms of human and physical capital requirements. In countries where these requirements are in relatively short supply, the cost of electronic marketing and trading can be reduced if individual suppliers pool their resources. This could be coordinated, for instance, by national tourist authorities.<sup>15</sup>

Global information and distribution systems, and increasingly the Internet, are key networks in the international tourism infrastructure, as they bring buyers and suppliers of tourism products into direct contact. They not only facilitate transactions in tourism services, but also provide information on prices, services and destinations, making the international tourism market more transparent. Tourists can now go online to determine the price and availability of services of their preferred destinations and compare them with other destinations in minutes. They can also take virtual tours of hotels or resorts, as well as natural attractions. Information technology has reduced airline booking costs, increased the productivity of travel agents, and facilitated direct access of tourism service suppliers (i.e. hotels) to customers. Connection to a global network is crucial for reaching a larger market and bypassing intermediaries.

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<sup>13</sup> World Trade Organization: “Tourism Services”, Council for Trade in Services. S/C/W/51, 23 September 1998.

<sup>14</sup> [www.wttc.org](http://www.wttc.org)

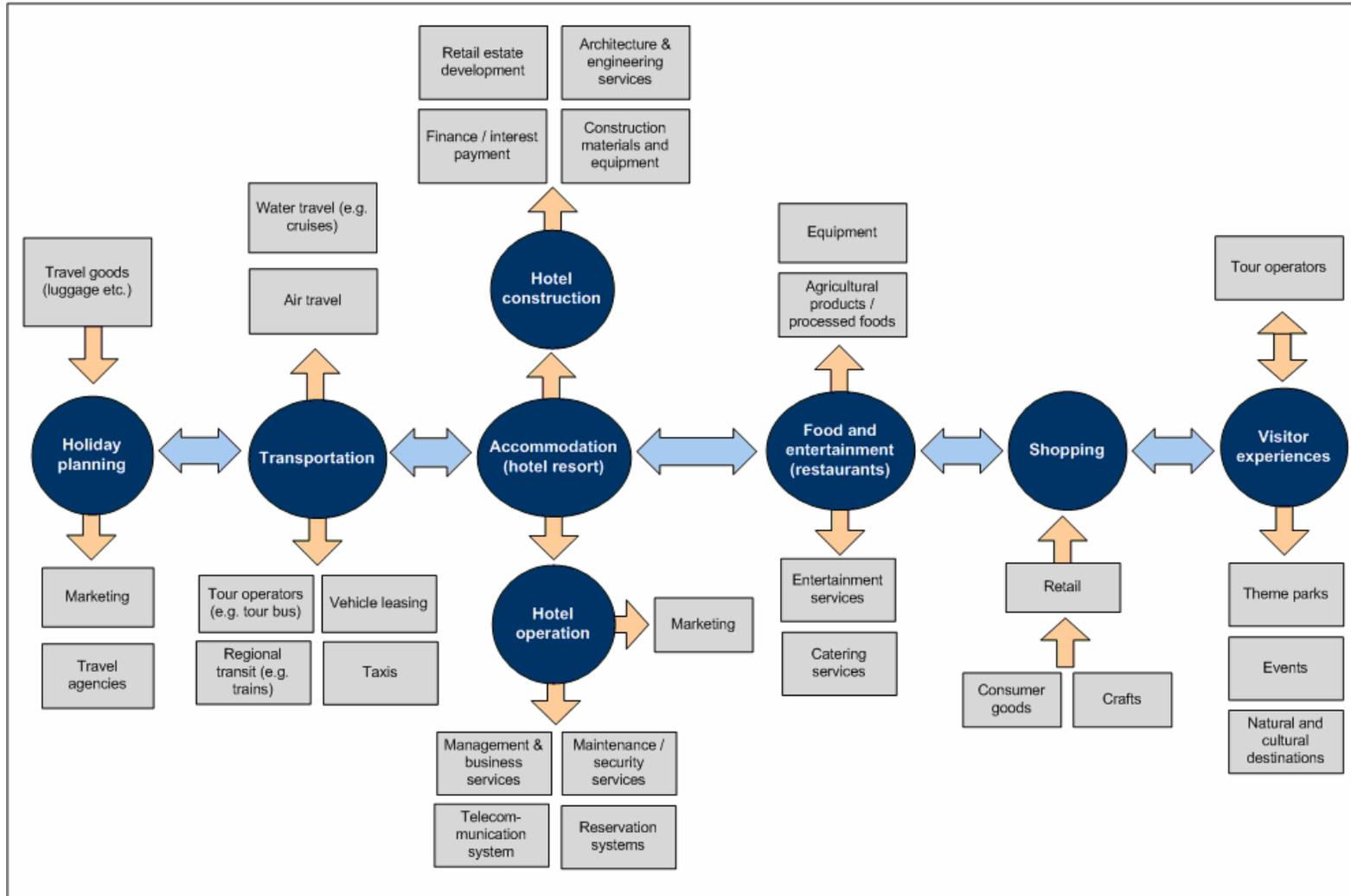
<sup>15</sup> Naturally, the increased use of electronic means to develop tourism involves solving pending issues that are implied by all forms of electronic trade, such as access to infrastructure, confidentiality, safety of data transmission, consumer protection and taxation.

#### **2.7.4 Other**

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There are also important forward linkages that include, in addition to hotels, the production of goods or services used by tourists, such as handicrafts, shopping, musical performances, spa or health treatments and the employment of tour guides.

Chart 1: Tourism value chain:



Source: Gollup and al. (2003) in UNCTAD, current study on FDI and development

## 3. IRAQ AND TOURISM

### 3.1 ECONOMIC, SOCIAL AND REGULATORY ENVIRONMENT

#### Iraq Key Indicators:

Population: 28,9 million	GDP, Composition by sector:
GDP in 2006(PPP): USD 94.1 billion <sup>1</sup>	• Agriculture: 5%
GDP real growth rate 2007: 5% (est.)	• Industry: 68%
GDP per capita (PPP) 2007: USD 3,600 (est.)	• Services: 27%

Although the security situation is improving in Baghdad, the lack of security in the Iraqi territory is still critical. This has consequences for the economic stability and growth prospects and represents the main obstacle to FDI attraction.

The Iraqi economy still suffers from the current conflict and is weakened by the preceding years of centrally planned policy as well as the prolonged periods of war that have affected all infrastructure. Many state-owned enterprises are bankrupt, but due to social reasons remain neither eliminated nor privatized. Prices of many commodities are fixed, and the Iraqi population faces pressure and shortages – most importantly in energy, water, and food. Around 2 million Iraqis have migrated to the neighboring countries since 2003.

Under the Coalition Provisional Authority<sup>16</sup>, a new legal environment has been defined with the adoption of the Iraqi Constitution. The 1997 Company Law was amended in 2004 and the New Investment Law was adopted in 2006. This new regulatory environment aims to open widely the Iraqi market to FDI and applies to any sector with the exception of “oil and gas extraction and production”, as well as “banks and insurance companies”<sup>17</sup>.

However, there remain many obstacles to trade and investment in Iraq, related to the security situation, corruption, lack of transparency and law enforcement and to the absence of functioning infrastructure. Services are generally very poor in Iraq, impacting the economy as a whole.

### 3.2 IRAQI TOURISM INDUSTRY

#### 3.2.1 Data

The Tourism industry is difficult to define and measure since it is comprised of a range of businesses with many heterogeneous products and services. National accounts and industry statistics fail to present tourism as a specifically-defined sector, nor does tourism appear explicitly in typical economic input-output tables. OECD countries, as well as some developing countries, adopted the *Tourism Satellite Account*,<sup>18</sup> which provided a common framework to measure the contribution of tourism to a national economy. However Iraq has not yet implemented this system.

<sup>16</sup> [www.cpa-iraq.org](http://www.cpa-iraq.org)

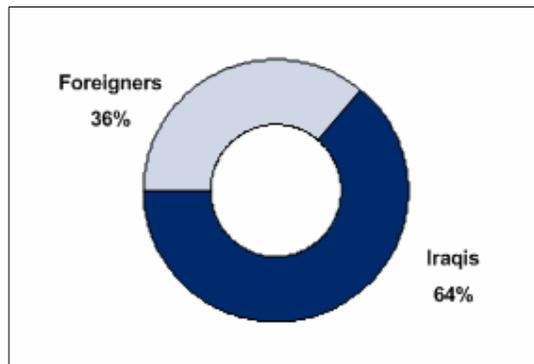
<sup>17</sup> Coalition Provisional Authority (CPA) Orders include CPA Order No. 40 promulgating the Banking Law, CPA Order No. 18 prescribing Measures to Ensure the Independence of the Central Bank of Iraq, the Central Bank of Iraq Law No. 64 of 1976

<sup>18</sup> More information can be found at:  
[www.oecd.org/document/27/0,3343,en\\_2649\\_34389\\_1883547\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/27/0,3343,en_2649_34389_1883547_1_1_1_1,00.html)

There were 5 million visits to the holy shrines of Najaf and Karbala in Iraq in 2005<sup>19</sup>. The revenues of the hotels sector in Iraq are estimated to have been ID 48,7 billion<sup>20</sup> in 2006.

1.43 million tourists were registered (as “guests” in hotels) by the COSIT.<sup>21</sup> The classification was the following: 916,253 of them were Iraqis, and 517,827 were foreigners.

**Chart 2: Tourists in Iraq, 2006**



Source: COSIT

### 3.2.2 High Potential of Natural and Cultural Resources in Iraq

Iraq has some of the most significant shrines in Shiite and Sunni Islam, along with sites associated with Biblical Judaism and Christianity: Babylon, Nimrud, Nineveh (archaeological site) and Ur. Overall, Iraq has over 12,000 historical sites.

The Holy cities in Iraq – Karbala, Najaf, Samarra and Kadumia – are a major destination for hundreds of thousands of pilgrims annually. The ancient ruins of Babylon, the Ziggurat of Ur and other “wonders of the world” have tremendous appeal as destinations for tourists. The scenic locations of Bekhma, Sarsink and Doukan in the Kurdistan region have been traditional destinations for domestic tourists and can now be expanded to attract an international clientele.

However, many of Iraq’s historical sites are in desperate need of protection, preservation, signage, and trained staff on-site. Cultural sites – specifically archaeological and religious sites – suffer from neglect, looting, and serious deterioration.

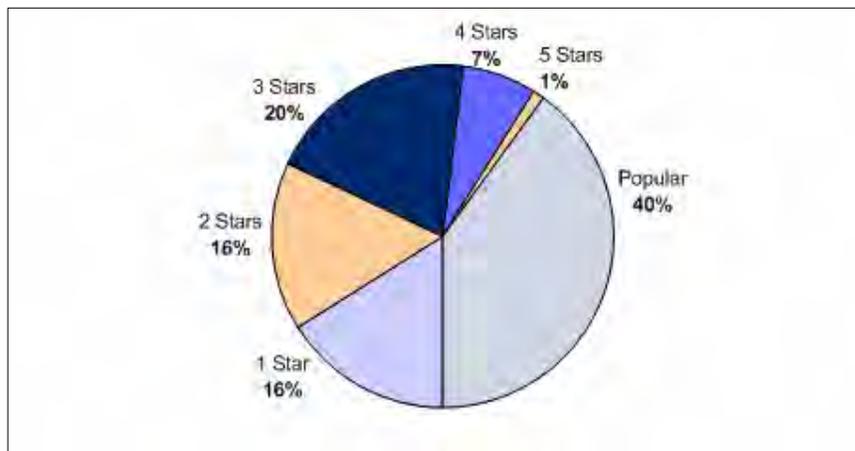
### 3.2.3 Accommodation

In 2006, Iraq reported a total of 505 hotels and 35,308 beds. 1.43 million guests were hosted in Iraq, more than a third of which was reported in Najaf. The majority of hotels are “popular” class, followed by three-star hotels and one-star hotels. There are three five-star hotels currently operating in the country. However, hotel rating cannot be compared to the standards of developed countries.

<sup>19</sup> Izdihar: The tourism industry in Iraq, April 17, 2006

<sup>20</sup> Source: COSIT

<sup>21</sup> COSIT, Central Organization for Statistics and Information Technology: [www.cosit.gov.iq](http://www.cosit.gov.iq)

**Chart 3: Accommodation in Iraq**

Source: COSIT

Iraqi hotels reported a total of 3,349 employees in 2006<sup>22</sup>. In the largest Iraqi cities, the most important hotels have state-owned participation (Palestine Hotel, the Sheraton Ishtar - unrelated to the Sheraton hotel chain, Al Mansour Melia, Al Rasheed, in Baghdad, etc.). Most of these are partially damaged and need to be renovated.

In Erbil and Soulaïmaniya, which are part of Kurdistan, new private hotels were recently built.

A number of hotels were also built in some of Iraq's holy cities in an effort to respond to increasing demand for accommodations in those areas.

According to the World Tourism Directory, there are 48 travel agencies in Baghdad. It was not possible to confirm how many of these are still open. In 2006, 38 travel agents were given licenses to arrange Kurdistan tours<sup>23</sup>.

### 3.2.4 Air Transport

The airports in Baghdad, Basra, Najaf, Soulaïmaniya and Erbil, are capable of accepting international traffic. As of early 2006, at least 6,000 passengers arrive and depart daily from Baghdad International Airport.<sup>24</sup> The rebuilding of Najaf airport has been completed in July 2008.

The national airline, Iraqi Airways, is a state-owned enterprise, and is the oldest in the Middle East<sup>25</sup>. The state monopoly includes ground-handling, catering, and cargo. In May 2008, Iraq signed a USD 5bn deal with Boeing and Canadian plane maker Bombardier for 50 new aircraft in order to transform the industry. Iraqi Airways employs about 3,800 staff<sup>26</sup>.

At present, Air Austria flies from Vienna to Erbil, and Royal Jordan Airlines from Amman to Baghdad, Basrah and Erbil. EgyptAir has developed numerous connections from Baghdad to the neighboring countries, such as Egypt, Syria, and Dubai. Dubai is serviced also by Jupiter Air and Sky Link Arabia. Flying Carpet and Iraqi Airways fly to Beirut.

<sup>22</sup> Central Organization for Statistics and Information Technology: [www.cosit.gov.iq](http://www.cosit.gov.iq)

<sup>23</sup> [www.islamictourism.com](http://www.islamictourism.com)

<sup>24</sup> Iraqi National Investment Commission: [www.investpromo.gov.iq/english/tourism.htm](http://www.investpromo.gov.iq/english/tourism.htm)

<sup>25</sup> Website: [www.iraqairways.co.uk](http://www.iraqairways.co.uk)

<sup>26</sup> Michael Howard "Baghdad predicts blue skies ahead for struggling Inshallah Airways", The Guardian, 21 May 2008. [www.guardian.co.uk/world/2008/may/21/iraq.theairlineindustry](http://www.guardian.co.uk/world/2008/may/21/iraq.theairlineindustry)

Companies operating in Erbil are: Austrian Airlines (to Vienna), Zozik Air (to Frankfurt), Kurdistan Airlines and Zagros Air (to Dubai), Atrosh Air (to Stockholm and Copenhagen), Fly Air (to Istanbul), Royal Air Jordan (to Amman), Flying Carpet (to Beirut), Fly Iraq Una and Olympic Airlines (to Athens). Those operating in Soulamaniya are Zozik Air (to Munich), Azmar Air (to Istanbul, Dubai and Tehran).

### 3.2.5 Iraqi National Development Strategy in Tourism

The Iraqi National Development Strategy aims to transform the structure of the Iraqi economy, to allow a greater role for non-oil producing sectors. Tourism is seen as one of these priority sectors.

The strategy defined the following objectives<sup>27</sup>:

- Establishing active tourist promotion offices in key international capitals, and streamlining and simplifying visa and immigration procedures;
- Encouraging entry by the international hospitality industry (hotels, car rental agencies and foreign exchange bureaus, etc.) into the Iraqi market;
- Developing marshes and lakes to an appropriate state for tourism, in order to attract tourists and visitors;
- Developing the infrastructure of religious cities and maintaining the Holy shrines;
- Developing tourism education institutes;
- Developing tourism institutions, building the capacities of people working in the tourism field through specialized training programs, and making use of the experiences of other countries.

### 3.2.6 Iraqi Policies Governing the Field of Tourism

The Law No. 13 of 2006, also known as the Investment Law, was passed by the Parliament and was published in the Official Gazette, Edition 4031 January 17, 2007. A National Commission on Investment was established in addition to Investment Commissions within the regions and governorates.<sup>28</sup> Commissions are supposed to define and publish investment plans but this has not been finalized yet. Commissions also deliver licenses.

The Investment Law does not discriminate against foreign investors and provides equal treatment to national and foreign investors.

However, the Iraqi Investment Law is not implemented in Kurdistan. Kurdistan has its own investment Law, which contradicts the unity of the Iraqi territory. The situation should be resolved to make investment rules clear. Whereas the Iraqi Investment Law does not allow foreigners to own property – it only allows to lease land – in Kurdistan, foreigners can buy land to run their activities.

According to Article 17 of the Investment Law, hotels and tourist institutions shall be granted additional exemptions from duties and taxes on their imports of furniture, furnishings and requisites for renewing and updating purposes at least once every four years. The exemptions are provided on the condition that these items be brought into Iraq or used in the project within three years from the date of the Commission's approval of the import lists and quantities, and that these items be only used for the imported purposes.

A sales tax is imposed on the values of goods and services supplied by the deluxe and first class hotels and restaurants at a rate of 10% of the value of supplied goods or services.

<sup>27</sup> Iraq National Strategy 2005-2007

<sup>28</sup> 9 governorates out of 15 have already established the structure.

### 3.2.7 FDI Projects

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At the time this report was written<sup>29</sup>, the Iraqi National Commission delivered only three licenses. The five-star Baghdad Two Rivers hotel project, based in the heart of the capital's fortified government and diplomatic Green Zone, was the first business proposal to be licensed by Iraq's new National Investment Commission. A US-based investment group laid the foundation for USD 100 million<sup>30</sup>.

The city of Najaf and its surroundings have attracted foreign investors to the area's tourism industry. A company based in the UK reportedly invested USD 73 million to build a new international airport in Najaf<sup>31</sup>. Firms from Kuwait and Lebanon have signed contracts to build a large office tower complex in Baghdad that integrates retail space.

The chairman of Iraq's Tourism Board is seeking investors who might want to spend between USD 2.5-4.5 billion to build in Jazirat A'aras, an island in the Tigris across from the fortified Green Zone and the new American Embassy<sup>32</sup>.

### 3.2.8 Main Constraints Affecting Tourism Development in Iraq

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The regulatory environment adopted by Iraq – the Investment Law – appears to be in compliance with the WTO requirements of non-discrimination and national treatment. However, a solution should be found regarding the Kurdish Investment Law, since the Iraqi Law must govern investment initiatives throughout all the Iraqi regions.

As a transition country, Iraq has a services sector that is rudimentary and barely present (similar to the former Soviet Union and Central and Eastern European states in the 1990s). However, the main obstacles to tourism development in Iraq are the lack of safety – murders, car bombings, hostage takings, etc. – and security. The business environment is also insecure due to an absence of the Rule of Law, which is still a major concern.

Iraqi infrastructure suffered severe depreciation and damages during the Baathist years. Electricity, water supplies, and sewage systems are still very weak, as are transport services (including air transport), telecoms and IT, and financial services such as insurance. Marketing and promotion as well as education and training in tourism are non-existent, and qualified labor is unavailable. Some services simply do not exist in Iraq, such as car rentals. More generally, the inability for foreign companies to buy land and the lack of guarantees on property rights are an impediment on the fostering of FDI.

All of these bottlenecks need to be addressed in order to develop the tourism sector.

## 3.3 ROLE OF THE IRAQI PRIVATE SECTOR IN TOURISM AND GATS NEGOTIATION

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Tourism all around the world is primarily a private sector activity. Entrepreneurs finance hotels and other businesses and opportunities to make high profits.

However, the private sector in Iraq is weak and most of the companies in the field of services are either state-owned or infant industries. Consequently, Iraq's private sector representatives and business associations are also weak. This presents a major obstacle to the definition of any strategy and position on trade policy issues, or in any other field.

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<sup>29</sup> October 2008

<sup>30</sup> [www.islamictourism.com](http://www.islamictourism.com)

<sup>31</sup> Iraqi National Investment Commission: [www.investpromo.gov.iq/english/tourism.htm](http://www.investpromo.gov.iq/english/tourism.htm)

<sup>32</sup> "In Iraq's rubble, a dream of tourist joy" by Erica Goode and Riyadh Mohammed. September 21, 2008 in New York Time News Services

It must be noted that the private sector should play a major role in WTO accession, and should acquire the ability to understand trade policy rules and to define its position. Generally speaking, trade ministries defend national business position at the WTO level. Therefore, trade policy definition in Iraq should not take place without the point of view of Iraqi businesses, and increasing its capacity in this field should be a major issue.

## 4. RECOMMENDATIONS ON IRAQI POSITIONS ON GATS / TOURISM NEGOTIATIONS

The following recommendations discuss commitments to tourism which are needed in areas with requirements for further investment from trading partners, such as large hotels, or areas with requirements for access to high-quality services by the tourism sector. (For example, a commitment in WTO terms of “none” – see table below – represents the type of commitment necessary to free up investment potential in Iraq.)

The chart below has several parts to it that are necessary to understand for ease of reading<sup>33</sup>:

- **Modes:**
  - Mode 1/ Cross-border supply
  - Mode 2/ Consumption abroad
  - Mode 3/ Commercial presence
  - Mode 4/ Presence of natural persons
- **Commitment Categories:**
  - “Unbound”: no commitment is defined. It means that the country can change anytime its domestic policy.
  - “None”: the country opens at the multilateral level its service to foreign competition without any limitation.

Important options when scheduling GATS commitments include the opportunity to phase in obligations over time (e.g. 5-10 years), thereby giving both foreign and domestic investors sufficient time to prepare and adapt, while fully indicating the seriousness of government policy intentions. Other possible GATS options include limiting the number of foreign suppliers, adding joint-venture requirements, foreign-equity limitations, training requirements, etc.

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<sup>33</sup> For a full explanation on reading the services charts expanded across five sectors see: Lewarne, Stephen, Iraq Services Liberalization Study, USAID/Iraq IZDIHAR, November 2007

## Position defined by the sub-committee on Tourism, February 2009

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Other Remarks
<b>IRAQ</b>			
<b>09. Tourism and travel-related services</b>			
<b>Hotels and restaurants</b> (except bars, casino and nightclubs) (CPC 641-643)	1) Unbound* 2) Unbound* 3) None except as indicated in the horizontal section 4) None	1) Unbound* 2) Unbound* 3) None except -Foreign companies must provide training to nationals -As indicated in the horizontal section 4) None	<b>Horizontal section:</b> -According to the Iraqi Investment Law No. 13 on 2006, Foreign investors cannot own land in Iraq except in Kurdistan according to Kurdistan Investment Law No. 4 on 2006 -Foreign investors must respect public morality / holy cities in Iraq -Priority must be given to Iraqi nationals
<b>Travel agencies and tour operators</b> (CPC 7471)	1) None, except that foreign companies must work through an Iraqi service provider 2) None 3) None, except : -Foreign companies cannot have more than 45% capital equity -As indicated in the horizontal section 4) Unbound, except: Executive Director of the company must be national	1) None, except that foreign companies must work through an Iraqi service provider 2) None 3) None, except : -Foreign companies cannot have more than 45% capital equity -Foreign companies must provide training to nationals -As indicated in the horizontal section 4) Unbound, except: Executive Director of the company must be national	<b>Horizontal section:</b> - According to the Iraqi Investment Law No. 13 on 2006, Foreign investors cannot own land except in Iraq except in Kurdistan according to Kurdistan Investment Law No. 4 on 2006 -Foreign investors must respect public morality / holy cities in Iraq -Priority must be given to Iraqi nationals
<b>Tourist Guide services</b> (CPC 7472)	1) None 2) Unbound 3) Unbound 4) Unbound	1) None 2) Unbound 3) Unbound 4) Unbound	

Representatives from the Ministry of Trade, Ministry of Tourism, the Chairman of the Iraqi Hotels and Restaurants Association, and the Chairman of the Iraqi Travel Agencies and tourism operators association are part of the sub-committee on Tourism.

1)and 2) \*due to the lack of feasibility

Tourism liberalization can be an entry point. Due to the important linkages between the tourism sector with other sectors, GATS commitments on tourism sector should be linked to further liberalization of financial services and telecommunications. Commitments on those fields are among the more readily attainable goals and can significantly contribute to the growth of tourism<sup>34</sup>.

From the perspective of negotiating Trade in Services, the tourism sector would support further liberalization of the following services (all of which are major inputs into industry products), if this leads to more efficient services at lower cost:

- Air transport services: improvement of air transport is a prerequisite to fostering foreign tourists.
- Banking services: increased competition in the sector should facilitate access to loans for any economic sector and will promote tourist spending.
- Electricity services: further energy market liberalization is supported by the tourism private sector if it results in lower utility costs, particularly for electricity.
- Telecommunications services: the increasing importance of internet reservation systems and online marketing highlights the importance of low-cost telecommunications and internet services for the future development of the tourism sector. Access to low cost telecommunications services is particularly important for tourism SMEs.
- Environmental services (sewage, refuse disposal, sanitation, etc.): gaining access to higher quality and lower cost environmental services would help meet the objective of minimizing the adverse impacts on the socio-cultural and natural environment, and on other tourist assets. Access to these services is essential for sustainable tourism development, and Iraq has limited capacity in this services sector.
- Insurance services: negotiators should consider whether further liberalization will reduce the costs and increase capacity of insurance for the tourism sector.
- Education services: could enhance education and qualification of tourism staff
- Construction and related engineering services: without a sufficiently capable and adequately capitalized domestic construction sector, foreign firms might again be needed.
- Other services to promote:
  - Business services including “Medical and dental services”, “Rental/leasing services without operators”, “Advertising services”
  - Health related and social services
  - Recreational, cultural and sporting services

Concerning goods, tariff reductions on the following tourism inputs have been identified as being of particular benefit in lowering the operating costs of the hotel and restaurant sub sectors: furniture and linen, pasta, wines and spirits, bar and kitchen equipment (i.e. chillers and freezers), specialty meats, fish and shellfish.

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<sup>34</sup> OECD Trade Policy Working Paper No.57: Services trade liberalization and tourism development. By Massimo Geloso Grosso, Molly Leshner and Enrico Pinally. 12 Nov. 2007. TD/TC/WP(2006)37/Final

## 5. IMPACT ON IRAQI POSITIONS ON GATS / TOURISM NEGOTIATIONS

### 5.1 GENERAL ISSUES

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While GATS commitments alone do not guarantee FDI (or domestic investment)<sup>35</sup> will actually take place, they can serve as a high-profile means of attracting worldwide investors. In a more general sense, trade liberalization and integration into the world economy is not an end in itself, but a powerful means to achieve the objective of sustainable economic growth and development.

That said, trade liberalization is a necessary but not a sufficient condition to attain economic development. Many other factors, such as geography, resource endowments, the protection of property rights, and the quality of the institutional and regulatory framework, will determine success.

Another crucial advantage of GATS commitments is the fact that they are legally binding upon the country concerned, thereby fully demonstrating the predictability and certainty intended by governments for both foreign and domestic investors. This higher level of certainty, such as investment regulations and policies that cannot be suddenly reversed with the arrival of a new government, is a powerful benefit.

The GATS impacts tourism via rules and regulations on the production, distribution and marketing of tourism services (mode of supply), tour operators supplying services cross-border in other countries (cross border supply), international visitors (consumption abroad), the flow of international hotel chains, branches or full ownership of hotel chains and agencies in other countries (commercial presence); and the activities of tour guides and hotel managers (presence of natural persons). It also has impacts on air transport and communications.

FDI can introduce a diverse range of new technologies and skills into an economy, including advanced management, and environmental and financial systems. These improve the productivity and sustainability of the sector and economy and, potentially, lead to beneficial spillovers to other firms and sectors. Such spillovers are hard to quantify, but examples include the diffusion of knowledge and skills through staff movement to local firms, as well as demonstration effects. Similarly, FDI can help raise standards through advanced systems and quality control.

Strong ties and linkages may also encourage the transfer of knowledge, technology and skills. Related policies include the promotion of appropriate supply capabilities and standards in relevant agricultural, manufacturing and service industries. As with value-creating policies, the list of potential initiatives can be long, reflecting the cross cutting and extended value chain that is associated with tourism.

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<sup>35</sup> An equally important or even greater role is played by such factors as social and political stability, public security, economic stability, health and public sanitation, government regulation, taxation levels, etc.

## 5.2 ECONOMIC IMPACT

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Changes in the tourism sector tend to have impacts throughout the economy because of the important linkages between tourism and a number of other sectors. However, liberalization of trade in tourism services is not sufficient to ensure positive economic impacts and sustainable tourism development. First, the lack of secured and safe environment is crucial, as well as the improvement of air transportation, financial sector and infrastructures.

### 5.2.1 Contribution to GDP

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Currently, there is no information on the current contribution of tourism to the Iraqi GDP. The expected increase in tourist arrivals in Iraq is likely to involve an increase in the contribution to GDP through visitor expenditure, depending on the tourism product.

### 5.2.2 Government Revenues

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The potential increase in tourism contribution to GDP is likely to lead to an increase in government revenues. However, this increase may be limited depending on the leakages associated to the different tourism products. There is no question however that as violence decreases and more hotels come on line revenue will rise to the Treasury. A separate hotel tax is often imposed at the beginning of reconstruction regimes. This is already done by the Iraqi Government. More generally, the benefits of increased tourism feed into the Treasury via increased employment and wage taxes as businesses flourish with increased tourism “exports.”

### 5.2.3 Investment

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The tourism sector is supposed to receive a significant proportion of both local and foreign investment. Tourism offers significant opportunities for small-scale domestic entrepreneurship, as in most countries it is dominated by SMEs.

Investment flows may increase in the tourism sector (mode 3) with the further liberalization of the financial sector. This may lead to higher tourists number (mode 2) if also significant improvement of air transportation take place.

### 5.2.4 Current Account Balance

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The expected increase in the export of tourism services through further tourist arrivals (mode 2) is likely to result in an improved balance of payments. Tourists need accommodation, restaurants, shops, cultural events and sites to visit, etc.

## 5.3 SOCIAL IMPACT

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### 5.3.1 Employment, Wages and Poverty

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In response to the potential increase in tourist arrivals, employment in the tourism sector may also increase. At present, the total number of people directly and indirectly dependent on tourism for a living (including taxi drivers, bar workers, casinos, souvenir and other retail shops,

etc.) is difficult to calculate. 237,000 people in Iraq work in “wholesale, retail and hotels” sectors and 247,000 in “transport, communication and storage” sectors<sup>36</sup>.

Tourism is a fundamental source of income and foreign exchange for a number of developing countries<sup>37</sup>. Tourism has a higher multiplier effect than most economic sectors. It is widely claimed that for each job created in tourism there are 9 jobs generated in other areas. To date it is the only sector in the service area where developing countries have consistent surpluses.

Tourism has three types of effects on employment:

1. Direct effects resulting from expenditures by tourists
2. Indirect effects, such as the employment generated by firms that act as suppliers to tourism-related enterprises
3. Induced effects on the economy as a whole, resulting from expenditures derived from the direct and indirect employment effects

The greatest difficulties in assessing the impact on employment result from the problems of defining and measuring tourism itself, considering that only a few services sectors are exclusively devoted to tourism.

### 5.3.2 Education and Professional Training

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In many cases, jobs in the tourism sector require lower levels of qualifications and training. While this can offer jobs for unskilled labor, it is also consistent with an image of hospitality industry generally offering low-paying work with little to offer in terms of careers and advancement opportunities. However, this is changing. Information technologies are transforming the travel and tourism industries requiring increasing numbers of skilled workers and equipment. The lack of skilled workers is now seen as a weakness. Therefore, levels of training and education will play a role in determining impacts on tourism on employment.

To take advantage of any emerging employment opportunities, it will be required that entrants have higher skills. Therefore, positive impacts on employment and, more generally, on the competitiveness of Iraq as a destination, will depend on the skill level and on the professionalism of the workforce. The quality of local human resources in the sector may be improved through the increasing movement of skilled persons (mode 4).

### 5.3.3 Gender Equity

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According to estimates by the International Labor Organization (ILO), women account for 60 to 70% of the labor force in global tourism. Tourism thus seems to be a sector that offers women, who are specifically affected by poverty, real opportunities. However, women in tourism are usually in a worse position than men: while men dominate the formal sector, women are more often hired as casual workers and have a larger share in the low-paid jobs, for example as cleaners and un-skilled workers. They do laundry, work as receptionists, child-minders or as un-skilled assistants in restaurants.

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<sup>36</sup> COSIT

<sup>37</sup> World Tourism Organization: Tourism and Poverty Alleviation. Recommendations for Action, 2004.

Overall, some women in various countries may gain financial autonomy and some measure of economic independence from their participation in informal markets linked to the tourism trade<sup>38</sup>. On the positive side, increased employment in tourism can increase a woman's financial and economic autonomy. Likewise, increased revenue from the tourist sector into the government coffers may be available for the promotion of social development.

Yet, even in comparable positions, women earn, on average, 20 to 30% less than their male colleagues. Women predominate in small travel agencies while men dominate important sectors such as airlines, railways, hotel chains, car rentals and travel magazines. Women with good education and some capital, i.e.. Their own house to establish a Bed & Breakfast can effectively benefit from tourism, as it offers them job opportunities and improved financial independence. But many others suffer a heavier burden and increased exploitation. Women play a major role in the marketing approaches taken by tour operators. Female presence is still marginal at the executive and managerial levels.

Therefore, it is important to make sure that women are also able to benefit from jobs requiring higher qualifications and skills in order to increase the benefits they would have from heightened employment opportunities in the tourism sector. In addition, due to the existing gender disparities, governments are called upon to empower women by introducing targeted measures, such as specific training, qualified jobs and improved access to credit facilities for self-employed women<sup>39</sup>. This would be a good example of a policy ensuring that increased tourism leads to positive social development.

#### **5.4 ENVIRONMENTAL IMPACT**

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The continuing increase in infrastructure to build resort tourism could aggravate impacts on ecologically sensitive areas. On the other hand, it could contribute to the conservation of natural areas and biodiversity, and promote social and economic advancement of local communities. Tourism development could lead to the preservation and renovation of natural and cultural sites.

Resort tourism is generally associated with high levels of water and energy consumption and it has negative impact on solid waste. However, resort needs could enhance the renovation of environmental services.

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<sup>38</sup> International Gender and Trade Network, Economic Literacy Series: General Agreement on Trade in Services # tourism liberalization, Gender and the GATS.

<sup>39</sup> Williams, Mariama: The Political Economy of Tourism Liberalization, Gender and the GATS, Report for the UN Commission on Sustainable Development, 7th Session, 1999.

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# **ANNEXES – SERVICES COMMITMENTS OF BENCHMARKED COUNTRIES**

**1. EGYPT**

**2. GEORGIA**

**3. JORDAN**

**4. PAKISTAN**

**5. SAUDI ARABIA**

**6. TUNISIA**

**7. TURKEY**

# 1. EGYPT

## SECTOR SPECIFIC COMMITMENTS

WTO Services Database Output

Modes of supply :

1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments	Notes
<b>Egypt</b>				
09. Tourism and Travel Related Services				
1. Hotels and Restaurants 1)	Unbound*	1)	Unbound*	
A. Hotels and other commercial accommodations				
a) Hotels and motels				
b) Resort hotels and accommodation facilities				
c) Casino hotels				
B. Restaurants, Bars and Canteens				
a) Full service restaurants				
b) Fast food restaurants and cafeteria				
	2) None	2)	None	
	3) A licence will be given according to the requirement of economic needs test (main criteria: market needs and locating different categories of hotels).  - Casino services can be provided only through 5 stars hotels (gambling allowed only for foreigners)  - Limitations on the total number of services operations depend on the requirement of economic needs test (geographical location, increase in the number and categories of tourists)  - Foreign capital equity should not exceed 49 per cent in projects to be established in Sinai	3)	Training of Egyptian employees should be performed by the foreign natural persons within the terms of the contract	

**SECTOR SPECIFIC COMMITMENTS**

WTO Services Database Output

Modes of supply :

1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments	Notes
	4) None	4) None		
2. Travel Agencies and Tour Operators	1) Unbound	1) Unbound		
a) Tour operators, packagers and wholesalers				
b) Travel agencies				
	2) None	2) None		
	3) Limitations on the total number of services operations depend on the requirement of economic needs test	3) Training of Egyptian employees should be performed by the foreign natural persons within the terms of the contract		
	4) None	4) None		
3. Other Tourism Services	1) None	1) None		
A. Tourism Management Services				
a) Tourism Property Management				
b) Rental/Lease Tourism Property				
	2) None	2) None		
	3) Bound only for representative offices. Limitations on the total number of services operations depend on the requirement of economic needs test.	3) Training of Egyptian employees should be performed by the foreign natural persons within the terms of the contract		
	4) None	4) None		
B. Tourism Transport Services	1) Unbound	1) Unbound		
a) Land Transport Services				
1. Long distance tour buses				
2. Short Distance tour buses				
	2) None	2) None		
	3) None	3) None		
	4) Unbound	4) Unbound		

**SECTOR SPECIFIC COMMITMENTS**

WTO Services Database Output

Modes of supply :

1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments	Notes
b) Inland Water Ways	1) Unbound	1) Unbound		
1. Inland Water Passenger transport				
2. Inland Water local tours				
3. Cruise ships				
	2) None	2) None		
	3) The addition to the inland water passenger and/or local tours is subject to the physical capacity of the Nile river.	3) None		
	4) None	4) None		
C. Tourism Training Institutions	1) None	1) None		
	2) None	2) None		
	3) None	3) None		
	4) None	4) None		
D. Tourism Related Conventions	1) None	1) None		
	2) None	2) None		
	3) None	3) None		
	4) None	4) None		
E. Institutional Food Service Caterers (with the exception of Airport Catering Facilities which are confined only to the national air carriers)	1) None	1) None		
	2) None	2) None		
	3) None	3) None		
	4) None	4) None		

## 2. GEORGIA

### SECTOR SPECIFIC COMMITMENTS

WTO Services Database Output

Modes of supply :

1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments	Notes
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#### Georgia

##### 09. Tourism and Travel Related Services

##### A. Hotels and restaurants (including catering) (CPC 641-643)

1)	Unbound*	1)	Unbound*
2)	None	2)	None
3)	None	3)	None
4)	Unbound except as indicated in the horizontal section	4)	Unbound except as indicated in the horizontal section

\* Unbound due to lack of technical feasibility

##### B. Travel Agencies and Tour Operators Services (CPC 7471)

1)	None	1)	None
2)	None	2)	None
3)	None	3)	None
4)	Unbound except as indicated in the horizontal section	4)	Unbound except as indicated in the horizontal section

### 3. JORDAN

#### SECTOR SPECIFIC COMMITMENTS

WTO Services Database Output

Modes of supply :

1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments	Notes
<b>Jordan</b>				
09. Tourism and Travel Related Services				
A. Hotel & Motel Lodging Services, excluding casinos (CPC 6411 & 6412)	1)	None	1)	None
	2)	None	2)	None
	3)	None	3)	None
	4)	Unbound, except as indicated in the horizontal section.	4)	Unbound, except as indicated in the horizontal section.
Meal serving services with full restaurant services (excluding transport facilities) (CPC 6421) Meal serving services in self-serving facilities (cafeterias) (CPC 6422) Beverage serving services for consumption on the premises, excluding casinos (CPC 643)	1)	None	1)	None
	2)	None	2)	None
	3)	Subject to 50% foreign equity limitation. Jordanian juridical entity is required for franchising. Foreign equity limitation does not apply to these services when operated in hotels or motels.	3)	None
	4)	Unbound, except as indicated in the horizontal section	4)	Unbound, except as indicated in the horizontal section
Caterer services providing meals to outside (CPC 6423). Institutional Food Service caterers (with the exception of Airport and airline catering facilities which are confined only to the national air carriers)	1)	None	1)	None

**SECTOR SPECIFIC COMMITMENTS**

WTO Services Database Output

Modes of supply :

1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments	Notes
	2) None	2) None		
	3) None	3) None		
	4) Unbound, except as indicated in the horizontal section.	4) Unbound, except as indicated in the horizontal section.		
Air catering services (part of 1) (CPC 6423)	Unbound	1) Unbound		
	2) Unbound	2) Unbound		
	3) Exclusivity is currently granted to the national carrier. However, once exclusivity is lifted, access will be subject to 50% limitation on foreign equity and to any other limitations on legal form provided for by the Jordanian law. Number of service providers may be restricted.	3) None		
	4) Unbound, except as indicated in the horizontal section.	4) Unbound, except as indicated in the horizontal section.		
B. Travel Agencies and Tour Operator Services (CPC 7471)	Foreign travel agencies must implement their tours in Jordan through a local service provider.	1) None		
	2) None	2) None		
	3) Service may be provided through Jordanian natural or juridical entities with maximum 50 % foreign equity . Service provider must be a specialized tourist firm. Director must be a Jordanian national.	3) None		
	4) Unbound, except as indicated in the horizontal section. Director must be a Jordanian national.	4) Unbound, except as indicated in the horizontal section.		
Tourist guide services (CPC 7472)	None	1) Unbound		
	2) None	2) None		
	3) None	3) None		
	4) Unbound, except as indicated in the horizontal section.	4) Unbound, except as indicated in the horizontal section.		

## 4. PAKISTAN

### SECTOR SPECIFIC COMMITMENTS

WTO Services Database Output

Modes of supply :

1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments	Notes
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#### Pakistan

##### 09. Tourism and Travel Related Services

A. Hotels and restaurants (including catering) (CPC No. 614-643)	1)	Unbound *8	1)	Unbound*	*8) Unbound due to lack of technical feasibility.
	2)	Unbound	2)	Unbound	
	3)	None	3)	None	
	4)	Unbound except as indicated under horizontal measures	4)	Unbound except as indicated under horizontal measures	
B. Travel agencies and tour operator services (CPC No. 7471)	1)	Unbound	1)	Unbound	
	2)	Unbound	2)	Unbound	
	3)	None	3)	None	
	4)	Unbound except as indicated under horizontal measures	4)	Unbound except as indicated under horizontal measures	

## 5. SAUDI ARABIA

### SECTOR SPECIFIC COMMITMENTS

WTO Services Database Output

Modes of supply :

1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments	Notes
<b>Saudi Arabia</b>				
09. Tourism and Travel Related Services				
A. Hotels and restaurants (including catering) (CPC 64110, 64120, 642 & 643) (Except bars, nightclubs, etc.)	1) None	1) None		
	2) None	2) None		
	3) None	3) None		
	4) Unbound, except as indicated in the horizontal section	4) Unbound, except as indicated in the horizontal section		
B. Travel agencies and tour operators services (CPC 7471) (excluding for Umra and Hajj)	1) None	1) None		
	2) None	2) None		
	3) None, except economic needs test applied to travel agencies only, based on the ratio of total population to the number of travel agencies	3) None		
	4) Unbound, except as indicated in the horizontal section	4) Unbound, except as indicated in the horizontal section		
C. Tourist Guides Services (CPC 74720) (excluding for Umra and Hajj)	1) None	1) None		
	2) None	2) None		
	3) None	3) None		

**SECTOR SPECIFIC COMMITMENTS**

WTO Services Database Output

Modes of supply :

1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments	Notes
4)	Unbound, except as indicated in the horizontal section 4)	Unbound, except as indicated in the horizontal section		

## 6. TUNISIA

### SECTOR SPECIFIC COMMITMENTS

WTO Services Database Output

Modes of supply :

1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector		Limitations on Market Access		Limitations on National Treatment	Additional Commitments	Notes
<b>Tunisia</b>						
09. Tourism and Travel Related Services						
A. Hotel and restaurant services	1)	Unbound*1	1)	Unbound*		*1) Unbound for technical reasons.
Hotels (CPC 6411)						
	2)	None	2)	None		
	3)	None	3)	None		
	4)	Unbound, except as indicated in the horizontal section	4)	Unbound, except as indicated in the horizontal section		
Restaurants (excluding unclassified restaurants) (CPC 6421)	1)	Unbound *2	1)	Unbound*		*2) Unbound for technical reasons.
	2)	None	2)	None		
	3)	None	3)	None		
	4)	Unbound, except as indicated in the horizontal section	4)	Unbound, except as indicated in the horizontal section		
B. Travel agencies and tour operators services	1)	Unbound	1)	Unbound		
Travel agencies (CPC 7471)						
	2)	None	2)	None		
	3)	Unbound	3)	Unbound		
	4)	Unbound	4)	Unbound		

# 7. TURKEY

## SECTOR SPECIFIC COMMITMENTS

WTO Services Database Output

Modes of supply :

1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments	Notes
<b>Turkey</b>				
09. Tourism and Travel Related Services				
A. Hotels and restaurants (CPC 641-643)	1) Unbound *10	1) None		*10) Unbound due to the lack of technical feasibility.
	2) *11 None	2) None		*11) Turkish citizens may travel abroad without any restriction. Only, they are required to pay, with certain exceptions, a TL amount equivalent up to US\$ 100 to the Public Housing Fund, for each exit. The Turkish citizens going abroad for education and health purposes, as well as the ones who are either employed or assigned to permanent official duties in foreign countries, are exempt from that payment.
	3) None	3) None		
	4) After receiving the permission of the Ministry of Interior based on the affirmative opinion of the Ministry of Tourism, the hotels and restaurants with the tourism encouragement certificate, may employ foreign personnel. But the amount of foreign personnel that would be employed in an enterprise should not exceed 10 per cent of the total personnel. This amount could be increased up to 20 per cent by the decision of the related Ministry.	4) None		
B. Travel Agencies and Tour Operators services (CPC 7471)	1) Establishment is required	1) Foreign travel agencies may not organize tours abroad.		
	2) None	2) None		

**SECTOR SPECIFIC COMMITMENTS**

WTO Services Database Output

Modes of supply :

1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments	Notes
3)	None	3)		
				<p>In case of bringing into the country of US\$80,000 foreign exchange income from the tours organized by the travel agencies (to Turkey), the temporary operating certificates of A Class Travel Agencies are changed with permanent operating certificate. The amount of foreign exchange stipulated for this transaction is three times more for foreign travel agencies.</p> <p>The amount of guarantees required for foreign travel agencies is twice as much as national ones. Foreign travel agencies and branches can not benefit from the credits given by Turkish Development Bank to domestic ones. Foreign Travel Agencies may only take A class or temporary A class operating certificates.</p> <p>The minimum amount of capital to be brought (to Turkey) by the branches of foreign travel agencies in order to be granted Operation Certificate is determined by the Ministry of Tourism with the appropriate opinion of the Ministry of Finance.</p>
4)	None	4)	None	