

**REPORT ON
THE 46TH MEETING OF THE WTO COMMISSION FOR SOUTH ASIA
Lahore, Pakistan, 11 April 2005**

The 46th Meeting of the WTO Commission for South Asia held in conjunction with the *International Conference on Sustainable Tourism – New Vision and Moving Force for Poverty Alleviation*, took place in Lahore, Pakistan, from 11-13 April 2005.

The Commission meeting focused on a number of issues on the Agenda adopted by the members of the Commission, namely, the importance of the Global Code of Ethics for Tourism, South Asia's tourism in the ascendant, overview of each participating country's tourism performance and the unanimous decision of the Commission to hold its future commission meetings at the same venue as that of the meetings of the WTO Commission for East Asia and the Pacific.

The Chairman of the Commission, India, drew the Commission's attention to the fact that owing to the economic potential of tourism, most countries in South Asia are increasingly according tourism its rightful place in their National Development Plans and are also devoting higher percentages to its development from their national incomes. It is interesting to note that, for South Asia, Domestic Tourism is the main driving force for its tourism industry. While the ratio of domestic tourists to foreign tourists is 10:1 in the rest of the world, it is much higher in the region, particularly in the case of India which is 80:1. He also mentioned a number of steps being taken by countries in South Asia in order to attract more tourists. These include promotional campaigns, visa facilitation policies, investment in telecommunication facilities and manpower, and the improvement of quality of services offered to tourists. His message to the Commission was that given the immense scope of joint cooperation in a region blessed with an equally huge cultural and natural tourism products, the sky is the limit to their rapid tourism growth if measures such as joint marketing, economic liberalisation, open sky policies, visa-upon-arrival are put in place. He cited the examples of SASEC (South Asia Sub-regional Economic Cooperation) and SAARC (South Asia Association for Regional Cooperation) as some of the new initiatives. He also urged the Commission to capitalise on the spiritual legacy of the region which is now being exploited for the development of wellness tourism, and aim at providing the kind of service which will make the tourists who visit South Asia feel like gods. For a tourist to have a memorable experience, South Asia's tourism promotion should ensure that its visitors return to their countries of origin "physically rejuvenated, mentally enlightened, culturally enriched and spiritually uplifted".

In the Preliminary Remarks of the WTO Secretary-General, delivered by the **Deputy Secretary-General**, the Commission was informed that the three successive preceding years, i.e. 2001-2003, was a period dogged by the negative developments of world economic slowdown, terrorist attacks, threats of

war and military conflicts in Afghanistan and in Iraq, overall geo-political instability, and finally SARS, all of which created a widespread consumer uncertainty which came together to adversely impact on the industry. Nevertheless, the industry did not collapse. 2004, however, contrasted starkly with these difficult years with a remarkable growth of 10% with respect to arrivals, recording an all-time record of 760 million – the best achievement in 20 years. Tourism's resilience in the midst of hardships pushed up another notch. He also mentioned the tsunami disaster and the fact that the Phuket Action Plan had been drafted to ensure that the tourism sector emerges from this disaster stronger and more resilient than ever, with more environmentally friendly systems, more civil society involvement and more revenues from tourism remaining in the local community. With respect to the Global Code of Ethics for Tourism he pointed out that it is a set of guidelines the tourism industry needs to secure the long-term responsible and sustainable development of the industry. Both the UN General Assembly and the WTO General Assembly have unanimously adopted the Global Code of Ethics for Tourism. Sri Lanka informed the Commission that it has also adopted the Code, thus adding to the number of member States in South Asia, that have already done so.

The **Regional Representative for Asia and the Pacific** drew a historical analogy of the bouncing-back pattern of the tourism industry during world and regional crisis situations such as the oil crisis of the early 1980s, the Gulf War in 1991, the Asian financial crisis of 1997, terrorist attacks of September 11 2001, the Iraq war and SARS of 2003. In all these the tourism industry experienced the so-called mirror effect of huge drop and an equally steep climb, which further illustrates the resilience and phoenix characteristic of tourism. 2003 was not a good year for tourism for reasons already mentioned by the Deputy Secretary-General. However, the reaction of the tourism industry was so strong in 2004 to the extent that the pent-up travel demand of the three preceding years caused international tourist arrivals to shoot up by more than 69 million – a number that is equal to the inbound tourism of France. All regions performed well with the Asia and the Pacific region leading by 29% increase. The Commission noted with interest that more than half of these international tourists were received by Asia. Within the framework of the global major factors, a number of factors were cited as attributable to Asia's exceptional performance. There was full recovery from the SARS- induced losses of 2003, hence the excellent growth rates experienced in Northeast and South East Asia; the Japanese economy finally began to show signs of recovery after ten years of stagnation; improved air capacity and a boom of low-cost airlines; strong intra-regional traffic and rebound of long haul travel; and an extremely strong Chinese outbound (42%).

With respect to South Asia, the good performance of the previous year was reinforced. A remarkable 20% growth was achieved to draw approximately 8 million international tourists for the first time. When this is broken down, India's growth was +24%, Maldives +9%, Sri Lanka +13%, Nepal +9%, Pakistan +29% and Islamic Republic of Iran +20%. This unprecedented growth rate of the region is due to factors such as political stability in the sub-continent, the expansion of the economy, further liberalisation of tourism policies, especially in air transportation and emergence of low-cost airlines. The performance of India

as a sub-continent has been the main driving force behind South Asia's performance causing the years of the region's less than 1% global market share of international tourism to recede into the shadows of history. Once India, like an ocean liner, is now moving, the whole of South Asia's tourism is also on the move in the real sense of the word. The Islamic Republic of Iran is another destination whose rapid socio-economic changes resulted in a dramatic increase in its international tourism arrivals (+20%) which also reflected positively on the results of the region.

During the session on **country briefs**, the 6 countries represented, i.e. Afghanistan, India, Islamic Republic of Iran, Maldives, Pakistan and Sri Lanka, took turns to present the Commission with an overview of their respective country's tourism performance in 2004.

Afghanistan, which owing to unfavourable political conditions had been unable to participate in Commission meetings for many years, was represented in Lahore at a ministerial level. As a result of socio-political unrest, its tourism collapsed after 1978, and for about 3 decades almost all its infrastructure was wiped out. In fact, about 95% of its tourism infrastructure was destroyed. Before 1978, Afghanistan attracted thousands of tourists from around the globe with its ancient cultural and historical sites and its 5000-year-old history. Tourists were also drawn to the country's various ethnic groups, arts, culture, traditions and handicrafts, untouched natural sceneries, etc. Unfortunately, the many years of wars and tension became impediments to Afghanistan's tourism development. But with the establishment of the interim government in 2004, peace and stability have made it possible for reconstruction of the country in all areas including tourism to take off. Tourism is one of the government's main focus for this reconstruction process not just for socio-economic reasons but also because tourism helps to foster peace between peoples and nations. For this reason, Afghanistan is aiming at rehabilitation of tourist infrastructure and sites, as well as the restoration and expansion of tourism and the promotion of the private sector. It seeks WTO's assistance in this regard and also calls on fellow members in South Asia to lend a hand not only in the development of its tourism industry but also in the promotion of peaceful co-existence and the fostering of close ties.

In recognition of the importance of the tourism sector and its contribution to the economy, the Government of **India** has drawn a National Tourism Policy to reinforce the country's tourism infrastructure. The Government has undertaken an integrated and imaginative marketing strategy of India's tourism products through its *Incredible India Campaign*, which has been so successful that it has received many international accolades. In fact, India recorded 23.5% growth in international tourist arrivals and 33% in foreign exchange earnings in 2004. As far as the tsunami disaster was concerned it was localised in the case of India. It was only Andamans and Nicobar islands that took the brunt of it. The effect on the country as a whole was minimal and its travel trade responded aptly to the crisis. However, domestic tourism to these islands has been greatly affected. The Government is thus taking measures such as 50% and 25% discount on air tickets and accommodation to these areas. Rehabilitation

programmes which were immediately initiated are still on-going. Andamans islands have actually been identified as a major source of tourism development.

The representative of **Islamic Republic of Iran** informed the Commission that Iran Touring and Tourism Organization and Iran Cultural Heritage Organization have merged to form *Iran Cultural Heritage and Tourism Organization* (ICHTO). Both organizations were previously under the Ministry of Culture and Islamic Guidance. ICHTO is headed by the Vice President of Islamic Republic of Iran, H.E. Mr. Seyed Hossein Maraashi, who sees this unification as a move towards the government's determination to protect, introduce and resuscitate the country's historico-cultural legacy as well as to promote its tourism industry. One of the first few measures taken by ICHTO was to decentralise the tourism industry, through the reduction of legislation in tourism and the establishment of measures to substantially increase the decision-making powers of the private sector. Other measures include the week-long entry visas which are currently issued to foreign tourists at Iran's main airports in Tehran, Mashhad, Esfahan and Shiraz and the reduction of taxes on hotels which is lower than the national average. These governmental endeavours reflected positively on Iran's tourism growth which saw an increase of 20% in international tourist arrivals. With respect to collaboration with WTO, Iran received the visit of the Secretary-General on the occasion of its World Tourism Day celebrations. The country thanked WTO for the technical assistance it offered during the workshop on Tourism Statistics and Marketing. An International Conference on Handicrafts and Tourism will be held in Tehran in 2005 by WTO. Iran finished its presentation by informing the Commission of its intention to present its candidature for membership of the Executive Council during the period 2005-2009, and requested fellow Members of the Commission to support this move.

Maldives' presentation centred mainly on the importance of tourism to its economy, the disastrous effect of the tsunami on it and the steps the Government has been taking to put the tourism industry back on its feet. Among all the countries hit by the tsunami, Maldives was the worst affected because its economy is heavily dependent on tourism, and therefore more vulnerable to disasters than destinations that have other economic options. Tourism is the main industry in the Maldives and contributes about 32% to its GDP – a figure which could easily rise to 70% if indirect sectors relating to tourism are taken into account. Tourism generates a 5th of Maldives' total employment and 70% of its foreign exchange earnings. It also accounts for 30% of the Government's revenue.

The tsunami thus impacted heavily on the tourism industry because it affected 21 resorts out of a total of 87 even though the damage was in varying degrees. This was exacerbated by the fact that the tsunami struck at a period when Maldives usually registered 100% occupancy rate. However, with the tsunami, this figure was reduced drastically to 32%. While arrivals to the country during December 2004 declined by 23.6% as compared to that of December 2003, tourist arrivals on the whole grew by 9.4% over the previous year. In order to restore normalcy, the Government of Maldives in cooperation with the private sector has formulated immediate action plans to speed up the recovery process of tourism. This includes a post-tsunami marketing campaign, tax exemption on resort

construction items and technical assistance. Medium and long term actions have also been planned for such as disaster management plan for the tourism sector, post-tsunami destination marketing, planning and training. The Government is working closely with WTO in the implementation of the Phuket Action Plan in areas concerning Maldives' tourism industry recovery. With all these actions in place, Maldives is confident that its pre-tsunami excellent tourism performance will soon be restored.

Pakistan, the host country announced that the most important step the Government took in tourism was the creation of a separate Ministry for tourism, which in the past was linked to other ministries. With this the Prime Minister underlines the growing importance of tourism in Pakistan's economy. Pakistan's tourism generating markets have traditionally originated from USA, UK and Europe, but more and more tourists are now being attracted from neighbouring countries in South Asia, South East Asia and North East Asia. In 2004, international tourist arrivals in Pakistan totalled 648,000, registering a remarkable increase of 29.4 percent in comparison with arrivals of 2003, which amounted to 500,900.

Among the factors attributable to the increase in tourist arrivals in 2004, the most significant is the improved socio-political relations between Pakistan and India resulting in border openings, resumption of bus and train service and flights between the two countries. This has resulted in visits of more Indians on business and official trips to Pakistan. More sports-oriented visitors from India were also welcomed in addition to religious tourists (especially Sikh pilgrims). The year 2004 was celebrated as the Golden Jubilee of climbing K-2 and this has helped to support the population of Baltistan (Northern Pakistan) visiting/climbing K-2 and other high peaks situated in the area.

Sri Lanka led fellow members through a description of the country's geography, history, culture and its significance to tourism. Tourism is the 5th foreign exchange earner in Sri Lanka's economy. Its ten main generating markets are United Kingdom, India, Germany, France, Australia, the Netherlands, Japan, Italy, USA and Maldives. Though beach tourism is Sri Lanka's main attraction, its product base has been diversified to include nature tourism, sports tourism, cultural tourism, wellness tourism, water-based tourism and religious tourism. In order to achieve economic sustainability of tourism, a Tourism Development Fund was established in 2004, which requires that all registered establishments under Sri Lanka Tourist Board contribute 1% of their turnover to this fund. One third of airport taxes is also to be paid into this fund.

International tourist arrivals in 2003 hit an all-time record of over 500,642 and marked another record of 566,202 in 2004. For the first time in its tourism, arrivals from non-traditional markets such as Japan, China, Thailand, Malaysia, Hong Kong and Australia showed a resurgence. Investments in the hotel sector increased considerably with international hotel chains such as Sheraton, Six Senses, Aman Resorts also expressing interest in investing in the country. Sri Lanka has set a number of targets for 2010: 1 million in international tourist arrivals generating US\$1 billion in tourism receipts, 25,000 hotel rooms, average duration of stay of 9 days, average spending of US\$ 200 per day and employment opportunities of 250,000 both direct and indirect. Sri Lanka plans to

establish new institutions including a Marketing Bureau exclusively for tourism marketing and promotion, and a Tourism Authority.

On the subject of tsunami the representative of Sri Lanka informed delegates that while the East Coast was mostly affected, part of the South and South West Coast are fully operational. The tsunami took away about 9,500 jobs directly or indirectly relating to tourism and caused damage to property estimated at USD 30 million. To redress the situation, the Government took a number of steps including duty-free importation of facilities for reconstruction and refurbishment of partially damaged hotels; bounce-back Sri Lanka advertising campaigns still on-going; and buy-one-get-one-free package which was introduced in major generating markets. Thanks to these measures and the international community's assistance and generosity, Sri Lanka's tourism industry is fast bouncing back.

General issues: Apart from the foregoing, delegates appealed to WTO to include SMEs in WTO's programme of work as a regular activity and to continue the training of trainers programme. Also, there was a unanimous agreement to the suggestion of the Regional Representative to hold the annual commission meeting jointly with the WTO Commission for East Asia and the Pacific. This will not only reduce NTAs' budgetary allotment to meetings but will also give the two commissions the opportunity to share experiences in issues relating to sustainable development of tourism, tourism growth, planning and management of their tourism industries.

The Chairman of the Commission brought the meeting to a close by expressing on behalf of the commission, thanks and appreciation to the Government of Pakistan for its warm hospitality and the excellent arrangements it made for the meeting.

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