

Tourism and Development in Caribbean-EU Relations

Bridging the Gap Between Policy and Practice

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The contribution of tourism to the Caribbean regional economy is impressive: according to the World Travel and Tourism Council, tourism indirectly accounts for around 10% of total employment in the region, 12% of GDP, and 18% of regional exports. As the top contributor to the region's GDP, the tourism sector has a direct impact on employment and development prospects in the region.

Furthermore, the tourism sector provides a good opportunity to counter the effects of preference erosion on the competitiveness of traditional Caribbean agricultural goods exports to the European market. The Caribbean region can play on its unique natural endowments to tap into a relatively high value added industry and shift to a service based economy. However, the growth of the tourism industry is not without drawbacks: critics have pointed out its lack of links to the poorest segments of the population and the risk it presents to the environment.

The European Union (EU) increasingly recognises the potential of the private sector and tourism in the achievement of development objectives. In practice however, both the European Union and Caribbean official institutions still seem to have problems in tapping the development potential of tourism. The aim of this background note is (1) to highlight current EU policies and their linkages to private sector development and tourism (2) to illustrate some of the gaps between policies and concrete practice and (3) to indicate some possible ways forward.

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1. EU policies in the Caribbean region and their effects on the tourism industry

Rapid global changes and major reforms in the EU have influenced a new European vision on development. The European Commission's (EC) green paper "EU development policy in support of inclusive growth and sustainable development - Increasing the impact of EU development policy" emphasises to a considerable degree the need for the EC to work effectively in tandem with the private sector in order to foster "sustainable and inclusive growth".² This increasing focus on the role of the private sector in promoting growth and development also provides opportunities for a more active engagement with the tourism industry in the Caribbean region, and for more EU programmes promoting the industry's links to the local population.

Various other policy documents more specific to the Caribbean region reflect the orientation of the green paper. The draft Joint Caribbean-EU partnership strategy, the Regional Indicative Programme (RIP) for the Caribbean and the National Indicative Programmes (NIPs) mention the necessity of enhancing private sector development in order to foster growth, integration into the world economy and poverty reduction. There is also a call for increased support to the tourism industry and to the enhancement of niche service exports such as eco-tourism.

The Economic Partnership Agreement (EPA) signed in 2008 represents a major shift in the way the Caribbean tourism sector interacts with the EU. Overall, the EPA provides significant opportunities to the Caribbean tourism sector, notably by allowing it to set up offices in the EU, by lowering the costs of various inputs imported from the EU, and by providing for rules on anti-competitive behaviour that are expected to work in favour of the regional tourism industry. Additionally, the concessions made by the Caribbean on tourism do not pose many threats to the local industry.

2. Gaps between policy and practice

Despite all these positive developments however, tourism does not always get the attention that one would expect given its great potential. EU development cooperation in the region, channelled through the European Development Fund (EDF), does not engage with the industry to an extent that reflects its economic weight and potential for development. Secondly, regulatory barriers in the EU and implementation delays in the Caribbean are holding back some of the benefits that could be expected to flow to the industry from the EPA.

2.1. The EDF and Caribbean Tourism

While a few EDF funded programmes targeting tourism do exist in the region, their number and scope do not reflect the strategic economic weight of the industry and its potential for development. Why is this the case?

First of all, mistrust still seems to prevail between public and private actors despite increasing interaction between private sector and public sector in tourism.

Second, the strong focus of the EDF on state-to-state relations, its complex procedures and "paper trail" requirements often render EC funds inaccessible for private sector stakeholders including in the tourism sector. The fact that there are only few EDF tourism related projects ongoing in the Caribbean seems to contradict the RIP's policy objective for the Caribbean of "increased regional competitiveness in the

² http://ec.europa.eu/europeaid/how/public-consultations/5241_en.htm

production of goods and services” (the tourism sector being the regional heavyweight in the export of services).

Finally, the complexity of EC aid procedures and its remote nature are often exacerbated by the lack of dialogue between the public and private sector in the region. It is indeed crucial for the public and private sector to work together to elaborate projects proposals that reflects the industry’s needs.

2.2. The EPA and tourism

On the EU side, several regulatory policies have seriously hampered the growth and development benefits that could be expected from the EPA. The Package Travel Directive (PTD), for example, has irritated some industry stakeholders for the costs it puts on small and medium sized tourism enterprises.³ Such a directive arguably stands at odds with EU development cooperation objective provisions in the EPA that aim at promoting the growth of SMEs in the tourism sector. A similar observation can be levelled at the way the EU handles visa procedures and requirements for tourism businessmen that benefit from enhanced freedom of movement from the EPA. The burdensome aspect of these procedures and the limited nature of the visas granted severely constrain the benefits that were given to tourism businessmen in the EPA. Finally, the UK air passenger duty arguably affects the free movement of EU consumers of tourism services in the Caribbean in a discriminatory manner.

These ‘regulatory barriers’ risk obstructing development and growth perspectives that were expected to flow from either the EPA or development cooperation programmes. These examples clearly illustrate the urgent need for more “Policy Coherence for Development” (PCD).

Finally, it is also imperative that the competition clause for the tourism sector present in the EPA be translated into domestic legislation in Caribbean states. The Caribbean tourism industry has often complained of abusive anti-competitive practices by EU tourism giants wielding overwhelming market power. Simply put, without a change in domestic legislation, the ability of the domestic tourism industry to protect itself from these practices, as provided for in the agreement, is severely hampered. The leakage of profits away from the region is likely to worsen if this situation is not remedied in the near future.

3. The way forward: What could be done now?

The current state of affairs between the EU and Caribbean tourism highlights various shortcomings. Out of the above-mentioned observations, some key areas of work can be distinguished for a better policy dialogue between the EU and the Caribbean in the area of tourism.

Firstly, more systematic stress on the importance of tourism as a policy priority for development in strategic policy documents such as the Joint Caribbean-EU Strategy is warranted. The potential of the sector for growth and development in the region needs to be clearly articulated, and so does a coherent strategy to strengthen the linkages of the industry to the population at large and to mitigate the environmental impact (notably by promoting SMEs and environmental responsibility).

Secondly, ensuring accessibility of EDF funds to the private sector is another clear area of future work. Past experiences suggest that devolving management and design of projects/programmes targeting the private sector to the stakeholders themselves greatly helps in this regard.⁴ Caribbean governments could better accompany this process, by stimulating active involvement of the tourism industry in these programmes at national and regional levels.

³ It has to be stated that the PTD is currently under review.

⁴ This is one of the major lessons of the “rum programme” in the Caribbean: www.ecdpm.org/dp97

Thirdly the EU should avoid taking back with the left hand what was given with the right hand. This would imply that the EC and its Members States should bring more coherence in domestic regulations that impact the tourism industry. The issue of policy (in)coherence therefore should be given attention at the highest policy levels in the EU (e.g. by creating a high-level PCD unit). Additionally, the tourism industry also has to make sure that the EC clearly hears the industry's position on the key issues that affect it.

Last but not least, Caribbean governments should make sure that the interests of the industry are reflected in their policies, by, for example, passing competition legislation domestically. This goes hand in hand with making sure that the interests of the industry are represented and heard in official bodies such as the EPA consultative committee.

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