



# **ANNUAL CARIBBEAN TOURISM SUMMIT**

## ***TOURISM AND CARIBBEAN DEVELOPMENT***

**ADDRESS BY  
AMBASSADOR LOLITA APPLEWHAITE  
SECRETARY-GENERAL (AG.)  
CARIBBEAN COMMUNITY**

***BRUSSELS  
14 MARCH 2011***

- Honourable Members of the European Parliament
- Chairman of Caribbean Tourism Organisation and other Honourable Ministers Responsible for Tourism of the Caribbean
- Your Excellencies, Ambassadors of CARIFORUM to the European Union
- Secretary-General of Caribbean Tourism Organisation
- President and Director-General, Caribbean Hotel and Tourism Association
- Executive Secretary, The Caribbean Council
- Other Distinguished Guests

Before I begin my statement, I wish to take this opportunity to extend to the Government and people of Japan profound condolences at this time of tragedy.

It is an honour for me to be here today in Brussels for the Annual Caribbean Tourism Summit – the first in Europe. We in the Caribbean welcome this forum and look forward to exchanging views with our European partners in support of Caribbean tourism development. I wish to congratulate the Caribbean Tourism Organisation (CTO) and the Caribbean Hotel and Tourism Association (CHTA) for this initiative. I also wish to thank the Caribbean Council for its very supportive role in bringing about this event.

We are highly appreciative of the complementary role that the CTO and CHTA play in our regional integration enterprise, a role which we consider integral to the development of our Members and our Region. We thank our European partners for agreeing to participate in this important and timely event. On our part, the presence of five Caribbean Tourism Ministers is a clear indication that we in the Caribbean are focused on trying to establish a much stronger relationship with the European Union in the development of this critical industry.

We hope that this event will result in closer and sustained policy dialogue on tourism and related tourism development issues with Member States of the European Union, the European Parliament and the European Commission and begin a process that will give tourism a greater focus in future Caribbean-EU relations. Of course this process will be ably facilitated and sustained through the active support of our CARIFORUM Ambassadors here in Brussels.

We must not lose sight of the fact that this Summit is taking place at a time when our societies and economies have not yet recovered from the recent global economic and financial crises to which our vulnerable economies in the region have been exposed over the past three years. Current natural and man-made developments can only further delay our recovery.

This Summit provides a unique opportunity for the Caribbean to exchange views with its most important development partner on policy issues related to Caribbean tourism, including aviation taxation, the impact of crime, the need to increase airlift, training and research, public health, foreign direct investment in the industry and CARIFORUM-EU cooperation in tourism within the context of the CARIFORUM-EU Economic Partnership Agreement (EPA).

## **Tourism and Caribbean Development**

With regard to tourism and Caribbean development, I may be repeating much of what has been said by the Chairman of CTO, but, it is worth repeating.

Tourism is important to the economies of the Caribbean and has been one of the major economic development drivers providing investment, employment and foreign exchange earnings for most of the Members of the Caribbean Community. Furthermore, while most of our countries experience a deficit in trade in goods; this is offset by a surplus in trade in services, fuelled mainly by receipts from tourism and travel-related activities.

During 2008-2009, for example, the deficit in trade in goods averaged 3.1 billion Euros. In that same period, the surplus generated from tourism and travel related activities averaged 2.5 billion Euros.

In the wider context, the tourism industry accounts for 12.8 per cent of the Caribbean's GDP, making it the most tourism-dependent region in the world. That dependence is manifested in the negative impact on our tourism arrivals that inevitably occurs in the wake of major global upheavals. Thus, the initial turnaround of the tourism sector after the ripple effect of the global economic and financial crisis could now be threatened by the current volatility of oil prices, spawned by the unrest in the Middle East.

These upheavals, which ultimately drive up the cost of travel, threaten the very existence of our tourism-based economies, since many other fuel-based operating costs will also be increased.

Caribbean tourism employs more than 2.1 million people directly and indirectly, with the figure rising in some of our countries to as much as 25 per cent of the workforce. This makes tourism the biggest employer after the public sector.

The World Travel and Tourism Council has predicted that by 2021, the direct contribution of travel and tourism to Caribbean GDP will be 16.4bn Euros; its wider economic impact will be 50.83 billion Euros; and its total contribution to employment is projected to be 2.76 million jobs. The industry is also forecast to generate 27.17 billion Euros in export earnings with total investment in tourism reaching 6.0 billion Euros or 12.5 per cent of total investment.

Tourism in the Caribbean provides opportunity in many areas, including enhanced capacity to address unemployment, and rural poverty reduction, for example, through sport, culture and heritage tourism. There is also significant opportunity to be derived

from downstream activities of time-specific events, such as Carnival and jazz festivals, as well as cultural art forms, such as reggae and the steelpan.

We need to find ways to support people who are involved directly or indirectly in the sector – be they Caribbean entrepreneurs or community-based groups –in order to enable them to take advantage of the opportunity to deliver new and exciting tourism-related services that will not only offer more choice to the consumer, but also ensure that local communities share more equitably in the wealth that tourism brings.

For the development of tourism goes beyond tax receipts. Tourism has the capacity to play an enormous transformative role in our societies and our economies, creating new entrepreneurs in the industry as well as in other sectors. This requires human resource development through innovative education and training programmes. It also requires specific financial and other facilities to be developed to support the growth of new business.

While tourism undoubtedly offers great opportunity, it is a highly competitive industry. Our entrepreneurs therefore need to respond creatively not only to new and emerging tourist centres, but also to provide innovative products for traditional markets.

Today, our countries are paying greater attention to strengthening linkages between tourism and other sectors of the economy, such as, agriculture, health, education, sports, culture and the natural environment.

For Caribbean tourism to become even more competitive, investments in the industry must be increased. We will continue to seek private sector foreign direct investments in the industry, including from our European partners. We will continue to seek, equally, to provide access to financing on reasonable terms for the industry.

The public sector will continue to facilitate investments, marketing and other initiatives necessary for the survival, growth and expansion of the industry. It is only through continuous retooling, expansion, modernisation and adjustments that the Region's tourism industry will remain competitive. In that regard we will continue and intensify our quest for development finance, including through, Aid for Trade from our international development partners, to provide support for the industry.

### **Aviation Taxation**

The development of our tourism sector is, however, beset by a number of challenges. Among these is aviation taxation, which we view as a tax on our development. Air travel represents the only realistic way for tourists to reach our region from Europe - an important long-haul market for the Caribbean.

Europe also plays a vital role as a hub in growing the Caribbean tourism business. European airports such as those in London, Frankfurt, Amsterdam, Madrid and Paris act as transit points that facilitate visitors from emerging markets such as Central Europe, China, India and Russia - all of which are new markets that we need to open.

Aviation is also important to the Caribbean for business and investment. Without sufficient airlift, investors will not put money into new projects. It is also an essential mode of transport for the many constituents who make up the Caribbean's extended community living in Europe.

Such taxation has a significant negative impact on our finances, on aviation, maritime transport, on tourism and foreign relations, indeed on our entire development. These measures also negatively impact the holiday travellers from the countries in Europe, for whom a vacation abroad in a warm, hospitable Caribbean climate could become less attractive.

The United Kingdom, for example, provides as much as 38 per cent of visitors to some Caribbean countries, and that country, as we know, has imposed an Air Passenger Duty on outgoing flights. We view the APD as discriminatory against Caribbean destinations and Caribbean people living in the United Kingdom seeking to travel to the region.

A report on the impact of this tax - produced by the CTO and presented to the Treasury and Department for Transport of the United Kingdom - demonstrates that arrivals from the UK to the Caribbean *are declining* while those from other source markets are increasing. The report proposes an alternative approach to aviation taxation that suggests a change to the design of the APD. It argues that by simplifying the banding system and adjusting the duty levels slightly, the APD or any successor tax could be made more environmentally apt, while projecting similar levels of revenue.

This proposal reflects our interest in eliminating a discriminatory tax while recognising the United Kingdom's commitment to a new approach and its need to raise revenue.

It is clear, however, that even if the particular design problems that the Caribbean is seeking to have addressed in relation to the UK APD are resolved, this tax could be only the tip of a global fiscal iceberg that may eventually come to include all aviation and maritime transport.

Similar unilateral measures have also been introduced by other countries in Europe.

In addition, we are becoming increasingly concerned about the impact of the additional burden that the inclusion of aviation in the EU Emissions Trading Scheme (EU ETS) will impose from 2012. Recent reports produced by Standard and Poor suggest that passengers could face a rise in airfares of up to 40 Euro per ticket once EU ETS is introduced. We, of course, recognise that much will depend on how the airlines pass on the cost, as this figure is based on the assumption that the cost of carbon, which is traded on international markets, will remain relatively low.

It is unfortunate that the EU's decision to bring aviation into the Emissions Trading System will start a process that will see increasing levels of environmental taxation levied on aviation before any global approach is agreed.

Aviation and sea transport were not included in the Kyoto Protocol on Climate Change due to difficulties in assigning emissions to any specific country. At the 37<sup>th</sup> ICAO Assembly held in Montreal, Canada last year there was general consensus on the need for a multilateral approach once general principles had been agreed on the implementation of market-based measures for international aviation.

The Caribbean would prefer to see a multilateral measure that does not discriminate against one mode of transportation, is development oriented, and which takes into account the vulnerability of the region arising from Climate Change.

Our region is among those most at threat from any change in sea levels as the majority of economic infrastructure is within five kilometres of the sea. As a result we have fully supported Climate Change initiatives.

It is necessary, therefore, for us to develop a sense of partnership and engage in consultation before such measures are introduced.

### **The way forward**

There is still insufficient awareness and understanding of tourism's economic contribution and how it permeates the depth and breadth of the general economy or of the role it plays in our development.

In seeking to address this, I understand that the Caribbean Hotel and Tourism Association has introduced an initiative 'Tourism is Key.' This is an excellent example of how the Caribbean tourism industry is trying to encourage a better understanding, in the region, of the positive impact that tourism has on our everyday lives. This forward-thinking initiative will go far in raising awareness, when coupled with a progressive approach to education, with tourism components being carefully woven into existing curricula at all levels.

It is imperative that tourism is always included in our dialogue with Europe and our other international development partners so that there is a wider understanding of that industry's significance to our sustainable development. In fact, the EPA provides a base and a framework within which intensified Caribbean-EU cooperation in tourism can be developed.

The Agreement speaks to the facilitation of the transfer of technology, increased participation of small and medium-sized enterprises, mutual recognition of requirements, qualifications, licenses and other regulations.

The Agreement also speaks to CARIFORUM service suppliers, private sector financing programmes, environment and quality standards and exchange of information and consultation.

We must now hope that this Summit can give us some indications as to how we can operationalise these provisions for the benefit of the Caribbean tourism industry and by extension the peoples of the Caribbean.

I also believe that this Summit represents an important step in our joint quest for intensified cooperation and consultation on Caribbean tourism development. We value the opportunity for dialogue and the potential that this forum offers for regular consultation on tourism development issues and how we may work more closely.

We value Europe as a partner.

Thank you

