The WTO, tourism and small states: finding policy space to develop

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[Signature]

Angeline Turner
Abstract: The WTO, tourism and small states: finding policy space to develop

This study examines whether the General Agreement on Services (GATS) provides the necessary policy space for small states to pursue their development agendas. Small states in this study are defined in power terms. But the study also focuses on small states in a property sense--those with few diversification options, making the services sector potentially an important avenue for economic growth and diversification.

The study seeks to examine critically the parameters that GATS places on policy-making of small states--whether governments are limited to providing a competitive business environment, or if they retain sufficient policy space to shape the development of a sector. The study also looks at the interplay between international and domestic factors in development of policy.

The tourism industries of Oman and Qatar provide case studies to examine these issues. Tourism has the potential to contribute to the economies of small states generally, but debate exists as to whether GATS leaves small states with sufficient space to influence the direction of this sector. The similarities between Oman and Qatar in both power and property terms allow for a comparative examination of whether small states can find meaningful policy space. In addition, their domestic dynamics provide insight into the interplay between domestic and international pressures on policy choices.

The experiences of Oman and Qatar suggest that there remains some policy space for states to develop their tourism industries in a manner compatible with local aspirations. Governments thus have some scope to direct the shape of the tourism sector beyond merely providing a competitive business environment. But policy direction is influenced by capacity, past experiences and existing norms, and these differences can result in varying outcomes. Additionally, small states must decide their priorities in on-going WTO negotiations in order to maintain existing policy space.
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Introduction

This study looks at the question of whether small states retain policy space to determine the direction of their development despite commitments they have made in order to be able to join the World Trade Organisation (WTO). It looks specifically at the General Agreement on Trade in Services (GATS), and the policy space available (or not) for development of the tourism sector. The study also looks at what sorts of limits there might be on the utilisation of that policy space, and the balance of the interplay between international obligations and domestic pressures policy formation. The states of interest to this study are small in both a political and an economic sense, and have limited options for diversification.

Tourism provides an effective window through which to view the impact of GATS on policy space for small states. Most small states have potential to develop this sector, but there is debate as to whether GATS leaves small states with sufficient space to influence the direction of this sector. The literature available provides views on a range of issues that are relevant to this study. From the broadest perspective, scholars have examined the impact that globalisation has had on the options available to nation-states, with views along a continuum that ranges from arguments that the state is relatively unscathed to the state has been left impotent. This debate provides a context for the more narrow issues examined in this study. The literature also provides discussion on what constitutes a small state, moving beyond property definitions to definitions which highlight the issue and time-specific nature of power. Additionally, the literature addresses the question of why states join the WTO. While there is a range of explanations offered here—from advantages like technology transfer to necessity if pursuing trade-based development-- the differing circumstances of states that join the WTO may explain the variety.

Likewise, the literature provides insight into how small states fare in WTO negotiations. Scholars provide insight into the impact that the timing of accession has on the policy space available, and also on the impact that
institutional capacity may have on the sorts of agreements that are achieved. There is also considerable, conflicting scholarship on the degree to which the global system and WTO commitments have circumscribed the ability of small states to manoeuvre and develop their economies. Some scholarship suggests that the number of possible outcomes is limited, while others suggest that a variety of outcomes is still possible. Examined both explicitly and implicitly within this scholarship is the question of whether domestic structures and priorities still impact policy direction, with different scholars reaching contrasting conclusions.

Much of the scholarship focuses, however, on goods rather than services. The scholarship on the impact of GATS on policy space is more limited, and that on the influence that GATS has on tourism policy space is severely truncated. In both instances, however, the examinations of the issues provide contrasting views of outcomes. Looking at GATS and services, some scholars argue that GATS provides considerable development opportunities for states, while others argue the opposite. Likewise, with regard to GATS and tourism, some scholars suggest that GATS has a positive impact on the policy space available to states, while others argue that GATS has had a substantially detrimental impact. But in-depth case studies testing these assertions are not provided, with some scholars tending to blame GATS for pre-existing domestic issues or ascribing theoretical positive outcomes to GATS membership without testing these conclusions. The literature generally fails to provide a detailed look at the agreements of specific states, relying rather on generalisations, and it also lacks detail on when states joined, which might have an impact on the type of agreement that was reached. Both the role of domestic factors and the differences in the development paths and types of tourism that states might want to pursue for their countries are unexamined, and scholars appear to make blanket assumptions about access to capital in their assertions. Additionally, while there is some recent scholarship on development of tourism in the Middle East, the literature lacks an examination of the impact of GATS on these developments. Yet understanding the current and potential future impact of GATS and understanding the balance of domestic and global influences on policy are crucial to understanding the possible trajectories that tourism development can take in small states.
This study seeks to fill gaps in the literature, reaching in particular a better understanding of both the impact that GATS has had on the policy space available for development of tourism in small states and the balance of influence that international and domestic factors have on tourism policy formulation and implementation. An understanding of these issues requires case studies which fulfil several criteria. First, they need to be small states in a power sense—not merely in property terms. They also need to be states which have opted to become members of the World Trade Organisation and thus have become signatories to the GATS. Since tourism is the window through which GATS is being examined in this study, they need to be small states seeking to develop that particular sector of their economy. This study is also interested in states with relatively few options for diversification, and small populations which limit the size of their markets and make them more dependent on the world trading system. It thus seeks countries where those conditions exist.

For the examination of these questions, the study uses qualitative research, with case studies of Oman and Qatar chosen. These cases are used to illustrate the main issues—the questions of whether policy space exists and the question of the differing impact of international and domestic issues on policy within the tourism sector. Oman and Qatar are similar in both power and property terms, which allows for a comparative examination of whether small states can find meaningful policy space within the context of GATS commitments. The domestic dynamics of these two states also provides insight into the interplay between domestic and international pressures on policy choices. The choice of these case studies also provides insight into the tourism sectors of the Gulf states, which is little covered in the literature. The cases are examined largely through interviews, although other primary and secondary source material is used. A positivist approach to the issues is taken, but given the contested nature of findings based on quantitative analysis, a focus on broad principles and systematic observations is chosen here.

The study examines these issues in six chapters. Chapter one covers literature relevant to this study. It includes an examination of literature on the general impact of globalisation on states; the differing definitions of small states; the
reasons that states join the WTO; the way small states fare in WTO negotiations; and the parameters that WTO agreements place on states. Additional literature on the policy space available for states that have joined the WTO is examined, as well as literature on tourism and policy space and the Middle East and tourism.

Chapter two covers issues related to the study, including background on tourism, the reasoning behind the choice of Oman and Qatar as case studies, and basic information about the development of their tourism sectors. It discusses the reasoning beyond the selection of interlocutors, and the methodology used in the study. Chapter three provides background on the GATS and on specific aspects of the agreement that are controversial. It also includes details of specific GATS commitments made by Oman and Qatar in tourism. Chapter four explores whether Oman has policy space to develop tourism within the context of its GATS agreement. It examines what goals Oman has for its tourism sector, whether it is achieving those goals, and whether GATS is an impediment to achievement. Chapter five similarly looks at Qatar, exploring what goals there are for the tourism sector, and whether domestic factors or GATS commitments are impediments.

The final chapter presents conclusions. In broad terms, the experiences of Oman and Qatar suggest that, even within the context of GATS agreements, small states retain some policy space to set the direction for their tourism industries. That direction is, moreover, influenced by domestic issues, including past experiences and existing norms, and these differences can result in varying outcomes. Domestic capacity is a factor, and the ability of policy-makers to use creatively the variety of tools available to them also influences outcomes, particularly in the short and medium term. The Omani and Qatari experiences also suggest that small states must set their priorities in ongoing WTO negotiations in order to maximise their chances to maintain existing policy space.
Chapter one: Literature Review

The experiences of Oman and Qatar are examined within the context of a global working environment, which has changed considerably over the last two decades. Technological change--particularly in the area of telecommunications--has in many ways made the world a smaller place, enabling information and money to move much faster around the world. At the same time, the international regulatory environment, most notably in the form of the World Trade Organisation (WTO), has become more invasive, and with the collapse of the Soviet Union, states have come under increased pressure to conform to a Western model of economic development and management.

Not surprisingly, there is considerable debate about the impact that these global changes have had on the nation-state. Some argue that the power of the nation-state remains largely unscathed, while others suggest that states have been left impotent. A third group takes the middle ground--suggesting that change has no doubt impacted the options available to nation-states, but has left some room for development and policy differentiation. While the ground is shifting for all states, small states arguably face even greater problems. They cannot change their global environment and must work within the existing system or, potentially, opt out, probably at great economic cost.

Part of that global system is the international regulatory environment for trade--like their more powerful counterparts, small states find that they are confronted with the decision of whether or not to join the World Trade Organisation. Most have opted to do so--current membership of that organisation is now 153. But joining is itself a daunting task--small states must strike deals for their participation in the WTO, and these deals determine the nature of the parameters that are placed on their policy and development options. The nature of the WTO system is not friendly to states with little power or negotiating leverage--it requires new entrants to negotiate individually for their membership with existing members who have the ability to stall membership if they do not get what they want from applicants. For small states, the situation is particularly
difficult. While powerful states are able to push forward their agendas, thus having some ability to craft their subsequent regulatory environment, many scholars argue that small states have significantly less room to manoeuvre and consequently end up with deals that give them less policy space in which to develop their economies.

Once inside the organisation, small states again face decisions about how they will move forward. Many choose to form coalitions and debate the merits of existing regimes in the hope of changing them. For some states, this coalition-building may be the main thrust of policy. But others, potentially even some who are active in coalitions, may also focus on work to develop their economies within the context of the agreements that they have reached. It is this group of small states--those who have chosen to join the WTO and who are moving ahead with development of specific sectors--that are the focus of this study.

The situation of small states is of significant interest because of the number of these which have joined the WTO, and the impact that membership might have on their development prospects. There is considerable debate about the options available to small states to develop their economies within the context of the existing global environment and also of the WTO accords that small states have reached. At one end, the continuum holds those analysts who suggest that the best thing for governments to do is to offer a good business environment. At the other end of the spectrum are those scholars who suggest that, were it possible within the international regulatory environment, infant industry protection should be used for developing states. Somewhere in the middle are those who contend that some government involvement in development of sectors is desirable. But as notably pointed out by Linda Weiss, government responses are conditioned by local norms, historical experience and local capacity, so the reactions of similar states to development challenges can be radically different.¹

Much of what has been written, however, focuses on the impact that such agreements have on the parameters for the development of trade in goods, rather than services. This is understandable, as trade in goods was long

¹ Weiss, "Globalisation and national governance," 81; see also Weiss, States in the Global Economy, 27 and 28-29.
established before the more recent expansion of trade in services. Most scholars seem to accept that the WTO agreement restricts the options available to states for development of their goods sectors (although some would argue strongly that these restrictions are economically sound). There is far less consensus about the impact that WTO agreements have had on state options for the development of their services sectors. This lower level of interest and writing on services is surprising, given the important role that services plays in many economies.

Some service sectors—such as financial services—have received more scholarly attention. But in a world where tourism is promoted as a saviour sector for developing states, little has been written about the development of tourism services under WTO agreements. Even within these writings, there is disagreement about the impact of the GATS on the sector. Given the need for economic development, this area needs to be explored. Is tourism an area that may provide some of the policy space that small states need to develop their economies? If that policy space exists, is it a necessary but not a sufficient condition for development? Rather, is it the mixture of international parameters and domestic reactions conditioned by local norms, capacity and experience which determines whether or not a state is able to push ahead with development in the current global environment?

Questions about the kind of deals small states manage to strike for their participation in the WTO, whether policy space exists in services (more particularly in tourism), and the mix of domestic and international influences in how small states use that space are the major foci of this study. Although all states are affected to some degree by globalisation, small states face more difficulties in carving out deals within the international regulatory environment. The deals with the World Trade Organisation define many of the parameters within which small states must work. Is there space for small states to develop within the current international regulatory environment, and more specifically within the types of agreements that they are able to negotiate with the WTO? Is that sort of space available (and what sort of parameters have been set) in services industries, specifically tourism? Is the situation significantly worse for states that have recently joined the WTO as opposed to those that joined soon
after the organisation was formed or those that were original members? Is the question of policy space created by international agreements the sole determinate of whether or not a small state is able to develop its tourism sector? Are states condemned to the sidelines--able only to provide a competitive business climate? If other factors are present and help to determine the development of the tourism sector, are they domestic institutions as Weiss and others argue? Is the reaction of these institutions in turn influenced by other issues--such as the will of political elites or the influence of past patterns of government intervention--which determine how the available policy space is crafted?

1.1 How has globalisation affected the system in which states must operate?

Small states work within a global system, the specific characteristics and constraints of which are generically subject to debate as scholars seek to define the impact of globalisation on the nation-state. As a starting point, it is useful to note that the World Bank defines globalisation as the "growing integration of economies and societies around the world." This definition is a simpler one than many offered by scholars, but the simplicity means that it provides a context into which most of the more nuanced views of scholars discussed below will fit.

Broadly speaking, it is possible to divide these authors into three groups--those that see little change in the power and importance of the state as a result of globalisation; those who occupy a middle ground and suggest that there has been some change but states still have room to manoeuvre; and finally those who see state power in serious decline. Although their views vary considerably, their aim is similar--to explain the impact (or lack thereof) of globalisation on the nation-state. They thus provide the general context for the questions that this study will seek to answer.

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3 World Bank, "The Challenges of Globalisation."
Susan Strange is in the group of writers which see the state as having lost considerable power as a result of globalisation, and she writes on the changes in state power and the increase in importance of non-state actors in her book, *The Retreat of the State*. She is pessimistic about the current and future role of the nation-state. Her basic notion is that states do not have a monopoly on power in the international system, and that markets (and through them, transnational corporations (TNCs)) have become much more powerful in issues like finance and production. In her analysis, she argues that the integration of states into the global economy has meant that states are no longer able to control economic outcomes for their own people. She adds that the global market economy is not, in fact, governed by any authority. Rather, markets have power over governments.

Although there is clearly some basis for these arguments, such pessimism does not give sufficient attention to differences in levels of integration into the global economy. Her arguments are probably more valid for smaller states with open economies, but whether they had sufficient power even prior to globalisation to control their own economic destinies is open to question.

Elsewhere, Strange discusses the relationship between states and firms. She makes the point in *States, Firms and Diplomacy* that "(g)overnments must now bargain not only with other governments, but also with firms or enterprises, while firms now bargain both with governments and with one another." In discussing her research, Strange suggests that while there was a "diversity of states' responses to global changes, certain common trends were rather clearly visible….pressures were forcing both the host governments and the foreign firms to compete more and more actively for world market shares, and in so doing to reach new modes of accommodation with one another."  

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4 Strange, *The Retreat of the State*, 4, which summarises: "...the declining authority of states is reflected in a growing diffusion of authority to other institutions and associations...."
5 Strange, *The Retreat of the State*, 43; see also page 53 and more generally, Chapter 4.
6 Strange, *The Retreat of the State*, 14 and 42.
7 Strange, *The Retreat of the State*, 29.
8 Strange, "States, Firms and Diplomacy," 1.
9 Strange, "States, Firms and Diplomacy," 3 and 6.
Strange also contends that states are pushed toward the liberalisation of trade, the privatisation of state-owned enterprises and other similar steps.\textsuperscript{10} Indeed, Strange suggests that there is evidence "the forces of structural change (are) pushing all governments along a path to greater convergence between models of capitalism" which has in turn reduced "the freedom and responsibility of states to choose between variants of capitalist development."\textsuperscript{11}

While there are pressures for convergence, there is a need for greater acknowledgement that pressures from the global system are not so profound that all states—even some small states in particular circumstances—cannot resist them. Certainly there is pressure from organisations like the IMF and the World Bank on all states to pursue particular models of development, and those organisations are encouraged to pursue that agenda by countries like the United States. Countries which get into financial trouble find themselves tied into agreements which call for such changes, with policies like privatisation and rationalisation of workforces at the top of the agenda. But, as the experience of Yemen and others makes clear, having those agendas identified and actually implementing them are separate matters.\textsuperscript{12}

Strange further suggests in \textit{The Retreat of the State} that there is a "growing asymmetry" between small states and their more powerful counterparts.\textsuperscript{13} But for small states, the more important issue in terms of globalisation is that they have started off with a different set of tools. As Strange herself acknowledges, a situation of curtailed sovereignty of small states in comparison to larger ones pre-dates globalisation.\textsuperscript{14} This difference means that small states are already used to dealing with the pressure of other external actors who are able to encroach on their sovereignty, and they understand what it means to not have full authority over situations which impact their domestic situation.

\textsuperscript{10} Strange, \textit{The Retreat of the State}, 75.
\textsuperscript{11} Strange, \textit{The Retreat of the State}, 75.
\textsuperscript{12} In the case of Yemen, the importance of that state politically to the US has probably meant that pressures to converge economically have been less.
\textsuperscript{13} Strange, \textit{The Retreat of the State}, 13.
\textsuperscript{14} Strange, \textit{The Retreat of the State}, 13.
Indeed, Strange's own list of activities over which she reckons states have traditionally had sovereignty highlights this issue. Some criteria she suggests apply more readily to more powerful states than to small states. For example, she suggests that states are responsible for "correcting the tendency of market economies to cyclical booms and slumps…," acknowledging that it is one which applies more readily to developed countries. With regard to other criteria, including providing a social safety net and the ability to tax, these have not, for different reasons in different places, been and are not necessarily now applicable to a large number of small states. Such examples indicate that there may not have been a sea-change in the situation of small states, and in fact the important distinction is that the starting place for small states is different than that for their larger and more developed counterparts. These different starting points suggest that globalisation will present different challenges to small states, and that the notion of "retreat" may be less important to small states since their starting point was already very different from that of their more powerful counterparts. Given the number of small states in the world, and the implications that such issues have for development, these issues need exploration.

Strange's view is representative of the more broadly argued notion that states are in decline. Others are less pessimistic than Strange about the role of the state in the global arena and fall into a middle category of scholars who see globalisation as having a varied impact on states. Linda Weiss, for example, does not see that the erosion of state power necessarily emerges from the current system. In her view, the impact of globalisation on states is not preordained--she argues that globalisation has the capacity to "constrain" as well as to "enable", and that "economic integration does not so much enfeeble the state as weaken the efficacy of specific policy instruments" (emphasis added). She further suggests that globalisation is "a highly circumscribed, partial

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15 Strange, *The Retreat of the State*, 73-82.
16 Strange, *The Retreat of the State*, 75.
17 Strange, *The Retreat of the State*, 76-77.
18 See also, for example, Falk, "State of Siege", and Scholte, "Global Capitalism and the State."
process, and intrinsically limited by its dependence on (embeddedness in?) national and international rules and institutions.”\(^{22}\) She contends that, in at least some cases, globalisation is blamed for constraints that would have existed anyway.\(^{23}\) Weiss proposes instead that, where states are not active in their domestic economies, this inactivity reflects "self-imposed" limits which result from "fundamental ideas and orientations about the scope of state involvement in the economy, and from institutional capabilities that have evolved around those orienting ideas."\(^{24}\) State ineffectiveness may also result from a lack of domestic institutional capacity.\(^{25}\)

Weiss' suggestion that domestic issues and norms influence policy outcomes broadens the debate and acknowledges that different states continue to pursue different policy agendas. But her argument fails to take fully into account the greater pressure that *smaller states* may feel to change or adapt their policies. Particularly in instances where states are highly dependent on trade, this "partial process"\(^{26}\) of globalisation as instituted by membership in the World Trade Organisation has a potentially large impact on the domestic economy. The obligations to open up their goods trade in particular, as well as other obligations which may impact their rules on foreign investment, could have a much greater impact on small open economies than on large ones.

Michael Mann also takes the middle ground and contends the jury is still out on globalisation's effects.\(^{27}\) In his view, some aspects of globalisation tend to strengthen, while others weaken, the state. He also suggests that nation-states react differently to the pressures created by globalisation. Although speaking about Europe and the European Union, he points out that smaller states are in a different situation than their larger counterparts. With regard to the EU and economic and political sovereignty, he says "the minor and economically weaker states may seem to have lost more, but their sovereignty on the big

\(^{22}\) Weiss, “Globalisation and national governance,” 60. Her brackets.
\(^{23}\) Weiss, “Globalisation and national governance,” 68.
\(^{24}\) Weiss, “Globalisation and national governance,” 79.
\(^{25}\) Weiss, *States in the Global Economy*, 314-315. Here, she summarises and agrees with the writing of Doner and Ramsay, "The challenges of economic upgrading in liberalising Thailand."
\(^{26}\) Weiss, “Globalisation and national governance,” 60 (as quoted in paragraph above).
\(^{27}\) Mann, "Has globalisation ended the rise and rise of the nation-state?,” 494. Mann says: "These patterns are too varied and contradictory, and the future too murky, to permit us to argue simply that the nation-state and the nation-state system are *either* strengthening *or* weakening."
issues was more limited in the past." Although he is referring here to the specifics of the EU, the situation for small states seems more generally to apply. Mann thus makes the useful point that there are different models that states may follow, and also that their initial starting point in terms of size and power affects their options within a globalised world.

Joseph Nye agrees with Strange’s notion that non-state actors are increasingly important in today’s world—transnational corporations in particular, because of their wealth, figure into his world view. But he is clear—"the issue is not whether state or non-state actors are more important--states usually are. The point is that in modern times, more complex coalitions affect outcomes." Thus he shares with Mann and Weiss a sense of diverse global outcomes. He makes the point, however, that the issues that great powers confront are no longer just state versus state, but "issues in which all states try to control non-state transnational actors."

Further along the spectrum on globalisation effects, Robert Gilpin more firmly rejects the argument that the state is retreating: "even though economic factors will play an important role in determining the characteristics of the global economy, the most important factors are and will be political." For him, "security and political relations among the major powers" remain the determining factors which shape opportunities within the global system. He suggests that states would be loathe to allow market forces alone to decide the issues of wealth distribution and industrial power. His argument is that the system fundamentally depends on the "political foundations" made possible by "powerful states and cooperative relationships among these states." He further suggests that "(t)he international rules…that govern international

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28 Mann, "Has globalisation ended the rise and rise of the nation-state?", 486.
32 Gilpin, The Challenge of Global Capitalism, 50.
33 Gilpin, The Challenge of Global Capitalism, 50.
34 Gilpin, The Challenge of Global Capitalism, 51; he expresses similar ideas in Global Political Economy, 12.
economic affairs cannot succeed unless they are supported by a strong political base."³⁶

Elsewhere, Gilpin adds the assertion that "the extent and significance of economic globalisation have been greatly exaggerated and misunderstood…."³⁷ He categorises himself as a realist, and says that:

"realism should acknowledge the importance of such nonstate actors as multinational firms, international institutions, and nongovernmental organizations (NGOs) in the determination of international affairs. Realism, however, insists that the state remain the principal actor."³⁸

He asserts that while other actors like the IMF may play a role, the state sets the rules for the global economic system.³⁹ He later softens that statement, suggesting that "the relationship between economic and politics is interactive" and that "the market is indeed a potent force in the determination of economic and political affairs."⁴⁰

His assessment of the role of major powers ignores, however, the importance that small states can play at times in global economy--their role, for example, in scuppering the Seattle WTO talks. Indeed, Gilpin's arguments in general have little time for small states. He suggests that "the nation-state remains the dominant actor in both domestic and international economic affairs", but his focus is on large, powerful states, which he contends set the global agenda.⁴¹ While Gilpin is right to suggest that powerful states do have a major role in shaping the parameters of organisations like the WTO, interestingly he has little time for the role of small, less powerful states within his system of state-centric construct. His suggestion that "national governments still make the primary

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³⁷ Gilpin, Global Political Economy, 3.
³⁸ Gilpin, Global Political Economy, 17.
³⁹ Gilpin, Global Political Economy, 17.
⁴⁰ Gilpin, Global Political Economy, 23.
⁴¹ Gilpin, Global Political Economy, 4. For his contention that large, powerful states set the global agenda, see page 23, where he says "The ways in which the world economy functions are determined by both markets and the policies of nation-states, especially those of powerful states; markets and economic forces alone cannot account for the structure and functioning of the global economy. The interactions of the political ambitions and rivalries of states, including their cooperative efforts, create the framework of political relations within which markets and economic forces operate. States, particularly large states, establish the rules that individual entrepreneurs and multinational firms must follow, and these rules generally reflect the political and economic interests of dominant states and their citizens."
decisions regarding economic matters; they continue to set the rules within which other actors function, and they use their considerable power to influence economic outcomes" may easily apply to large powerful states, but is less obviously applicable to small states.  

Although he occasionally acknowledges that powerful states have an advantage, the differences in the challenges facing large and small states are not central to his analysis.

Although scholars may disagree on the impact that globalisation has had on states and state power, most would probably accept Nye's contention that the world has become a more complex place in which all actors must function. But for small states, at least some of this debate is academic. Mann is correct to suggest that small states have never had huge influence over global decisions, and thus the debate about the decline of "the state" probably has less relevance for them. Their movements and influence within the international system, particularly with regard to the international financial system and transnational corporations, has always been circumscribed. Their success, both now and in the past, depends upon their ability to adapt and develop strategies to work within systems that they have difficulty influencing. Given that so many states in the global arena are "small" states, we must understand their options. For small states, then, globalisation has probably changed the obstacles that they face, but has not changed the nature of the system: they face more or different challenges than their larger counterparts.

### 1.2 What is a small state?

To understand why small states face special challenges, it is necessary to look at what constitutes a "small state." Among the more common variables used to identify small states are population, geographic size and GDP, which can be grouped together as property concepts. Frank Rampersad uses population size as the main way of identifying small states. He suggests that, although the Commonwealth defines small states as those with populations of less than 1.5m, in his view "the definition of smallness, in the context of globalisation,

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42 Gilpin, Global Political Economy, 18.
43 See, for examples, Gilpin, Global Political Economy, 23, 363 and 372.
45 Mann, "Has globalisation ended the rise and rise of the nation-state?", 486.
should be interpreted as a continuum, and countries with much larger populations could also be considered small."\textsuperscript{46} In many ways, his statement identifies some of the problems of using property concepts -- Rampersad does not in fact settle on a particular population size as his definition, as this measure does not really adequately give voice to what he believes a "small state" is.

Armstrong and Read also use population as a measure of smallness, but readily acknowledge that "the use of convenient round numbers is purely arbitrary and has no justification theoretically or statistically."\textsuperscript{47} Others who use these sorts of definitions also express reservations--Knudsen says of small states that "in much of the literature, a simple definition seems to be assumed: a small state is a unit with a relatively modest territory and population."\textsuperscript{48} Knudsen does not actually attempt to quantify population or territory, leaving it to the reader to make his/her own assumptions about what "modest" means, but does acknowledge that he finds the definition "less than satisfactory."\textsuperscript{49}

As the variety of definitions, and the scholars’ own caveats, make clear, such distinctions are arbitrary in terms of a state’s ability to influence the system. From the perspective of power, they tell little about why that a state might be classed as small, and simply offer a boundary which, if crossed, somehow transforms how that country is defined.\textsuperscript{50} Ironically, often hidden in these property definitions is the assumption of limited power.

If we focus on the issue of power, we end up with another way of categorising states is to use the notion of weak state. Michael Handel's \textit{Weak States in the International System} provides an examination of this definition of states, along with analysis of options that exist for weak state strategies.\textsuperscript{51} His main focus is, however, on military matters, and his definition of weak states focussed on

\textsuperscript{46} Rampersad, "Coping with Globalisation," 116.
\textsuperscript{50} For further discussion of this problem, see Thorhallsson and Wivel, "Small states in the European Union," 652-655; Neumann and Gstohl, "Lilliputians in Gulliver's World?," 8; and Henrikson, "Small States in World Politics," 11-19.
\textsuperscript{51} Handel, \textit{Weak States in the International System}. See pages 52-54 where he summarises his ideal types of strong and weak states; pages 68-107 where he explores internal strategies for weak states, and pages 120-156 where he examines external strategies.
military capabilities.\textsuperscript{52} This type of definition, while no doubt useful when discussing defence matters, does not have any sort of broader application for defining states. It does not look at types of power other than military power—such as bargaining power in trade negotiations as a result of economic prowess or other factors.

His definitions lack also precision—in his preface to the 1990 edition, he acknowledges that his classification of "middle powers" is "much more subjective than in the case of the great and superpowers."\textsuperscript{53} Method is not central to the selection of these states in his opinion—he says instead "the decision will remain partly intuitive in some degree a matter of taste."\textsuperscript{54} For weak states, Handel contends that it is "still more difficult to assign them any common denominator other than their overall relative weakness."\textsuperscript{55} He suggests that a number of criteria—like size of armed forces, military expenditure, population, area, GNP, etc—must be employed in order to identify states which fit into this category, and that for his criteria "most weak states score relatively low on most of the criteria…."\textsuperscript{56} These criteria that he suggests indicate that he does not consider influence or capability to influence to be issue and time specific.

He also contends that weak bureaucracies are a characteristic of weak states, and that the lack of bureaucratic power generally makes the decision-making process in these states more rational because the decision-makers are less likely to be influenced.\textsuperscript{57} Aside from the large generalisation that he makes, such analysis neglects the myriad of other, non-bureaucratic, interests that can influence foreign policy decision-making, particularly on trade matters, when commercial interests may influence significantly the direction of foreign trade policy.

\textsuperscript{52} Handel, \textit{Weak States}, 36. Handel suggests here that "Whereas one of the most important characteristics of the great powers is their military strength and capacity for self defence, the weak states are continually preoccupied with the question of survival."
\textsuperscript{53} Handel, \textit{Weak States}, xv. He returns to the same theme on page 23.
\textsuperscript{54} Handel, \textit{Weak States}, 30.
\textsuperscript{55} Handel, \textit{Weak States}, 30.
\textsuperscript{56} Handel, \textit{Weak States}, 31-35.
\textsuperscript{57} Handel, \textit{Weak States}, 3-4.
While his main focus is on weakness and strength in a military sense, Handel does recognise that economic matters are part of the global landscape, and seeks therefore to examine economically weak and strong states. This move comes closer to the notion that power is issue specific, but he does not fully embrace this notion. Instead, he seeks to tie the issue of economic power to that of military power—suggesting "so far in modern history, the great powers in political and military terms have also been the great powers economically."\(^5\)

He does, however, acknowledge that the system may be changing (the first edition was published in 1981), and later talks about the impact that the oil embargo of 1973 had on power relationships. But his analysis suggests that "the international hierarchy of power seems to have been transformed" rather than on a particular issue at a particular time these states had power within the system.\(^5\) He also has trouble generalising the notion of sources of power beyond military power—he suggests that it is possible that oil is an exceptional source of economic power, and that other developing countries would not have similar avenues of power.\(^6\)

He seeks to define economically weak states as those with characteristics which include small territorial size, significant dependence on trade, lacking in diversity of goods produced, possessing little mass-production capacity, and having limited export markets.\(^6\) As such, he effectively slips into property definitions for small states, which as discussed elsewhere, are arbitrary and subjective. He does, however, acknowledge that there are a large number of exceptions to his categories in terms of size,\(^6\) which effectively means that he is like the other scholars discussed above who use size despite their reservations about its ability to convey meaning.

The notion of power is nonetheless an important one in giving order to states within the global system. But definitions are sometimes problematic. Knudsen suggests that "a small state can be any state in a relationship of marked

\(^5\) Handel, *Weak States*, 218.
\(^6\) Handel, *Weak States*, 245.
in inferiority of power vis-à-vis another state."63 This sort of simple, general definition, however, leaves open a number of questions. How do you classify a state which is in a relationship of "marked inferiority" with one state on one issue, but clearly takes the lead on another issue? How do you classify states which take the lead with some states on some issues, but not with other states on the same or different issues?

David Baldwin both dismisses these property concepts, and addresses some of the problems which simple definitions such as that proposed by Knudsen present. He instead asserts that power is a "relational concept"64 and thus any evaluation of influence must be issue and time specific.65 Baldwin asserts "in order to make a meaningful statement about an (actual or potential) influence relationship, one must (explicitly or implicitly) specify who is influencing (or has the capacity to influence) whom (domain) with respect to what (scope)."66

Han Mouritzen and Anders Wivel take further the notion of a relational concept in their discussion of pole and non-pole powers, terms they use instead of large and small states. They suggest that influence or power must be defined within a particular context, making clear that "a state may be weak in one relation but simultaneously powerful in another."67 This is a very different appraisal to the analysis of the fate of small states offered by conventional definitions of "small states" based on property concepts. As examples, states which have relatively small populations--like Qatar--still have considerable clout in world gas markets. Likewise, Jordan and Lebanon--states with small populations in the Levant--play potentially important roles in the Middle East peace process, and their ability to influence that process makes them potentially important players in the region.

64 Baldwin, Economic Statecraft, 20.
65 Baldwin, "Power Analysis and World Politics," 164-165. See also Nye, "Soft Power," 155; and Neumann and Gstohl, "Lilliputians in Gulliver's World?," 4-6 for further discussions of power definitions.
67 Mouritzen and Wivel, The Geopolitics of Euro-Atlantic Integration, 3. See also Browning, "Small, Smart and Salient?,” 672, who discusses views of Keohane, Nye and others.
The notion of influence is extremely important in determining the pecking order of states. For Mouritzen and Wivel, "non-pole powers are at the same time more dependent on strong international institutions and less able to influence their decision-making" than their pole power counterparts, who "can credibly threaten not only to leave common undertakings, but thereby also to reduce or even destroy them." For non-pole powers, the problem is that they cannot change their environment, only work within it. As Mouritzen and Wivel suggest, "should (non-pole states) choose to revise their place in the structure, the structure can still persist with unchanged contours."

This definition of a small (or non-pole) state provides a clearer focus to this study than property concepts do--my interest is in how states that appear to have, in an initial assessment, little relational power in the international trading system may seek to develop their economies. Defining small states by the number of citizens or the size of their GDP does not actually give a useful grouping of states, as it says nothing about their ability to change or influence the system. The concern is with agency and a clear assessment of capabilities rather than a static and crude property designation that pre-determines agency. Likewise, the notion of weak states does not provide a sufficiently dynamic or nuanced understanding of how states interact in the world economy. Handel's main notion of a militarily weak state gives no insight into economic power, and, his ideas about economically weak states are based on property concepts.

The term small state in this study will therefore mean non-pole powers, as Mouritzen and Wivel suggest. Like Baldwin, these two scholars are interested in relational power, and the states to be studied here appear to lack the ability to shape consistently or significantly the world trading system. The study will thus use a conventional term--small state--but without the conventional property definition which does not capture the capabilities of a state and thus its situation with regard to a particular issue in the global system.

68 Mouritzen and Wivel, Geopolitics of Euro-Atlantic Integration, 1.
69 Mouritzen and Wivel, Geopolitics of Euro-Atlantic Integration, 4.
That said, from an economic perspective, this study is particularly interested in states with relatively few options for diversification, and small populations. This group of states generally overlaps the non-pole or small states defined above, and the case studies are taken accordingly from this overlapping group.

1.3 Why join?

One element of the global system which has the potential to have considerable impact on small states is the international regulatory system, and more specifically, the World Trade Organisation. The importance of trade to the economies of small states argues that this area needs examination. Small states have some options—they can choose to remain outside the system. But staying outside the global economic system is tricky. Jamaica went its own way in the 1970s under Michael Manley, and although politically popular for a time, his "third path" socialist economic policies did not yield real results for the country. The number of WTO members suggests as well that such independent-minded economic efforts are not popular today.

Those who join and participate are the states of interest to this study.⁷⁰ But with WTO agreements setting a number of limitations on the actions of states (discussed below), the question for small states that arises is "why join?". The World Trade Organisation is part of the fabric of the international trading system, and with a membership of some 153 states, it is clear that, not just states with the appearance of shaping the system, but also small states, have chosen to become members. Understanding why states do or do not join may provide some insight both into the restrictions that they perceive will come with membership; and how they perceive that they might cope with those restrictions.

⁷⁰ Of the 151 WTO members in early 2008, thirty-two, or 21% of the membership, were classified as "least-developed countries." All of these states would fit into the Mouritzen and Wivel definition of non-pole powers in trade terms (and other terms as well). In addition to these states, several dozen other countries probably hold very little sway in the WTO decision-making process. In all, at least two-thirds of the WTO membership would probably fall into the category of non-pole power in trade negotiation terms, even on specific issues. See World Trade Organisation, “Understanding the WTO: The Organisation Least Developed Countries,” and “Understanding the WTO: The Organisation Members and Observers.”
A number of arguments are put forward for small states joining. Many analysts argue that the benefits of free trade are manifest, and that the freer trade sought by the World Trade Organisation will bring economic prosperity.\textsuperscript{71} Such arguments depend on the conviction that outward-oriented development is the way forward. Briguglio, Persaud and Stern suggest that countries pursuing outward-oriented development "cannot remain outside the framework of international trade rules if they are to successfully follow an outward-looking development strategy and have full access to opportunities to expand their trade in tourism, finance and other services (italics added)."\textsuperscript{72} For them and others, it is a matter of costs--despite the potential for lost sovereignty, states that are tied into the world economy cannot afford not to be part of the global trading system.

Others make their arguments on the basis of the lack of influence that small states have--they suggest that small states will benefit from the protection of international norms and rules which act as restraints on larger states.\textsuperscript{73} Although there is an assumption that there is an element of safety in numbers, the overall argument pre-supposes that larger states have little ability to influence the course of such international organisations, a questionable assumption.

Non-economic factors also sometimes play a role in why states join international organisations. The status accorded by membership enhances the value that states put on belonging to some groupings. Peter van Ham argues that a state’s image and its reputation can be an important part of its “strategic

\textsuperscript{71} Henrikson, “Small States in World Politics,” 7 and Grynberg, Dugal and Razzaque, An Evaluation of the Terms of Accession to the World Trade Organization, 3.

\textsuperscript{72} Briguglio, Persaud, and Stern, Toward an Outward-Oriented Development Strategy for Small States, vi and 16-17. Also see Messerlin, "Enlarging the Vision for Trade Policy Space", 1406, who argues that small states are much better off in the WTO than out. See also Weiss, "Antinomy and Interdependence," 70.

\textsuperscript{73} See Browning, "Small, Smart and Salient?,” 672, and Grynberg, Dugal and Razzaque, An Evaluation of the Terms of Accession to the World Trade Organisation, 3. In addition, although there are downsides to multinational trade agreements, they do offer small states some protection from pressure that might be exerted in bilateral trade negotiations. Qatar’s recent decision to halt bilateral trade talks with the US is an example--as a member of the WTO, Qatar already has access to the world trading system and thus apparently did not feel that it would suffer unduly by not completing a bilateral trade agreement with the US.
He talks about NATO and the EU—and suggests that citizens of existing member states “are reluctant to share these luxury brands with too many others, for such dilution will diminish the prestige that comes with exclusivity. Membership in NATO or the EU symbolises status and place in the international community.”

This assessment can be generalised to other high-profile international organisations—like the WTO—with states realising that the brand recognition that membership brings will enhance their status among other states. Zhang and Han make this point—speaking about the WTO, they suggest that the organisation’s “prestige” makes membership “a substantial milestone for developing countries.”

Beyond such general assertions, several theoretical reasons are generally put forward for joining the WTO. Blackhurst, Lyakurwa and Oyejide, for example, point out that the "additional degree of stability and predictability to the country's trade-related policies" helps to reassure investors. The issue of stability revolves around the desire of companies and countries to protect their goods and investments, and as put by Hoekman and Kostecki, "trade cannot prosper without legal security of property rights and mechanisms to enforce contracts." Hoekman and Kostecki also suggest that membership in the World Trade Organisation favourably impacts the perception of countries held by not just potential investors but also potential lenders. They point out:

“Countries with policy regimes that are perceived by investors as unstable are generally associated with higher capital costs--investors will demand a risk premium on funds invested in such countries to take into account the probability of losses due to policy reversals. Such premia can be high. … The "safer" a market, the lower the premium. Mechanisms to improve transparency can help lower risk perceptions by reducing uncertainty. WTO membership itself, with associated commitments on trade policies that are subject to binding dispute settlement can also have this effect.”

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76 Zhang and Han, “The Impact of Non-tariff Barriers on China’s Textile and Clothing Exports and Relevant Strategies,” 120. See also Das, “China’s Accession to the World Trade Organisation,” 2 and 13
Closely related to interest in foreign investors is the desire to develop particular sectors of an economy. Policymakers calculate that, if they can attract investment into a particular sector, they can benefit from technology transfer. In particular, the growth of foreign direct investment into the services industries is associated with "acquisition of new technologies, higher service standards and more effective delivery", and these desirable outcomes make the drive to create a conducive business climate more attractive.\textsuperscript{80}

International agreement to follow particular rules also reduces the likelihood that exceptions to trade rules will be made for strong domestic interest groups.\textsuperscript{81} A similar rationale cited for joining international trade agreements is the need to provide cover for national governments interested in adopting more liberal trade policies. Such policies may be opposed by local economic interests which might suffer as a result of liberalisation. But the argument suggests that, because it is much harder for governments to renege on specific international commitments that are part of a broader package, trade agreements make it much harder in turn for local opposition to lead a successful revolt against such measures. As Hoekman and Kostecki suggest, "through the reciprocal exchange of liberalisation commitments these political constraints can be overcome (italics added)."\textsuperscript{82}

In addition, membership offers a chance for states to influence future regimes. As Grynberg notes, “now that the WTO has become increasingly involved in negotiating what eventually become national commercial laws, membership becomes an imperative to all those who wish to have any impact on their own domestic laws.”\textsuperscript{83} Although there is debate about the extent to which domestic regulations are affected (or may potentially be affected in future) by the WTO,\textsuperscript{84} Grynberg’s point may have broader application, and is related to the point made

\textsuperscript{80} Eschenbach, “Reform of Services Policy and Commitments in Trade Agreements,” 121. See also Subrahmanyam, “Investment incentives and multilateral disciplines,” 302, who agrees with this, suggesting that technology and training are among the returns that accrue to societies which receive foreign direct investment.


\textsuperscript{82} Hoekman and Kostecki, The Political Economy of the World Trading System, 1, 27, and 108.

\textsuperscript{83} Grynberg, “Introduction,” 7.

\textsuperscript{84} See chapter 3, General Background on the GATS, Domestic regulations and subsidies.
by Briguglio, Persaud and Stern above. As an increasing proportion of world trade is conducted by members of the WTO, there is a need to be inside the organisation in order to influence the rules by which trade is governed.

The question of why small states might join is important because it explores the possible expectations of states of the nature of the constraints and opportunities that are created by membership. The large number of members of the WTO, and the vastly varying interests of the member states, suggests that the perception that there is some room to manoeuvre within the confines of agreements exists prior to joining. The fact that few leave may also lead to the assumption that they continue to feel some potential for agency. Where that room is, and how it is best used, are further questions which follow on from the question of why states might choose to join.

1.4 How do small states fare in WTO negotiations?

Participating in the system means, as a first step, joining the WTO. But that is easier said than done. As the literature on negotiations in general, and negotiations about WTO agreements in particular points out, the process can be arduous, and negotiators can lack the expertise and the resources to pursue the best policies for their states. Small states, as defined above, hold limited tools for changing the system, and there are in fact real limits on the ability of small states to influence the global system. On the question of the power of small states within the context of the global system, Susan Strange comments:

"Yet in reality, many international regimes have not so much been the result of the coming together of equals, but the end-result of a strategy developed by a dominant state, or sometimes by a small group of dominant states."\(^85\)

Others are more optimistic. Nye asserts that "on many issues, private actors and small states have become more powerful."\(^86\) To argue that they have become "more powerful" is of course a relative comparison, but the implication is that small states now have influence in negotiations on some issues.

\(^{85}\) Strange, *The Retreat of the State*, xiv.
\(^{86}\) Nye, "Soft Power," 160.
But it is difficult to see that Nye’s optimism is justified in the context of a small state’s accession negotiations with the WTO. All states interested in joining the WTO find that all countries that are already members have the right to demand concessions on both tariff and non-tariff barriers from applicants. Hoekman and Kostecki suggest that recent new applicants may be ever more constrained, and asked to "liberalise access to its markets much more than was the case in the past. … The conditions imposed on applicant countries are often seen by them as excessively burdensome." They subsequently argue that, in fact, "WTO members may-and do-ask for more than the status quo. Indeed, sometimes applicants are asked to do more than incumbent countries have committed themselves to." Indeed, for all states, the negotiating process is arduous when it comes to WTO membership. Existing states are able to demand not just compliance with the rules contained in WTO agreements, but frequently go further to demand market access. The level of commitments is also higher--in a study of the demands made by WTO members on newly acceding countries, Grynberg, Dugal and Razzaque find that on average acceding countries made more than double the number of services sector commitments compared with the number made by existing WTO members. They summarize that “the demands on acceding countries are invariably onerous and bear little or no relation to their size, significance or development status.”

Small state efforts to obtain the best possible agreement can also be hindered by a lack of expertise and bureaucratic capacity. While an important pillar of trade policy, resources available for this work may be limited. Michalopoulos suggests that the process can pose “serious difficulties for governments that typically do not have sufficient human or material resources to address the

91 Grynberg, Dugal and Razzaque, An Evaluation of the Terms of Accession to the World Trade Organisation, 7-11.
92 Grynberg, Dugal and Razzaque, An Evaluation of the Terms of Accession to the World Trade Organisation, ix.
issues that have to be discussed in detail." He also notes that very little help is available to states that are going through the accession process. Small states may of course have some diplomats with expertise in trade policy, but they are unlikely to be able to match the number of experts available to their more powerful counterparts. It is thus likely that they will not have the depth of understanding on the range of issues which is available to their interlocutors. Similarly, speaking about on-going work of the WTO, Hoekman and Kostecki point out that many delegations to the WTO are comprised of just one or two individuals (and some states have no permanent delegations there at all). With the GATS emphasis on on-going negotiations and increasing openness, this situation means that small states are likely to face a continuing disadvantage. A lack of resources available to devote to agreements of the size and complexity of the WTO will almost certainly result in sub-optimal agreements for small states.

Negotiations for all states, including small states, are also complicated by the need to satisfy domestic constituencies at the same time as reaching international accord. Putnam’s two-level game theory suggests the potential complexity of this challenge, particularly as more domestic actors are involved. His theory of negotiations focuses on politics rather than strength as a determinant of foreign economic policy; certainly it appears that domestic politics determines what a state would want to achieve even if other factors influence what is actually achieved. Odell similarly recognises that domestic processes determine many of the bargaining objectives for negotiators. Putnam further suggests that domestic interest groups tend to be more interested in trade negotiations than in other types of negotiations, as the costs and benefits of trade arrangements can be relatively concentrated. But the complexity of the balancing act has further dimensions—Putnam also notes if decision-makers have considerable autonomy from their domestic constituents,

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95 Putnam, “Diplomacy and Domestic Politics.” On the specific issue of complexity, see 445-446. Odell, Negotiating the World Economy, also recognises the increased complexity of two-level negotiations—see page 28.
97 Odell, Negotiating the World Economy, 26.
then they are more likely to be able to reach international agreements.\textsuperscript{99} Although beyond the scope of this paper, this combination raises the question of whether businesspeople in autocratic states are generally less inclined to take an interest in trade negotiations than those where democratic avenues of expression are available.

In any case, the scholarship makes clear that the parameters that the system sets depend in large part on the individual agreements that states are able to negotiate and on the timing of their accession. Grynberg, Dugal and Razzaque’s empirical study also suggests that states acceding to the WTO are, at least for that period, what Mouritzen and Wivel might define as "non-pole" states--i.e., they do not have the power to change the system themselves. It also makes clear that the options available to states vary --countries like Qatar, which joined the WTO as an early member, face fewer hindrances on their policy actions than those who subsequently joined, like Oman.

But questions also need to be asked about efforts that newer members and particularly small states which make up the majority of members have made to carve out policy space for themselves while in WTO negotiations. Have these efforts been successful? Although there are clearly more restrictions on the new states than the older ones, are these restrictions meaningful in terms of restricting options that those states might realistically have wanted to pursue? Or were they less viable development options from the onset? These questions add a further line of enquiry--have the restrictions made by WTO agreements seriously hindered policy decisions?

\subsection*{1.5 What are the parameters?}

Beyond the discussion of how states fare in WTO accession negotiations, it is necessary to understand what sort of restrictions the subsequent agreements imply and consequently the degree to which the current global system has circumscribed the ability of small states to manoeuvre and develop their economies. The question of the nature of the parameters is, not surprisingly, viewed from a number of different (and conflicting) perspectives. They differ

primarily along how strongly beneficial they see the constraints to be. These arguments are along a continuum--some argue that WTO agreements are harmful to developing states, while others suggest that there are costs and benefits. Further toward the other end of the continuum are those who suggest that policy space has not been squeezed significantly by WTO agreements.

Although his focus is broader than just the WTO, Ha-Joon Chang provides some useful insights. He takes a highly critical view of the way that developed countries are shaping the rules of the game. In his book, Kicking Away the Ladder, he argues that developed states are pressing less developed countries to adapt policies which are radically different from those that they themselves used to become rich.\(^\text{100}\) He states that "preventing the developing countries from adopting these (infant industry promotion) policies constitutes a serious constraint on their capacity to generate economic development."\(^\text{101}\) Indeed, Chang asserts that "the WTO agreement that puts restrictions on the ability of the developing countries to pursue activist ITT (industrial, trade and technology) policies is only a modern, multilateral version of the 'unequal treaties' that Britain and other NDCs (now-developed countries) used to impose on semi-independent countries."\(^\text{102}\)

Chang's historical approach means that his focus is on goods rather than services. The remedies he offers for the issues he raises are, even in his own view, unlikely to be adapted. But more importantly, the suggestion of his analysis is that import substitution is, if not the only, certainly the best way forward for states to develop. His book also does not examine the experiences of small states (like Oman) which followed import substitution development for

\(^{100}\) Chang, Kicking Away the Ladder, 128, where he summarises: "In other words, are the developed countries kicking away the ladder by which they climbed up to the top beyond the reach of developing countries? The answer ..., unfortunately, is yes."

\(^{101}\) Chang, Kicking Away the Ladder, 10. See also pages 64-66--his arguments about the standards that developed countries now apply to developing countries have a similar ring. He suggests that, in the past, developed countries "protected infant industries, poached skilled workers and smuggled contraband machines from more developed countries, engaged in industrial espionage and wilfully violated patents and trademarks. However, once they joined the league of the most developed nations, they began to advocate free trade and prevent the outflow of skilled workers and technologies; they also became strong protectors of patents and trademarks." For developing countries, the problems include that subsidies (except for very poor states) have been "outlawed" by the WTO. Chang later suggests (page 140) that changes to the system are necessary, although unlikely, to accommodate the needs of developing countries.

\(^{102}\) Chang, Kicking Away the Ladder, 127-8.
years before abandoning it in the early 1990s, long before they become members of and thus subject to the strictures of the WTO.

Other scholars offer a more nuanced and less comprehensive criticism of the current system. Hoekman and Kostecki, for example, have a more narrow focus than Chang, looking only at the trading system. Their critique suggests that there are advantages and disadvantages for small states under the WTO. From a macro perspective, Hoekman and Kostecki remark, "The rules and principles of the WTO constrain the freedom of governments to use specific trade policy instruments."\(^{103}\) Their analysis suggests that the current system infringes on sovereignty of small states, and that this trend will continue. In particular, new negotiations for trade agreements frequently include questions of labour rights and controls, and cover other issues which in the past were strictly matters of domestic policy. But as tariff barriers have gradually been overcome, the focus has shifted toward non-tariff barriers.\(^{104}\) Hoekman and Kostecki predict that "…future MTNs (multi-lateral trade negotiations) will revolve increasingly around non-tariff measures (NTMs) and domestic policies that are deemed to have an impact on trade. The interface between trade policy and economic policy more generally defined has become increasingly blurred."\(^{105}\)

In other areas, Hoekman and Kostecki's presentation makes clear that small states find few returns. One aspect of the WTO's rule-based system is that there is a mechanism for the settlement of disputes which does not rely on unilateral action. This is an important element of the accord for small states, with Hoekman and Kostecki suggesting that "recourse to a multilateral body is vital, as unilateral actions will be ineffective and thus not be credible."\(^{106}\) But despite considerable hype about the improvements offered by the WTO dispute settlement mechanism,\(^{107}\) small states gain little power through this mechanism, at least in the short term. The current mechanism is flawed--disputes can drag

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\(^{105}\) Hoekman and Kostecki, *The Political Economy of the World Trading System*, 42 and 105, which have further information on the types of restrictions that have been mooted.


\(^{107}\) In addition, the experiences of the WTO's dispute mechanism suggest that in some instances, the power of major economies can be challenged within these relatively new mechanisms--Brazil's successful WTO challenge against the US on cotton subsidies is an example.
on for up to 30 months, and if a state found guilty of violating rules refuses to negotiate compensation, small states are left only with the option of retaliation, which may hurt their economies more than it helps.\(^{108}\)

On the plus side, they suggest that, through the World Trade Organisation, small countries gain access to markets for their goods, potentially an enhanced ability to attract foreign direct investment and potentially lower costs for credit. In addition, as described in Hoekman and Kostecki, the WTO system is a "rule-oriented approach to multilateral cooperation. This contrasts with what can be characterized as a results-oriented or managed -trade approach--agreements on trade flows, market share or international prices."\(^{109}\) The implication is that, for small or less powerful states, the all-inclusive package and the rule-oriented approach reduce the pressure that they might feel for further agreements or concessions that might have existed in systems like the WTO forerunner, the General Agreement on Tariffs and Trade (GATT). Hoekman and Kostecki also suggest that other parameters of the current trading system--most favoured nation status, and the one-member one-vote system--are helpful to small states.\(^{110}\)

Others offer concerns about the constraints on policy and development options made on small states by the international system. Although they do not explicitly describe them as such, Briguglio, Persaud and Stern point out that trade preferences for small states have been seriously limited in recent years.\(^{111}\) The decline of these preferences means major adjustments for small states, and for agriculture exporters in particular, the changes have been drastic. \(^{112}\)

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\(^{110}\) Hoekman and Kostecki, *The Political Economy of the World Trading System*, 30--they suggest that, on most favoured nation status (which existed before, and is part in the WTO agreements), for small states, the result is "larger countries will not exploit their market power by raising tariffs against them in periods when times are bad and domestic industries are clamouring for protection, or alternatively, give specific countries preferential treatment for foreign policy reasons." See page 57—Hoekman and Kostecki acknowledge that WTO decisions are generally made on the basis of consensus despite the one-member, one-vote system. They argue however that the system nonetheless potentially gives smaller states more influence over the direction of decisions which require consensus, particularly if they work within coalitions.


\(^{112}\) Briguglio, Persaud and Stern, *Toward an Outward-Oriented Development Strategy for Small States*, 11, where they note that "(t)he shift from a commodity-or manufacturing-based economy
Likewise, Armstrong and Read warn that "strict adherence to axiomatic multilateralism and the creation of a level playing field for international trade is therefore likely to deprive small states of many niche opportunities by removing marginal but critically important sources of protection which contribute to their growth success." \(^{113}\) Like others, they are concerned about the administrative burden of new accords.\(^{114}\)

Even Linda Weiss, who believes that states continue to play a large and important role in the world, suggests that the agreements associated with membership in the World Trade Organisation are "a quantum leap in global regulation" and "go well beyond the previous interdiction of import controls." \(^{115}\)

But not all are critical. Sheila Page argues that the WTO has not significantly restricted policy space. She acknowledges that the trade-related aspects of intellectual property rights (TRIPS) agreement has constrained state action, but in other areas she contends that developing countries lose little in terms of their ability to manoeuvre.\(^{116}\) The biggest potential loss is in tariff protection, but she contends that even then, "most countries still have the space to use tariffs to undertake industrial policy...." \(^{117}\)

Robert Gilpin is also sceptical about the criticism levied against globalisation. He suggests that less developed countries have been "insufficiently globalised, rather than harmed by globalisation." \(^{118}\) The lack of integration into the world economy, he argues, means that they had not been able to obtain capital and technology and have not been able to follow export-led growth strategies.\(^{119}\)

\(^{113}\) Armstrong and Read, "The Importance of Being Unimportant," 81. See also page 79, where from a very general perspective, Armstrong and Read also argue that the nature of the parameters set for small states can be daunting-- small states (in a property sense) "are likely to be less able to compete head-on with many larger countries in a more openly competitive liberal global trading environment".

\(^{114}\) Armstrong and Read, "The Importance of Being Unimportant," 79.

\(^{115}\) Weiss, "Global governance, national strategies," 725-6.


\(^{117}\) Page, "Policy Space," 3.

\(^{118}\) Gilpin, The Challenge of Global Capitalism, xiv.

\(^{119}\) Gilpin, The Challenge of Global Capitalism, xiv.
This range of opinion reminds us that the debate about the dynamics of the world trading system is in many instances part of the more general debate about development policy. At one end, Chang advocates import substitution and protection, while at the other Gilpin suggests that export-oriented growth is the way forward for developing economies. Although such studies provide the framework for the larger debate, Hoekman and Kostecki's detailed explanation of interaction within the WTO provides a clear picture of what small and/or developing states face within that organisation, and therefore are more useful for this study. With their detail, Hoekman and Kostecki provide analysis of the WTO which credibly suggests that there is potentially both good and bad in such agreements for small states.

Agreements, by their nature, will limit options, but it is difficult to accept that states will enter into or stay within accords if there is no potential for positive outcomes. That said, small states can expect in the future that they will face infringements on their sovereignty, as the trade agenda broadens to include issues like labour rights and foreign direct investment regulations. WTO membership also comes at the cost of restrictions on their options for tariffs and quotas. In return as well, it is argued that small states get more potential market access. But, despite improvements, they do not get the sort of dispute settlement mechanism that will be of great assistance to smaller, poorer nations.

Even this rather general outline makes clear that the WTO sets parameters for state economic development policy. But to understand fully the complex dynamics of WTO-state relations and the nature of WTO restrictions and their impact, it is necessary to study specific agreements, which is why case studies such as those planned on Oman and Qatar are so important.

1.6 What are the options for states after the deal is done?

Once states are in the WTO, they still need to act. But there is considerable debate about what options are available to them from within the framework. A
primary option for small states is to work within the system to change it—or stated differently, continue to focus on the international parameters which shape their development options. Such efforts at change may be the result of negotiation and coalition building. A great deal has been written about this option, much of which concludes that small states have difficulty in achieving radical change.\footnote{For various aspects of this argument, see Ostry, The Uruguay Round; Blackhurst, Lyakurwa and Oyejide, "Options for Improving Africa's Participation in the WTO"; Steinberg, "In the Shadow of Law or Power?"; Mouritzen and Wivel, The Geopolitics of Euro-Atlantic Integration; Thorhallsson and Wivel, "Small States in the European Union"; Armstrong and Read, "The Importance of Being Unimportant"; Mouritzen "Tension between the Strong and Strategies of the Weak"; Mansfield and Milner, "The New Wave of Regionalism"; Strange, The Retreat of the State; Hoekman and Kostecki, The Political Economy of the World Trading System; and Chang, Kicking Away the Ladder.}

Another option, which can be pursued concomitantly with efforts to change the regulatory environment, is to work at the domestic level to develop economies, thus utilising as effectively as possible the options available within the global trading system. But within the domestic context, there is considerable debate about what choices are available to states seeking to develop their economies within the rules of the WTO. This debate leads to a number of questions: What are the options--do some scholars define them more narrowly than is justified by real world experience? Why do states choose the options that they do? What factors are important in determining the success or failure of domestic policy?

Within the conventional wisdom or Washington Consensus approach, a more focused analysis that looks at the need for a "competitive" domestic environment has received attention. This vein of literature suggests that states must react by becoming "competitive"--creating an atmosphere in which they can compete effectively for investment. Interestingly, the scholars who argue this also emphasise the constrained policy options available to attempt to become "competitive." Strange suggests that "(d)eveloping countries are now acutely aware that they are competing against each other, the laggards desperately trying to catch up with the successful newly industrialized countries."\footnote{Strange, "States, Firms and Diplomacy," 4.} Competition focuses at least in part on attracting foreign investment, as "the transnational firm has command of an arsenal of economic}
weapons that are badly needed by any state wishing to win world market shares.\textsuperscript{122}

For Briguglio, Persaud and Stern, small states can try to develop outward-oriented strategies.\textsuperscript{123} They argue that the creation of a solid business climate is the key to attracting foreign direct investment.\textsuperscript{124} Their laundry list of reforms that states should pursue includes "securing property rights, simplifying the tax regime, enacting appropriate competition legislation, providing adequate physical infrastructure, enhancing education and health infrastructure, and improving governance."\textsuperscript{125}

In addition to such standard neo-liberal proposals, they suggest in particular that small states look toward development of their services industries, which are less vulnerable to high transportation costs.\textsuperscript{126} In making this point, they argue that small states (with the exception of those with commodities like oil) have seen their share of global merchandise trade decline.\textsuperscript{127} The authors also point out that tourism growth has contributed significantly to economic growth in the small states that have been more prosperous in recent years.\textsuperscript{128} The development of services, as well as a manufacturing and goods export focus on niche markets, offers, in their opinion, the opportunity to increase employment opportunities rapidly.\textsuperscript{129}

But, beyond the suggestions about creation of a particular type of business climate, they offer few concrete suggestions about how a state might proceed to encourage these sectors or the problems that it might face should it choose to

\textsuperscript{122} Strange, "States, Firms and Diplomacy," 6-7.
\textsuperscript{123} Briguglio, Persaud and Stern, Toward an Outward-Oriented Development Strategy for Small States, v.
\textsuperscript{124} Briguglio, Persaud and Stern, Toward an Outward-Oriented Development Strategy for Small States, 21.
\textsuperscript{125} Briguglio, Persaud and Stern, Toward an Outward-Oriented Development Strategy for Small States, v.
\textsuperscript{126} Briguglio, Persaud and Stern, Toward an Outward-Oriented Development Strategy for Small States, 4.
\textsuperscript{127} Briguglio, Persaud and Stern, Toward an Outward-Oriented Development Strategy for Small States, 4.
\textsuperscript{128} Briguglio, Persaud and Stern, Toward an Outward-Oriented Development Strategy for Small States, 4.
\textsuperscript{129} Briguglio, Persaud and Stern, Toward an Outward-Oriented Development Strategy for Small States, 20.
do so. Indeed, they are perhaps more concerned with arguing about how to change the system— they write that small states want additional "policy space." These states are seeking some ability to forego some WTO commitments as they believe that they must compensate for constraints that they face, including high transport costs, if they are to attract foreign investment. In this discussion, the main focus appears to be on trade in goods, rather than trade in services. Unfortunately, such a focus limits the utility of their analysis for small states as the economies of many small states (in a property sense) are heavily dependent on trade in services, making study of this issue vital for understanding development options for small states. As a consequence, a further examination of the impact of the WTO on trade in services (see below), rather than just trade in goods, is necessary to understand both the restrictions that it places and the possibilities for development that it offers.

Palan, Abbott and Deans' *State Strategies in the Global Political Economy* is preferable since it offers more detailed suggestions for state efforts to develop their economies in a globalised world. The authors suggest that the creation of an appropriate and competitive business environment should be the main aim of states in the current global environment— they look at competitive strategies, which they define as "a set of policies that are explicitly aimed at improving the climate for business (national and/or multinational) and hence at enhancing the 'competitive' advantage of such countries in the global economy." They argue that the state still has a role to play, following one of their seven different tracks or models. Some of their strategies, they suggest, have characteristics which mean that they are most likely to be adopted by members of the OECD or similar states. These four are the formation of regional trade

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blocks; the use of the Asian development state model; the use of a social democratic model which opens some areas of the economy while protecting others; and finally the assumption of the role of hegemon.\textsuperscript{135} For "poorer and weaker states", however, they consign three options--the first is the use of incentives including cheap labour to bring in foreign investment, while the second is the establishment of tax havens.\textsuperscript{136} Palan, Abbott and Deans suggest as an alternative that such states simply play no role in the system--states falling into this third option are Afghanistan, Iraq and about three dozen others.\textsuperscript{137} They do suggest that states may pursue more than one model concomitantly.\textsuperscript{138}

Palan, Abbott and Deans acknowledge that "the process of globalisation is dynamic", and that other models might emerge over time.\textsuperscript{139} Even with this acknowledgment, it is not clear that the seven models presented capture the diversity of responses available to states. With regard to the Middle East, Palan, Abbott and Deans are particularly dismissive of the development efforts and experiences of those countries. They suggest:

"At first glance, there are a significant number of states in the world which do not appear to be explicitly pursuing any of the strategies we identify but yet possess relatively stable political regimes and enjoy standards of living considerably greater than the majority of those states classified as 'not in the game'. In the Middle East, for instance, a number of countries including Israel, Kuwait, and the Emirates have chosen something which superficially shares similarities with the 'Shielders' (the social democratic model). Similarly, developing countries such as Egypt and Algeria have flirted with variants of nationalism and socialism under the hegemony of a ruling party or elite. With the exception of Israel, whose economy is well integrated in the world economy, and which boasts a buoyant hi-tech sector, most of these economies are far from internationally competitive."\textsuperscript{140}

They later suggest that:

"(t)wo types of states are not discussed in this book. The first are those that rely principally on a single commodity export such as oil. These states, by and large, have never adopted competitive strategies because they are able to use (or squander) their revenues by shielding

\textsuperscript{135} Palan, Abbott, and Deans, \textit{State Strategies in the Global Political Economy}, 5.
\textsuperscript{136} Palan, Abbott, and Deans, \textit{State Strategies in the Global Political Economy}, 5.
\textsuperscript{137} Palan, Abbott, and Deans, \textit{State Strategies in the Global Political Economy}, 5 and 189.
\textsuperscript{139} Palan, Abbott, and Deans, \textit{State Strategies in the Global Political Economy}, xviii.
\textsuperscript{140} Palan, Abbott, and Deans, \textit{State Strategies in the Global Political Economy}, xviii.
themselves from the impact of the world market. The second are those that are in transition from communism to capitalism. We believe that sooner or later both will have to adopt one or other of the strategies described in this book.\textsuperscript{141}

Palan, Abbott and Deans' statements with regard to the Middle East oil exporters make little sense with regard to competitiveness and integration into the world economies. These states have been competitive in attracting foreign direct investment, and their exports to GDP ratios suggest that they are well-integrated into the global economy by some measures. What they are not is diversified (although even that is changing slowly). But that is a different matter and should not be grounds for dismissing them as not part of the global system.

Indeed, Strange's assessment indicates that seeking to establish seven models as Palan, Abbott and Deans have done perhaps misses part of the point. She talks of differing responses, suggesting "the diversity of government responses to structural change usually reflects the policy dilemmas peculiar to the government of that society."\textsuperscript{142}

Other writers take a more optimistic view of the options available to states than is found in either Palan, Abbott and Deans or Briguglio, Persaud and Stern. Rather than arguing about how the system \textit{should} change, Armstrong and Read suggest that there are options for the less well-endowed. Their argument, which is made about small states (defined as a property concept), is that "the more successful small states have shown themselves to be adept at identifying activities and taking advantage of opportunities to engage in free-riding and rent-seeking activities in the global economy, made possible by virtue of their small size...."\textsuperscript{143} But they point out that the lessons to be drawn from these options are not restricted to states which are small only in a property sense--

"The theoretical paradigm of the 'small open economy' is frequently used in the economic analysis of international trade and macroeconomic policy issues. This approach has widespread applicability, primarily because

\textsuperscript{141} Palan, Abbott, and Deans, \textit{State Strategies in the Global Political Economy}, 11.
\textsuperscript{142} Strange, "States, Firms and Diplomacy," 9.
\textsuperscript{143} Armstrong and Read; "The importance of being unimportant," 71.
very few countries—as opposed to trading blocs—actually possess sufficient international market power to affect their own terms of trade.”

This draws us back to the insight that it is not physical or population size that matters, but issue and time specific relational power that should be our focus.

Armstrong and Read include an examination of policy alternatives where small states (in a property sense) may have some advantages. Like other economists, they point out that human capital formation is a possible area where small states can devote resources and obtain an economic return. Beyond this, however, they suggest that the key for small states is "strategic behaviour" and their "significant scope for optimal endogenous policy formulation." They further suggest that "specialisation in service activities in particular appears to have had a strong positive impact upon the economic performance of small states...." The implication of their argument is that sufficient space exists, but states must be able to engage in forward-thinking planning in order to maximise the options that space offers (which would imply agreement with Weiss below). Although they express optimism about the chances that small states have for success, the specific policy suggestions for action they propose for small states are, however, very limited.

Doner and Ramsay contend that there is a need for government intervention beyond the mere creation of a competitive environment. They caution that the second-generation Washington Consensus is not sufficient to promote growth, but that "sustained growth in the face of globalisation requires institutional innovation capable of implementing policies that are both market-conforming and attentive to the needs of specific sectors." They also emphasis that such institutional capacity varies over time, and thus growth will vary over time.

144 Armstrong and Read, "The importance of being unimportant," 72.
145 Armstrong and Read, "The importance of being unimportant," 75.
146 Armstrong and Read, "The importance of being unimportant," 75.
147 Armstrong and Read, "The importance of being unimportant," 76.
148 Armstrong and Read, "The importance of being unimportant," 77.
Likewise, Linda Weiss delves much deeper than those who suggest that states have few options other than the creation of a "favourable business climate." In her much more complex view of the issue, she sees states as able to affect change and to act as agents. In arguments which focus on the continuing viability of the nation-state within the globalised world, she suggests that governments can play an important role in the economic development of countries coping with globalisation and that creation of an appropriate business environment may be necessary but not sufficient for development.\textsuperscript{152}

But having said that, she cautions that state intervention does not necessarily lead to economic success. She says instead that "state involvement is not equivalent to state transformative capacity"--sometimes states simply do not have the talent necessary to bring about change.\textsuperscript{153} State capacity, she defines, as "the ability of policy-making authorities to pursue domestic adjustment strategies that, in cooperation with organised economic groups, upgrade or transform that industrial economy."\textsuperscript{154} Her interest is, however, in what she calls transformative capacity, "the ability to co-ordinate industrial change to meet the changing context of international competition."\textsuperscript{155} But the existence of different pressures means that domestic institutions determine the ability of the state to take advantage of the existing openings within the global system.\textsuperscript{156}

Success is not, however, just a product of capabilities--it is also a product of will. Weiss argues that a state's response (or lack thereof) to globalisation is conditioned by the nature of the domestic institutions--which are formed not just of organisational structures but also of their particular normative outlook.\textsuperscript{157} Elsewhere, she writes that:

"states are responding from very different institutional and ideational bases and are therefore most unlikely to be moving in a single (regulatory) direction. This is because, in an internationalized economy, path-dependency (historical linkages between institutions which create interlocked systems) still carries weight: the weight of both historically formed regime orientations (e.g., the fundamental norms about the

\textsuperscript{152} Weiss, The Myth of the Powerless State, 8.
\textsuperscript{153} Weiss, The Myth of the Powerless State, xii.
\textsuperscript{154} Weiss, The Myth of the Powerless State, 5.
\textsuperscript{155} Weiss, The Myth of the Powerless State, 7.
\textsuperscript{156} Weiss, States in the Global Economy, 15.
\textsuperscript{157} Weiss, States in the Global Economy, 4.
state's role in economic and social relations) and institutional configurations (e.g., the availability of cooperative mechanisms for public-private governance).  

In her analysis, if states have a history of development action, they are likely to continue it.

In addition, her view suggests that in some instances globalisation actually encourages further state intervention, and co-operation between business and government. She suggests that the result is "governed interdependence" where business and government are "enmeshed in a network of interdependencies, the rules for which are established by government." Weiss further states that governed interdependence "entails a variety of public-private partnerships and alliances, policy networks, information exchange and self-regulation under the state's goal-setting auspices."

Unlike Palan, Abbott and Deans, who seek to define a finite set of possible outcomes, Weiss expresses the belief that any number of outcomes are possible. She instead looks to understand why states react the way they do and why those reactions sometimes lead to success or failure. In her view, a number of factors feature in success or failure--among them, the will to act, the nature of domestic institutions and cooperation between the state and business. This recognition that a range of factors are critical to success or failure provides scope within her theory to explain the differing responses and the differing rates of success among states that seek to develop their economies within the current global environment. As such, Weiss' ideas are more suited to explain real world actions and reactions than, for example, Palan, Abbott and Deans, who suggest that only limited state reactions are possible.

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158 Weiss, "Globalisation and national governance," 81; she expresses similar ideas in States in the Global Economy, 27 and 28-29.

159 Weiss, States in the Global Economy, 18, where she acknowledges that other outcomes are possible. In a separate volume, The Myth of the Powerless State, Weiss explores her notion of governed interdependence much further--she suggests that in this model, states do not impose their will but work with business (Weiss, The Myth of the Powerless State, 39.). For Weiss, the relationship of business and government must be between equals, with both partners being strong (Weiss, The Myth of the Powerless State, 43-44.). Although her view of working together does not seem to have changed and the statements from The Myth of the Powerless State may just be a change in emphasis, in States in the Global Economy, Weiss makes clear that she believes the rules of the game are set by the government (Weiss, States in the Global Economy, 18).

Strange also suggests that the quality of governance is part of the key—as she puts it, "(o)ur research suggests that the crucial difference between states these days is not, as the political scientists used to think, that between 'strong' states and 'weak' ones, but between the sleepy and the shrewd. States today have to be alert, adaptable to external change, quick to note what other states are up to. The name of the game, for governments just as for firms, is competition."\textsuperscript{161} Indeed, her writing adds to that of Weiss’ notion of identifying sectors—Strange suggests that governments should actively seek firms as partners in their efforts to compete and attract investment.\textsuperscript{162}

Weiss offers another insight into the importance of alertness to possible niches for action. She looks specifically at the impact that the world trading system has had on the development options available to states looking at technology and knowledge-based industries.\textsuperscript{163} She accepts that the parameters set by the World Trade Organisation limit the options for developing states to expand their traditional manufacturing capacity.\textsuperscript{164} But she draws a distinction between the impact that these agreements have on traditional manufacturing and knowledge-based activities, where there is scope for countries to carve out active economic sectors with government assistance.\textsuperscript{165} She argues that the World Trade Organisation regimes are designed to allow the development of these industries currently important for industrialised countries, including knowledge-based and technology-based industries.\textsuperscript{166}

Weiss acknowledges that the Trade Related Investment Measures (TRIMs) agreement and the Subsidies and Countervailing Measures (SCM) agreement both limit what a state can do to develop its economy, but she argues these agreements are "much less restrictive than would appear at first glance—at

\textsuperscript{161} Strange, "States, Firms and Diplomacy," 10.
\textsuperscript{162} Strange, "States, Firms and Diplomacy," 11.
\textsuperscript{163} Weiss, "Global governance, national strategies."
\textsuperscript{164} Weiss, "Global governance, national strategies," 724 and 726.
\textsuperscript{165} Weiss, "Global governance, national strategies," 730.
\textsuperscript{166} Weiss, "Global governance, national strategies," 724.
least as far as the developed countries are concerned."\(^{167}\) She focuses instead on other aspects of WTO agreements and identifies that the WTO rules allow countries to provide support of various kinds to sectors which support development of knowledge-based industries.\(^{168}\) She also argues that although state options have changed as a result of the shift in the global environment:

> "...rather than blunting and marginalizing efforts to foster national advantage, it has helped to produce more focused initiatives in several key areas. States have become more selective in what they support, targeting some sectors, ignoring others, and reaching agreement over areas in which to exercise restraint. In this respect, one might be tempted to see the WTO as an upgrading device for developed economies.\(^{169}\)

Her view of the structure of the current system is positive for developed countries. She summarises by suggesting that "(s)tates do not just 'find' space to move, they also initiate strategies to creatively shape that space."\(^{170}\)

Others also argue that government intervention is a necessary ingredient for success. In a similar vein to Weiss, Chang advocates the use of "activist industrial, trade and technology policies."\(^{171}\) But even within this context he cautions that "the successful countries have been those that were able skilfully to adapt their policy focus to changing conditions."\(^{172}\) He further warns that the use of "activist ITT policies" does not guarantee economic prosperity.\(^{173}\) Like others, he recognises that there can be many roads to success. Speaking about "now developed countries" (NDCs), he suggests that "there was a considerable degree of diversity among the NDCs in terms of their policy mix, depending on their objectives and the conditions they faced."\(^{174}\) He says instead that "there is no 'one-size-fits-all' model for industrial development--only broad guiding principles and various examples from which to learn."\(^{175}\) But unlike Weiss, he places an emphasis at the international level of analysis with the impact of the

\(^{167}\) Weiss, "Global governance, national strategies," 726-7. In addition, on page 736, she points out that the Government Procurement Agreement (GPA) remains a plurilateral accord rather than one which encompasses the entire WTO membership.

\(^{168}\) Weiss, "Global governance, national strategies," 731.

\(^{169}\) Weiss, "Global governance, national strategies," 745. Her italics.

\(^{170}\) Weiss, "Global governance, national strategies," 745.

\(^{171}\) Chang, *Kicking Away the Ladder*, 126.

\(^{172}\) Chang, *Kicking Away the Ladder*, 127.

\(^{173}\) Chang, *Kicking Away the Ladder*, 127.

\(^{174}\) Chang, *Kicking Away the Ladder*, 65.

\(^{175}\) Chang, *Kicking Away the Ladder*, 66.
global system, where she argues that success or failure of development frequently results from the domestic level with the effectiveness of domestic institutions.

This contrast in level of analysis is one of the areas that needs exploration—are the parameters set by the global system so overwhelming as to offer no policy space for small states? Or is there a mixture of reasons--global and domestic--which contributes to the success or failure of economic development policies within small states?

Chang's notion of the importance of infant industry protection is also challenged by Messerlin, who suggests that it is frequently "counterproductive." Like others, Messerlin argues that governments are not particularly good at choosing industries to support, and:

"In sum, even if a government picks the right infant industry 'targets', it must still carefully identify the correct policies to address the underlying challenge….Again, countries relatively successful with infant industry-based policies have most often used non-trade policies to address such challenges." 

Where Palan, Abbott and Deans’ argument amounts to suggesting that states effectively throw up their hands in defeat, and Chang offers little more in the way of encouragement, Weiss and others differentially suggest that states have options should they choose to exercise them. This latter approach seems to more effectively explain the diverse responses that states have taken to globalisation. Both Doner and Ramsay and Weiss endorse state action and point to the importance of capable domestic institutions. Their emphasis on the norms which help to define the extent of state action and, particularly with regard to Doner and Ramsey, on the quality of domestic institutions, also provides a useful framework for understanding why some states are more successful than others.

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Weiss' confidence in the role of the state means, however, that she goes so far as to suggest that size is not material.\textsuperscript{179} She suggests that "what does need emphasising is that state size is not the issue....",\textsuperscript{180} and very narrowly, that may be true--her statement refers to the question of size and whether or not states are potentially enabled by globalisation. But in both an influence and a property sense, size probably does matter more than she would admit. In an influence sense, size may not matter when a country is trying to identify various options for its development policy within the context of an existing WTO agreement or potentially other trade agreements. But when such agreements are being \textit{negotiated}, the ability to influence does matter and does affect outcomes, and so the subsequent context in which these small states are enabled (and their ability to react to the demands of their citizenry) is determined in part by their non-pole status. Counter-intuitively, Armstrong and Read suggest that small states--in a property sense--may have an advantage, as trade concessions given to them do not cost their larger partners much.\textsuperscript{181}

Size in a property sense also matters in economic development terms. For states that are physically small, low levels of population may impede their ability to reach economies of scale internally. Small states also potentially have limited resource bases which limit the scope of their exports, combined with a need for imports and a consequent open trading regime.\textsuperscript{182}

But even while she may not take into account issues faced by small states, the broader view offered by Weiss, with its attempt to explain a variety of outcomes and policy directions, seems to explain and also to conform much more closely to real experiences. It certainly opens up the research agenda of agency, which most other authors ignore or dismiss. It also provides a basis for examining the question of the interplay between international and domestic factors in the success or failure of a particular development strategy. For these reasons, this

\textsuperscript{179} Weiss, \textit{States in the Global Economy}, 27.
\textsuperscript{180} Weiss, \textit{States in the Global Economy}, 27. On page 11, she talks about the constraining aspects of globalisation, suggesting there that financial liberalisation may have more of an impact on small, highly open economies. But she does not seem to follow-through on this thought later in her discussion of size.
\textsuperscript{181} Armstrong and Read, "The importance of being unimportant," 81.
\textsuperscript{182} Armstrong and Read, "The importance of being unimportant," 73-4.
study will further examine the utility of Weiss’ perspective when looking at Oman and Qatar.

1.7 Services industries: is there policy space?

If there are options for states to develop their economies as Weiss suggests, where are they? Chang and others make convincing arguments that development focused on trade in goods is not viable. But what about services? Can small states find effective policy options within the international regulatory environment by utilizing the services sector? For small states, such agency would be particularly important as services have in recent years in general been an important element of their economies, and the overall growth in global services has been significant—World Bank figures suggest that total commercial service exports tripled between 1990 and 2005 to reach nearly $2.5 trillion.183 Expectations may be optimistic, but the recent growth does suggest that there is scope for this area to be an expanding driver of growth in many economies.

Palan, Abbott and Deans’ argument that there are a limited number of development types to pursue follows from their argument that policy space is very limited. They are not alone in this suggestion (see discussion of Chang above). Unfortunately, most, but not all, of the available literature focuses on trade in goods rather than services. But embedded among the recurring suggestions for development of small states (in the property sense) are titbits about options in various services industries, including tourism. The literature on services thus needs examination.

Commenting specifically on the GATS, Aaditya Mattoo provides a positive perspective on that accord. Although he accepts that rules need to be improved, he suggests that liberalization of services trade will bring "substantial gains" to developing countries.184 He adds that foreign direct investment is likely to follow from a liberalization of services trade, and that "the impact of this on long-run growth is unambiguously positive."185 His arguments also suggest that

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183 World Bank, 2007 World Development Indicators, 212.
developing countries would benefit from an increase in their services exports if further global liberalisation occurs. Messerlin goes further: he describes the GATS as "probably the most flexible of all WTO agreements." Sheila Page is also blunt, saying that the agreement on trade in services has led to "no reduction of policy space."

But not all scholars paint a positive view of the GATS. Robert Hunter Wade argues that GATS acts as a serious constraint on developing country options. He suggests that, under GATS, the governments of developing countries find that they have few choices in how they treat transnational corporations operating within their borders. On this basis, he suggests that GATS is an investment treaty rather than a trade treaty. Again, like Chang, Wade makes suggestions about how the system should be changed.

Although future change in the regime may be desirable, such suggestions are at best a long-term answer rather than a specific proposal for the medium term development needs of countries. Moreover, Wade ignores the fact that states have the power to opt out of specific commitments in the GATS. While their negotiating position also certainly means that they undertake some commitments that are unsuitable (see above), it is hard to believe that states would enter into agreements which offer no promise of the ability to develop their economies. Finally, Wade's argument is probably too broad—although the agreement may be constraining in some sectors and in some instances, the world tourism industry is growing by leaps and bounds in geographic areas well beyond those countries of the core which he suggests are seeking to constrain less developed states through the GATS.

His core argument—that the GATS inhibits development through its investment treaty implications—contrasts with the conclusions of Page and others. These

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189 Wade, "What strategies are viable for developing countries today?" 621.
190 Wade, "What strategies are viable for developing countries today?" 628. Others also describe the GATS an investment treaty. See Cali, Ellis and te Velde, "The contribution of services to development," 14; and Jackson, The World Trading System, 309-10.
191 Wade, "What strategies are viable for developing countries today?" 636-638.
contrasting assertions give rise to the question of whether policy space exists for smaller countries to develop their services industries in the current global order. Small states are frequently encouraged to develop their tourism industries, and studying the nature and impact of services agreements is necessary to provide an understanding of the important policy space that may remain.

1.8 Tourism and policy space

Like the more general writing on the GATS agreement, there is disagreement on the impact that the accord has had and will have on the development of tourism in particular. The literature with a specific focus on GATS and tourism is more limited than writing about GATS and, for example, financial services. Some scholars have, however, looked at the implications of liberalisation of tourism for the establishment of a "sustainable" industry and for tourism development more generally.

Adam Dunlop’s discussion of GATS and tourism argues that at initial entry for Caribbean countries in 1995, governments largely agreed to hold limitations that already existed. In his view, this meant that GATS made little impact on states’ ability to govern directly the development of the tourism sector, but he cautions that increased liberalisation could have an impact. His assessment is, however, related to a regional group and seems to apply most specifically to those states which initially joined the WTO, rather than those which have subsequently had to go through the accession process.

Likewise, Meena Thakur paints a positive picture of the impact of GATS on the tourism sector. She asserts without further analysis that GATS provides protection for developing states as set out in the treaty. She adds her

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192 Dunlop, Tourism Services Negotiation Issues, 24.
193 Dunlop, Tourism Services Negotiation Issues, 24.
195 Thakur, Modern Trends of Tourism, 19.
assessment that GATS offers developing countries the opportunity to obtain commitments that will help them improve the efficiency and competitiveness of their domestic service providers.\textsuperscript{196} But whether outside treaty commitments are the best way to encourage domestic reforms is open to question. Thakur further suggests that “GATS will benefit tourism and travel in several ways,” including the creation of more exhibitions and business travel.\textsuperscript{197} Her argument is that more trade will mean more travel. Although there is possibly some truth in this assessment, the argument is weak. Countries interested in improving their travel and tourism business would probably be better advised to focus on that industry rather than on general business promotion in the hope that it will generate further inward business travel.

For Thakur as well, GATS has had little impact on the industry to date. She points out the policy areas where GATS does not have authority, including visas, passports and customs duties.\textsuperscript{198} Indeed, in her opinion, developing countries were already interested in attracting rather than controlling foreign investment, and any market access restrictions had been “overcome without great problems by large companies.”\textsuperscript{199} But while some states may have taken the decision that their tourism development is best handled through the use of transnational corporations (TNCs), not all states may want to choose this mode of development. Thakur offers no analysis of the impact of GATS on these states.

While Thakur is happy with the impact of the GATS, other scholars raise serious concerns about the implications that GATS has for tourism development. Darren Hoad contends that “the emergence of the GATS poses a challenge to sustainable forms of tourism and in particular to local communities, local governance frameworks and local social and economic relationships.”\textsuperscript{200} He suggests that local communities do not have the ability to control their natural resources because of GATS rules which regulate tourism.\textsuperscript{201} Hoad argues that

\textsuperscript{196} Thakur, Modern Trends of Tourism, 28.
\textsuperscript{197} Thakur, Modern Trends of Tourism, 29.
\textsuperscript{198} Thakur, Modern Trends of Tourism, 20.
\textsuperscript{199} Thakur, Modern Trends of Tourism, 27.
\textsuperscript{200} Hoad, “The General Agreement on Trade in Services,” 214.
\textsuperscript{201} Hoad cites Brohman, who is concerned about how various groups can influence decision-making in tourism development to support his argument. J. Brohman, “New directions in tourism
the GATS rules on market access "have the potential to weaken the basic notions of protection, conservation, and the ability of local communities and national governments to regulate tourism and tourist behaviour." 202

Likewise, Suneja suggests that India’s accession to the GATS has resulted in a radical change in the Indian government’s approach to tourism. He asserts that the government will “act solely as a catalyst in bringing about tourism development,” with the private sector now responsible for most development. 203 But Suneja provides little detail, and it is not clear whether he is contending that GATS forced this change on the government or the government took the opportunity to change direction as it implemented its commitments to the GATS.

Beyond these general observations about the impact of the GATS, scholars are concerned about the implications of GATS in specific areas. Domestic regulation is one such area. Meena Thakur takes a benign view of the impact of GATS on economic policy and regulations, suggesting that such policies are unaffected by GATS unless there is a violation of national treatment obligations. 204 Such assertions are, however, made without critical analysis of the impact that negotiations have on actual agreements for individual countries, or an assessment of the impact that current negotiations on domestic regulations might have.

But others are concerned about the impact that GATS has on the ability of states to direct the growth of their tourism sectors. In particular, George and Salgoenkar suggest that GATS commitments make it more difficult for states to maintain their natural environments as local regulations are challenged by foreign investors. 205 The potential for such challenges results in “a risk...of a chilling effect of GATS on new regulations aimed at promoting sustainable

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202 Hoad, “The General Agreement on Trade in Services,” 221.
203 Suneja, “GATS and the Tourism Industry,” 63.
204 Thakur, Modern Trends of Tourism, 20.
tourism.”\textsuperscript{206} Jules also worries that GATS will potentially have a detrimental impact on the ability of states to regulate the sector.\textsuperscript{207}

As part of their concerns about regulations and sustainable tourism in the context of GATS accords, several scholars also focus on the access that GATS potentially gives to TNCs. Darren Hoad suggests that the real winners in GATS are transnational corporations involved in tourism services, and that small companies are not able to compete.\textsuperscript{208} Governments, he contends, are not able to regulate effectively powerful TNCs under the strictures of GATS.\textsuperscript{209} He argues that local communities may fail to benefit from tourism if GATS rules on national treatment are applied to this sector.\textsuperscript{210} He suggests that “the option of promoting sustainable tourism as a development strategy based on the comparative advantages which many developing countries have, may be lost as foreign providers gain access to domestic markets.”\textsuperscript{211} In this view, he reflects the general leftist scepticism of WTO agreements and the way that they constrain domestic policy.

George and Salgaonkar go further in their condemnation of GATS for allowing access to markets to TNCs. They suggest that “government cannot impose restrictions unless a multinational hotel chain’s anti-social, equitable-competition-killing, unfair business practices are proved in front of an ‘independent’ authority.”\textsuperscript{212} They suggest that “the GATS rules place severe constraints on the ability of developing countries to direct the manner in which transnational investors operate....”\textsuperscript{213} In their view, GATS pits small operators against transnational corporations in a fight that the small companies cannot win.\textsuperscript{214} In their assessment, however, they lose sight of the differences in GATS

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\item \textsuperscript{206} George and Salgaonkar, “Tourism in the Context of GATS,” 297.
\item \textsuperscript{207} Jules, \textit{Sustainable Tourism in St. Lucia: A Sustainability Assessment of Trade and Liberalisation in Tourism services}, 27 and see also 15. Others raise concerns about the impact of local government actions to support communities in the context of GATS—see Berne Declaration and the Working Group on Tourism and Development, “The WTO General Agreement on Trade in Services (GATS),” 9.
\item \textsuperscript{208} Hoad, “The General Agreement on Trade in Services,” 219.
\item \textsuperscript{209} Hoad, “The General Agreement on Trade in Services,” 219.
\item \textsuperscript{210} Hoad, “The General Agreement on Trade in Services,” 222-223.
\item \textsuperscript{211} Hoad, “The General Agreement on Trade in Services,” 223.
\item \textsuperscript{212} George and Salgaonkar, “Tourism in the Context of GATS,” 300.
\item \textsuperscript{213} George and Salgaonkar, “Tourism in the Context of GATS,” 300.
\item \textsuperscript{214} George and Salgaonkar, “Tourism in the Context of GATS,” 297.
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agreements as negotiated by states, and the resulting differences in tools available to those states.

Those seeking policy space are also confounded by GATS regulations regarding restrictions on market access, according to Hoad. He worries that "market access principles rule out qualitative and quantitative restrictions (limits and quotas) as sources of potential trade discrimination." But he later tones down this criticism, acknowledging that Egypt has been allowed to keep restrictions on the number of carriers using the Nile.

Even Dunlop, whose overall assessment seems very positive, offers more specific observations. He suggests that GATS does have an impact on tourism development options. His writing flags up some of the problems that small countries face when seeking to develop their industries within the context of GATS. In particular, Dunlop points out the potential for concentration of ownership of hotel space in the hands of transnational corporations, with which local small and medium-sized hotels find it difficult to compete.

More generally, he cautions that vertical integration and anti-competitive practices are a potential side-effect of opening up small markets, and he suggests that the smaller Caribbean states "are particularly vulnerable to anti-competitive behaviour on account of their weak bargaining power and small size." But it is not clear that the situation that Dunlop describes is the result of GATS alone. The real point may be that, prior to GATS, states had the option (although not exercised) of regulating some of these activities, but now have much less room to manoeuvre. Such observations suggest that looking at the dynamic nature of the GATS agreements may provide some lessons for small states generally as they seek to develop their tourism sectors within the international regulatory environment.

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215 Hoad, "The General Agreement on Trade in Services," 221.
216 Hoad, "The General Agreement on Trade in Services," 221.
217 Dunlop, Tourism Services Negotiation Issues, ii.
218 Dunlop, Tourism Services Negotiation Issues, vi. For further discussion about concentration of distribution channels, see 6-7; and for more general discussion of types of anti-competitive behaviour like tied sales, see 16-17.
That said, Dunlop argues that outcomes are not without variation, and that policy space is possible to achieve. He points out that "every CARIFORUM state preserves at least some tourism-related services for national companies and local service suppliers." Policymakers are in this way thwarting any moves toward vertical integration of such tourism services by TNCs. From this perspective, then, policy space does exist.

Thakur goes further in her endorsement of GATS, suggesting that further TNC access is a positive result for GATS members. In her benign assessment of the impact of GATS on tourism, she suggests that:

"With disappearing trade restrictions for tourism companies, tourism will grow and increasingly focus on quality. The tourism sector will benefit not only by allowing major tour operators and hotel chains to expand their reach worldwide, but also by opening up competition to small-medium scale companies."

From her perspective, then, GATS will allow small companies to compete, rather than lead to the demise of small local ventures as they try to compete with TNCs. But her assertion is not backed by any case studies which indicate that GATS has resulted in the successful penetration of new markets by small tourism companies or which indicate the continued viability of local small companies. Moreover, Thakur’s assessment that tourism growth will automatically follow from the GATS and lead to increased quality is problematic. An increase in tourism focussed on quality products rather than mass-tourism depends on a wide range of factors, many of which are well beyond the scope of any trade treaty.

Honeck is also generally positive in his assessment of the impact that GATS can have on tourism development. He asserts that, far from crowding out local industry, “well-regulated FDI can be an important catalyst for “jump-starting” newer LDC tourism destinations.” He suggests that local businesspeople may

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219 Dunlop, Tourism Services Negotiation Issues, iv; further discussion 5-6.
220 Dunlop, Tourism Services Negotiation Issues, iv; further discussion 5-6.
221 Thakur, Modern Trends of Tourism, 30.
copy business models of foreign investors and benefit from training. More
generally, he argues that tourism sectors in developing countries would benefit
from services liberalisation because of the improvements in backbone services
like telecoms that liberalisation would bring. In these suggestions, he uses
arguments typically found for encouraging foreign direct investment. He also
argues that GATS does not require full commitments in tourism, noting possible
limitations that can be made on market access.

Others also point out the potential benefits to GATS members in obtaining
finance for their tourism sectors. In terms of structure, Dunlop suggests that
tourism development requires considerable financial backing, and such capital
is generally only available from international markets which can be difficult to
access. Velde and Nair also suggest that a high level of investment is needed
to develop tourism. They therefore look positively at GATS which they
(tentatively) argue draws in such investment based on their examination of
countries in the Caribbean. But these authors fail to distinguish states with
their own ability to access capital from those that are capital poor.

Indeed, although states in some parts of the world may have difficulty accessing
capital, Qatar and Oman may have fewer problems and more choices in this
regard. The differing circumstances suggest that domestic factors may be more
important than GATS rules in determining some aspects of policy. How such
choices have been exercised, and the success (or failure) of these policies are
additional areas to explore.

The impact of GATS on tourism is, moreover, likely to be dynamic. Dunlop’s
paper very usefully points out that developing countries are constantly under
pressure to revise their positions within GATS. New concessions are sought,
and new access is expected by developed countries. If the Doha round

223 Honeck, LDC Poverty Alleviation and the Doha Development Agenda, 14.
224 Honeck, LDC Poverty Alleviation and the Doha Development Agenda, 25. In his view about
the importance of liberalisation of backbone services he is backed by Grosso, Lesher and Pinali,
“Services Trade Liberalisation and Tourism Development, 5, 14 and 30-31
225 Honeck, LDC Poverty Alleviation and the Doha Development Agenda, 27.
226 Dunlop, Tourism Services Negotiation Issues, 2.
227 te Velde and Nair, “Foreign Direct Investment, Services Trade Negotiations and
228 Dunlop, Tourism Services Negotiation Issues, 11, 15 and 24-26.
moves ahead eventually, concessions in tourism are likely to be sought. Because the WTO aims to continue the process of liberalisation through further negotiations, these factors as they relate to tourism merit further exploration.

Others hint at the potential for longer-term implications of GATS commitments. The non-governmental organisation Equations is concerned that Goa in particular and India more generally lacks comprehensive domestic regulations for the tourism sector and as such may make commitments on that basis which are not in the best interest of the sector but will be difficult to change. In this, however, Equations is flagging up the shortcomings of the local government rather than offering a critique of the GATS.

Equations also raises concerns about the potential impact that GATS would have on the ability of local governments to regulate their communities. In its examination of tourism in Goa, it suggests that there would be constitutional issues if national authorities sought changes in local laws because such laws were incompatible with the WTO. Although beyond the scope of this paper, this raises an interesting line of enquiry about the interaction between national and local governments on WTO matters, and is relevant to states which have highly decentralised power structures.

Equations also criticises India’s commitments under the GATS, suggesting that they do not allow for “local participation and benefit sharing” to the degree that the organisation thinks appropriate. But they also acknowledge that other trade policy analysts have concluded that, within the context of the country’s policy environment, India’s commitments in tourism amount to a “highly cautious approach to liberalisation.” These authors also acknowledge that India’s existing tourism policy is “far more liberal than its GATS commitments.” On market access, Equations raises concerns about the impact that greater openness might have under the GATS, but reserves its harshest criticism for India’s trade negotiators, who it contends were “inept at environmental

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229 Equations, *Weighing the GATS on a Development Scale*, 45.
231 Equations, *Weighing the GATS on a Development Scale*, 55.
232 Equations, *Weighing the GATS on a Development Scale*, 55.
233 Equations, *Weighing the GATS on a Development Scale*, 56.
Likewise, when examining national treatment, arguments focus on the impact that commitments may have on local/national political dynamics. As such, the study appears to be more of an assessment of Indian policy against the criteria of Equations than of the impact of GATS on policy space within India. Equations’ dispute appears to be with the Indian government’s policy framework, rather than the GATS.

Likewise, in a further study, Equations looks at GATS in India, Fiji, East Africa, Mexico and Brazil. They acknowledge that their sample is designed to “make the strongest arguments concerning the impact of the country’s GATS commitments,” while later assertions imply that their main objective is to find an international rather than domestic culprit. But there is no real exploration of differences between policy under GATS and policy prior to GATS—indeed, the policies that they examine are those that were initially committed by countries that joined GATS early and were likely to have been largely standstill agreements reflecting existing policy.

Separating out the impact of GATS and domestic policy is also an issue with this second study. In assessing the situation of tourism in Fiji, the authors cited statistics for tourism leakages from a study made in 1996, when any impact from GATS would have yet to have been felt. They also complain about the impact domestic incentive programmes would have under the GATS, without examining whether there would be policy space under GATS to change those incentives. They also neglect to discuss horizontal GATS commitments, which would be essential to understanding the potential impact that membership would have on domestic policy. Likewise for Kenya, the existing domestic regulatory environment seems to be a pre-existing problem, and there is no clear, analytical assessment of the longer-term potential for correcting this situation under the GATS. Pre-existing domestic issues also dominate the discussion of Mexico and Brazil, with the authors lamenting that GATS does not

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234 Equations, Weighing the GATS on a Development Scale, 63.
235 Equations, Weighing the GATS on a Development Scale, 64-65.
238 Equations, Impact Assessment Framework for Developing Countries, 16 and 19.
solve these problems. In short, the paper does little to explore the impact of GATS within the context of the states discussed. Governments may well be using GATS to further their own domestic policy agendas, but without an exploration of domestic policy goals, it is not possible to understand how GATS is impacting the sector.

Mireille Perrin and her co-authors look at the problem from a slightly different angle, as they try to establish a framework to examine the potential impact of GATS commitments on the environment and society. They look at five ways that liberalisation of tourism may affect environment and society: how tourism is provided (potentially, for example, through greater presence of TNCs); the nature of tourism developments (concentrated or not, rapid or slow, etc.); the impact on physical infrastructure needs (including environmental costs); the effect on labour force composition (expatriate vs local); and the impact on the domestic regulatory environment. Perrin’s framework provides a useful set of questions for looking at the potential impact of the GATS. But she discusses only tourism sector commitments rather than full GATS (horizontal) obligations for her case study, making it difficult to know whether she has examined all of the possible implications for the sector. Moreover, the case study does not seek to answer the questions raised by the framework, but only to put a region into the framework and provide additional questions. In addition, some of the liberalisation issues discussed are pre-GATS, and some of the concerns raised appear to be solely within the domestic policy-making sphere rather than subject to GATS commitment. Perrin nonetheless provides useful background and a useful set of questions to explore, while acknowledging that additional research is needed. This study, however, seeks to go beyond

242 Equations, Impact Assessment Framework for Developing Countries, 33-42. There is also a discussion on India (pages 43-65), but it covers much the same ground as the earlier Equations study (discussed above).
243 Perrin, Juda and Richardson, Preliminary Assessment of the Environmental and Social Effects of Trade in Tourism, 35-40.
244 Perrin, Juda and Richardson, Preliminary Assessment of the Environmental and Social Effects, 48.
245 Perrin, Juda and Richardson, Preliminary Assessment of the Environmental and Social Effects, 41-53.
246 Perrin, Juda and Richardson, Preliminary Assessment of the Environmental and Social Effects, 53.
247 Perrin, Juda and Richardson, Preliminary Assessment of the Environmental and Social Effects, 52.
identifying the potential impacts to identifying areas where governments may be able to mitigate against those impacts if they run counter to policy.

The questions of the dynamic impact of GATS and the financial implications of the agreement, together with the differences of opinion on the more general implications of the GATS for tourism development, suggests that such issues need further exploration. Indeed, the disagreement about the nature of the impact that GATS has on tourism suggests that the amount of policy space available may depend in part of the type of tourism that a country wishes to pursue, and, more generally, its development policy outlook. This area merits further investigation--Hoad himself points out "the evidence available for an evaluation of the GATS and its effects on environmentally sustainable tourism is limited."248

The literature thus suggests a number of areas of disagreement where our scholarship is incomplete. At the most general level, it is not clear what the impact of GATS has been on the policy space available to governments interested in developing this sector. Has GATS curtailed significantly the policy space available for tourism development? Or is there still a reasonable amount of policy space available here, in contrast to assessments made of the WTO's impact on manufactured goods sectors? If the former, are highly restrictive parameters the result of a failure of negotiators to recognise possible exceptions (as Egypt managed with Nile cruises) or a result of considerable pressure?

There is also a question about the differing impact that the WTO has had on states which joined initially versus those which had to undertake a subsequent accession process. What areas have parameters been keenly felt? The literature suggests that TNC involvement in hotels is of importance--has this been true in all Middle Eastern states or has more readily available access to capital in some states alleviated some of this pressure? Moreover, given the WTO's mandate to see further liberalisation, the ability of states to maintain their policy space should be explored--how are states coping with the pressure,

248 Hoad, "The General Agreement on Trade in Services," 221.
do they feel that their tourism industries can gain the necessary footholds before further liberalisation is required? These questions, and the more general questions about policy space, must also be looked at within the context of Oman and Qatar’s specific development outlooks and their domestic policy concerns.

1.9 Tourism and the Middle East

In addition to the general scholarship on tourism and GATS, there has been some recent but limited examination of tourism market in the Middle East. Rami Farouk Daher, in *Tourism in the Middle East: Continuity, Change and Transformation*, examines issues surrounding cultural images used in tourism. He suggests that these images frequently do not reflect local contemporary realities or the recent past. Such images emerged in part from the efforts of new governments in the 20th century to legitimise themselves. The edited volume also includes a history of tourism in Cairo, an examination of on-line treatment of UNESCO World Heritage sites, a look at tourism marketing of Middle Eastern countries, as well as tourism in traditional neighbourhoods, the development of tourism in the Levant, and government involvement in tourism development in both Saudi Arabia and the Sinai. Two different studies on Jordan then look at different actors and their influence on tourism site development and the importance of tourism to the Jordanian government in terms of sovereignty, identity and income. While adding to knowledge on these topics, the authors do not examine GATS and its impact on tourism policy space.

The volume also includes a chapter on community-based tourism in Oman. Birgit Mershen examines different approaches to the development of tourism sites in the Wahiba Sands, concluding that further involvement of local communities and further training are essential to the development of tourism

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249 Very little has been written directly on the Omani and Qatari tourism sectors. Onn Winckler’s "The birth of Oman's tourism industry" depends entirely on secondary sources, and is largely a history of the sector.
250 Daher, *Tourism in the Middle East*, see especially chapter 1.
251 Daher, *Tourism in the Middle East*, 3-4, 10.
252 Daher, *Tourism in the Middle East*, 3.
While providing useful insights into Omani tourism that can only be obtained through fieldwork, the study is focussed on domestic issues rather than the interaction of domestic and global forces.

Another study is by Waleed Hazbun (*Beaches, Ruins, Resorts: The Politics of Tourism in the Arab World*), who looks instead at the interaction between the local and the global. In his view, the developments in tourism are "less a product of a generalised resistance to globalisation, or states failing to promote economic liberalisation, than the result of specific struggles between state, societal, and international forces over the control of transnational flows and national territories." He emphasises the role of local groups, saying that "the politics of globalisation can be understood better as struggles between rival local actors." In his view, local groups vie for benefits and "such struggles are likely to play an important role in how and if that territory becomes integrated into regional and global networks." He suggests that states have to be aware not only of the national impacts of globalisation, but also of the local ones.

Hazbun presupposes an economy that is essentially open to international tourism actors, but that also has the ability to control those actors under the right circumstances and pressures. He uses Dubai’s tourism development as one example, and discusses the “total territorial control” that the ruling Maktoum family has. Within the context of globalisation, however, it would be interesting to know if there are forces (like the GATS) which might now or in future challenge this control and thus the ability of that family to steer the direction of tourism development.

Indeed, although Hazbun’s interests are similar in that he is looking at the impact of domestic and international influences on tourism, this study is more specifically interested in how the GATS has affected a country’s ability to control

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253 Mershen, “Development of Community-based Tourism in Oman,” 198-211.
254 Hazbun, *Beaches, Ruins, Resorts*, 236.
255 Hazbun, *Beaches, Ruins, Resorts*, xvi.
256 Hazbun, *Beaches, Ruins, Resorts*, xxxi.
257 Hazbun, *Beaches, Ruins, Resorts*, xxxi. See also pages 316-318—there, Hazbun posits that states can overcome some of the “deteriorisation” of globalisation by investing in areas like training, and if successful, a state does not enter a vicious cycle of lower prices and lower returns in its tourism sector.
258 Hazbun, *Beaches, Ruins, Resorts*, xxii.
259 Hazbun, *Beaches, Ruins, Resorts*, 216.
policy direction. While Hazbun tacitly assumes that the countries will retain tools necessary to control their tourism sectors, writing on the impact of the GATS suggests that this may not be the case. This general study will explore the relative impact of the domestic and international on tourism development, within the context of GATS accords which might (or might not) constrain the tools available to states to set the policy agenda.

1.10 What questions need to be answered?

This literature review suggests the components of a framework for examining the challenges that small states face in a globalised world economy. It also illuminates that there are a number of gaps or debates which merit further investigation.

Scholars disagree on the impact that globalisation has had on states in general. The continuum of opinion starts from scholars like Susan Strange, who argue that the state has lost the ability to control economic outcomes as a result of globalisation.\(^{260}\) It runs through those who are less pessimistic about state power--like Weiss and Mann--but who believe that globalisation has affected the options available to states.\(^{261}\) At the other end of the continuum are scholars like Gilpin, who remain convinced that state power has not diminished as a result of globalisation, and that large states determine the characteristics of the global economic environment.\(^{262}\) For purposes of this study, the middle collection of scholars seems to provide a framework which offers a better starting point for investigating the differing situations that states face. Mann's assertion that small states have never had tremendous influence over global issues, combined with both Weiss' notion that globalisation is both able to "constrain" and "enable" and Nye's caution that the world is increasingly

\[^{260}\text{Strange, The Retreat of the State, 29.}\]
\[^{261}\text{Mann, "Has globalisation ended the rise and rise of the nation-state?," 494, and Weiss, States in the Global Economy, 4.}\]
\[^{262}\text{Gilpin, The Challenge of Global Capitalism, 50. See also Krasner, "Abiding Sovereignty," and "Sovereignty" for additional discussions of why the nation state has survived and is likely to continue to do so.}\]
complex, provides a compelling context to investigate how small states must operate. 263

But what are small states? The literature offers a number of ways of defining them, from property concepts to weak states to relational and influence concepts. One of the most popular property concepts for defining "small" is population, but even scholars who use this measure express dissatisfaction with it. 264 Military power is an essential element of Handel's ideas about strength and, in the absence of such power, weakness. 265 But we do not use the concept of weak states, as Handel's notion of power lacks sufficient recognition of the ideas that power is time and issue specific. Even in discussing economic power, his view relies largely on property concepts for definition 266 and offers no explicit recognition of the notion that power is a relational concept.

But viewing a state through the lens of power rather than physical size provides a stronger framework for understanding the position of small states in the global arena, their influence and the deals that they can strike. This study therefore turns to Baldwin, who talks of the relational concepts of states, and to Mouritzen and Wivel who suggest that small states are those that are not able to change their external environment and thus must work primarily within the system as it stands 267. Such definitions provide an understanding of capabilities and constraints which apply across many areas. That said, this study recognises that physical size and resources do shape the economic development options available to states.

The part of the international system that will be examined in this study is the international regulatory environment, and more specifically the WTO. Small states are not forced to join such organisations, but it is those that do join which will be the focus of this study. The question of why they join--given that there is

263 Mann, "Has globalisation ended the rise and rise of the nation-state?", 486; Weiss, States in the Global Economy, 4; and Nye, "Soft Power," 157
265 Handel, Weak States, 36.
266 Handel, Weak States, 220-4 and 228-9.
267 Mouritzen and Wivel, Geopolitics of Euro-Atlantic Integration, 1 and Baldwin, Economic Statecraft, 20.
considerable discussion of the constraints that membership brings--is of interest as it gives some notion of the returns that small states might expect from joining. Some writers, including Briguglio, Persaud and Stern, argue that although membership has costs, small states simply cannot economically afford to be on the outside. Others suggest that membership offers reassurance to investors or to bankers and thus may help encourage technology transfer. With some emphasising the costs and others the advantages, the literature does not provide a consensus on why states join. But the variety of reasons probably reflects the deeper contrasting perspectives of states and the range of motivations they have for joining.

Joining is itself a daunting task, various writers concur. Hoekman and Kostecki in particular talk about the concessions that acceding states must make, and Grynberg, Dugal and Razzaque provide a rigorous examination of the differences between the commitments made by the original members and those that joined later. There is little argument here--all acceding state seem to face arduous negotiations and can expect to give up more than original members in order to acquire membership.

But what sorts of concessions are required? To understand the impact of the WTO on small states' development options, it is necessary to look at the types of parameters that small states can expect and the impact that those parameters will have on development options. Chang is highly critical of the constraints that the system places on states with industries that (he argues) might otherwise benefit from infant industry protection. Others are more specific--Hoekman and Kostecki discuss WTO constraints which, beyond restrictions on tariffs and quotas, limit state control over economic policy, while

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271 Chang, Kicking Away the Ladder, 10.
Briguglio, Persaud and Stern argue that the decline of trade preferences is detrimental to small agricultural exporters.  

But there is no consensus on the potential impact. Page suggests that policy space has not been significantly constrained by the WTO, while Gilpin's arguments suggest that parameters are not meaningful restrictions on trade and growth—the better integrated an economy (which implies WTO membership), the more growth a country can expect. These contrasting views of the impact of WTO agreements on state options suggest that this area needs further study. Have the restrictions required by WTO membership seriously constrained policy options or hindered policy decisions? Or are states able to successfully negotiate agreements which leave them with some policy space?

How policy space might be used is another question which has engendered considerable debate. Some suggest that the policy options are limited, and thus put the focus on creation of a sound business environment, whatever that is. Briguglio, Persaud and Stern suggest that small states create a good business climate, and they also advocate outward-oriented development strategies. They also think that the constraints of the current global climate are too great for small states (in a property sense), and suggest that such states deserve special treatment.

Palan, Abbott and Deans also contend that creation of a competitive business climate is the main function of states. They offer seven possible policy models for states within the globalised economy. Their basic premise is that states have found their policy options seriously constrained by globalisation, but their limited proposed framework, with its limited options, fails to cover the myriad of responses to globalisation.

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Others suggest that there are more options than just the creation of a sound business climate, and some argue that there is a need for states to craft a complex set of policy responses in order for their economies to succeed. Armstrong and Read argue that policy space exists, but states need to develop it. They are optimistic about the odds for small states and emphasise the possibilities of success rather than obstacles. But they lack specific policy suggestions.

Weiss, and Doner and Ramsay share the notion that policy space exists and that agency is possible. But as their discussions suggest, it seems unlikely that global parameters are the only factors shaping the reaction of states. Rather, they argue that the state's reaction to those parameters plays an important role in whether or not a state succeeds in developing sectors of its economy. Those state reactions, as suggested by Weiss, are tempered by the particular norms and historical experiences of the society. But in addition to the tack that states choose to take, the success or failure that they experience is also determined in part by domestic institutional capacity. These factors may limit the steps taken by states to develop their economies, and this idea helps to explain why states in similar positions can take very different policy steps which lead to very different outcomes. Chang's writing also supports the notion that a range of outcomes are possible, although his emphasis is on international rather than domestic constraints.

Beyond the debate about possible policy actions, there is also the question of where policy space might exist. Here, again, authors differ. Palan, Abbott and Deans, as well as Chang, suggest that policy space is very limited. Robert Hunter Wade makes a similar assessment in his examination of the GATS. In contrast, Weiss provides an examination of knowledge-based and technology

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278 Armstrong and Read, "The importance of being unimportant," 71.
280 Weiss, "Globalisation and national governance," 81.
282 Chang, Kicking Away the Ladder, 66.
283 Palan, Abbott, and Deans, State Strategies in the Global Political Economy, 5; and Chang, Kicking Away the Ladder, 10 and 127-8.
284 Wade, "What strategies are viable for developing countries today?", 621.
industries in developed countries, and argues that there is policy space in this sector, which is key to the development of important services industries.\(^{285}\) Mattoo is similarly positive about the possibility of policy space within the GATS, as are Messerlin and Page.\(^{286}\)

This lack of consensus in the literature is also found in the more limited works focussed on the impact of GATS on tourism. Dunlop's assessment is that, at least initially, GATS made little impact on a state's ability to develop its tourism sector, although in his more detailed arguments he raises concerns about the impact of open markets (as prescribed by GATS).\(^{287}\) In contrast, Darren Hoad suggests that GATS has significantly reduced the policy space available to less powerful states to develop their tourism industries.\(^{288}\) This lack of consensus, and the lack of a substantial body of literature on the subject, suggests that it is an area where detailed analysis of cases could provide useful insight.

Thus, on the basis of the literature reviewed, two broad areas of research emerge. The first of these deals with policy space. It encompasses questions about how seriously small state policy is hindered by WTO agreements, as well as whether policy space exists in the services sector and particularly in tourism. From the broadest perspective, is there policy space? Or is state action effectively constrained by international parameters?

While there is considerable agreement that development of a tradable goods sector is more difficult than in pre-WTO days, the impact of the General Agreement on Trade in Services is still under contention. The lack of consensus about the impact of this agreement suggests that further research is necessary. Is there space for small (and developing) states to develop tourism? Given the tourism potential that many small states have (which means that in most instances a lack of development cannot be blamed on the lack of a particular resource), this sector provides a useful vantage point for looking at whether there is policy space in the GATS for small states. Moreover, tourism has not

\(^{285}\) Weiss, "Global governance, national strategies," 731.  
\(^{287}\) Dunlop, Tourism Services Negotiation Issues, 6-7, 16-17 and 24.  
\(^{288}\) Hoad, "The General Agreement on Trade in Services," 214.
been studied extensively in the context of WTO agreements, despite its large economic contribution to the economies of both small and large states. Does policy space exist for small states to pursue tourism expansion as a development strategy, as so much of the conventional wisdom suggests?

If policy space does exist, then a related set of questions, about the mix of domestic and international constraints and their impact, arises. These questions require a look at the types of policies that have been adopted, and the reasons behind these policy decisions. Are policy decisions the result not just of international parameters, but also domestic factors? What is the balance of international constraints and domestic issues in determining tourism policy? Does the impact of domestic constraints and institutional norms and arrangements help to explain differing policies and subsequent outcomes? Can domestic institutions still contribute to and help shape development policy? How has institutional capacity influenced the direction and success of tourism policy? Are the myriad of responses to globalisation (and the varying results) a product of the interplay between the domestic and the international? The case studies will allow an examination of these questions, a look at the types of domestic issues that affect policy and an examination of whether policy resulting from domestic concerns has in each instance positively or negatively affected outcomes.

Seeking answers to these questions will be the focus of this study. Weiss' arguments about the role of domestic institutions, domestic capacity and the influence that social norms tempered by historical experience have on the actions of those institutions provide a launching pad to explain the varying impact of and reaction to the current global system. Although she does not recognise some of the special problems of small states, her framework is a useful basis for further study of the question of how states seek to develop their economies within the context of globalisation. It also provides a framework for examining the interplay of international and domestic factors in the formation of development policy in the current global system, and for these reasons, I will investigate a number of her ideas in this study. There are few case studies about tourism and the GATS or the trajectory of small states in that context, and Middle East states are largely unexplored in this context. Only by going in depth
into those issues, informed by these case studies, can we begin to understand
the development of policy space available to small states in tourism
development.
Chapter two: The Study

The impact that the General Agreement on Services (GATS) has on tourism policy space available to small states, and the interplay between domestic and international factors in tourism development, are the main foci of this study. Tourism, which has the potential to contribute to the economies of most small states, provides a prism through which to view the impact that GATS has on policy space. Small states are defined in power terms, and the tourism industries of Oman and Qatar provide case studies through which these issues are examined. Oman and Qatar are also small states in a property sense—with few diversification options, making the services sector potentially an important avenue for economic growth and diversification.

2.1 Tourism

An understanding of some basic concepts of tourism provides helpful background for this study. The World Tourism Organisation defines tourism as visitors who are “outside their usual environment for not more than one consecutive year for leisure, business and other purposes.” Hall and Lew suggest that tourism can be defined as the “temporary, short-term travel of people (non-residents) along transit routes to and from a destination that is outside their normal home environment.” Although there are more complex definitions, this simple definition provides the necessary framework for this study. Within the study of tourism as well is the notion of sustainable tourism. Again a variety of definitions exist, but from a broad perspective it is “an approach which involves working for the long term viability and quality of both natural and human resources.”

Tourism implies a range of reasons for visiting. The most easily recognised reason is leisure, but there are a range of other types of tourism. Included on

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290 Hall and Lew, Understanding and Managing Tourism Impacts, 37.
291 Shaw and Williams, Critical Issues in Tourism, 302.
this list are business tourism, religious tourism, educational tourism, and family visits.\textsuperscript{292} Other types of tourism include travel for health and medical treatment, and travel for shopping.\textsuperscript{293}

Within the rubric of business tourism, several different types of visits can be identified. First, is the traditional business trip, but there are also incentive trips and conference trips.\textsuperscript{294} Most of these latter types of visits fall under the heading of Meetings, Incentives, Conferences and Exhibitions (MICE), another specialised field within the more general tourism field. Incentive trips are those offered to business people as a reward for performance.\textsuperscript{295} Shaw and Williams argue that “business tourism is likely to become even more important as transnationals continue to extend their global reach.”\textsuperscript{296}

Governments may encourage the development of their tourism sectors for a variety of reasons. Included on this list are diversification of the economy and expansion of the tax base.\textsuperscript{297} Name recognition is another one of the goals of tourism that this study explores. It is a less obvious goal than income or employment, but nonetheless is a potential outcome of tourism development. As Shaw and Williams point out, “(I)leisure, and tourism, in particular, can also play a critical role in the reconstruction of place identities and images.”\textsuperscript{298} They use as examples Sydney and Barcelona, noting that with their Olympic Games they have “attracted world-wide media attention, projected strong and positive place images, and enhanced the self confidence and identities of their citizens.”\textsuperscript{299} Although they are talking particularly about redevelopment of images in areas that needed regeneration, the same tools are applicable in cases where identities are simply obscure or where identities might be blurred in the regional context. In this latter case, the general international media coverage of the Middle East may congregate together countries with a variety of political and security stances, to the detriment of some, and image building may

\begin{footnotesize}
\textsuperscript{292} Shaw and Williams, \textit{Critical Issues in Tourism}, 35. See also Hall and Lew, \textit{Understanding and Managing Tourism Impacts}, 7.
\textsuperscript{293} Hall and Lew, \textit{Understanding and Managing Tourism Impacts},7.
\textsuperscript{294} Shaw and Williams, \textit{Critical Issues in Tourism}, 36.
\textsuperscript{295} Shaw and Williams, \textit{Critical Issues in Tourism}, 37.
\textsuperscript{296} Shaw and Williams, \textit{Critical Issues in Tourism}, 42.
\textsuperscript{297} Hall and Lew, \textit{Understanding and Managing Tourism Impacts}, 109-110.
\textsuperscript{298} Shaw and Williams, \textit{Critical Issues in Tourism}, 14.
\textsuperscript{299} Shaw and Williams, \textit{Critical Issues in Tourism}, 14.
\end{footnotesize}
help to differentiate those which are more stable and secure. In addition to name recognition, some states may use tourism as an instrument of political imaging, using the sector to help improve their image abroad.\footnote{Shaw and Williams, \textit{Critical Issues in Tourism}, 134.}

Scholars widely acknowledge that tourism has an impact on the country which is hosting visitors. Shaw and Williams suggest that “(t)ourism is a particularly potent agent of cultural change, especially of internationalisation.”\footnote{Shaw and Williams, \textit{Critical Issues in Tourism}, 20.} They note that the cultural impact can extend both ways, with some tourists seeking to recreate at home the types of restaurants or other experiences that they had while abroad.\footnote{Shaw and Williams, \textit{Critical Issues in Tourism}, 21-22.} In addition, while cautioning that it is difficult to generalise about the effect that tourism has on the host country, Shaw and Williams note that there can be both cultural and environmental implications.\footnote{Shaw and Williams, \textit{Critical Issues in Tourism}, 46.}

For Shaw and Williams, their list includes what they deem positive impacts as well as negative ones.\footnote{Shaw and Williams, \textit{Critical Issues in Tourism}, 45-46.} On the positive side, they suggest that tourism can stimulate manufacturing and agriculture production, create employment, increase government revenues from taxes and support the construction of new facilities like swimming pools which might be used by locals.\footnote{Shaw and Williams, \textit{Critical Issues in Tourism}, 45.} Others suggest that tourism may help revive traditional skills and industry in response to demand for authentic local souvenirs.\footnote{Hall and Lew, \textit{Understanding and Managing Tourism Impacts}, 149.} Foreign exchange earnings are another positive outcome for countries seeking to develop tourism.\footnote{Shaw and Williams, \textit{Critical Issues in Tourism}, 45.}

On the negative side, scholars cite a range of social issues like drug use and prostitution, as well as the possibility of a detrimental impact on the environment or on monuments and buildings.\footnote{McIntosh, Goeldner, and Ritchie, \textit{Tourism Principles, Practices, Philosophies}, 335-336. They provide a list which includes many of the points raised in this paragraph. See also Richard Sharpley, “Planning for Tourism,” 205.} Others raise concerns about the potential for...
theft of cultural artefacts. Shaw and Williams suggest that tourism may also mean that traditional fishing ports and beaches are neglected, and that the local culture may disappear. Beyond these types of damage, there is also the risk that little financial benefit will accrue to the host country. The issue involves the question of level of “leakages” or when fees like airline fares benefit the country from which tourists originate rather than the one that they are visiting. In some instances, if more basic items like food are imported for tourists into countries where supplies are unreliable or supply chains do not link into the local economy, leakage rates can be very high. Some studies have put leakage rates at as high as 75% or even 90%. Other scholars caution, however, that such figures are based on partial sums of the amounts spent by tourists in the country.

Also culturally, tourism can result in pressures on traditional patterns of family interaction, and can also lead members of the community to adopt foreign values. Kelsey’s concerns are also wide-ranging, suggesting for example that mass tourism tend to be separate from the local economy and have a severe impact on local bio-diversity. She points out that local employment in the tourism sector tends to be low-paid, and can in cases be exploitative of both women and children. Others make particular mention of the potential for the development of tourism to be associated with increases in criminal activity,

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309 Hall and Lew, Understanding and Managing Tourism Impacts, 157. Hall and Lew make clear that there is potential for damage to site.
310 Shaw and Williams, Critical Issues in Tourism, 45.
311 McIntosh, Goeldner, and Ritchie, Tourism Principles, Practices, Philosophies, 336. They also list a number of other potentially detrimental impacts of tourism, most of which are also cited above.
312 See, for example, Jules, Sustainable Tourism in St. Lucia, 1. He notes research which suggests that in some instances 75% of the revenue generated by large tour operators accrues to the originating country. Likewise, Shaw and Williams cite research which suggests that in the Gambia some 90% of revenues accrue to suppliers outside of the country. E.A. Carter, “Tourism in the least developed countries,” 202-26 quoted in Shaw and Williams, Critical Issues in Tourism, 44. See also Dieke, “The Political Economy of Tourism in the Gambia,” 619. He presents estimates that leakages as a result of tourists booking inclusive tours through foreign operators range between 22% and 45%.
314 Shaw and Williams, Critical Issues in Tourism, 97 and 102. Hall and Lew also discuss the possibility that nationals in the host country may take up some of the behaviours of visitors. Hall and Lew, Understanding and Managing Tourism Impacts, 177.
315 Kelsey, Serving Whose Interests?, 277.
316 Kelsey, Serving Whose Interests?, 277.
perhaps as economic migration brings in new residents who take up jobs and, in some cases, crime.\textsuperscript{317}

From an environmental perspective, tourism is also potentially a costly industry. Hall and Lew cite in particular the impact that the industry may have on local water resources. Included on their list are higher consumption resulting from both use by tourists and use of new residents who have come to fill jobs in the industry.\textsuperscript{318} They also suggest that wastewater facilities may be stressed, and potentially habitats for wildlife are lost if tourism facilities are allowed too close to the shore or wetlands.\textsuperscript{319} More generally, Shaw and Williams argue that mass tourism in particular can create environmental pressures on an area.\textsuperscript{320} But they note that care must be taken not to over-generalise—the impact that tourism has on the environment is varied, and depends on both the nature of the environment and the type of tourism.\textsuperscript{321}

Shaw and Williams also summarise what they call the “self-destruct theory of tourism development.”\textsuperscript{322} It describes the lifespan of a resort, which starts as a remote location catering to the wealthy, and then expands its clientele to the middle classes as it builds more hotels. Subsequently the “area develops mass tourism, attracting a wide variety of tourists leading to social and environmental degradation.”\textsuperscript{323} From there, the resort may decline as the degradation increases and it is eventually abandoned.\textsuperscript{324} Shaw and Williams later suggest that if resorts do not keep up with changes in tastes or offer new entertainment, they run the risk of decline.\textsuperscript{325}

One of the issues that confronts countries seeking to develop tourism is the importance of tour companies in many markets. These companies tend to book accommodation on a large scale, which gives them considerable negotiating

\textsuperscript{317} Hall and Lew, \textit{Understanding and Managing Tourism Impacts}, 127.
\textsuperscript{318} Hall and Lew, \textit{Understanding and Managing Tourism Impacts}, 201.
\textsuperscript{319} Hall and Lew, \textit{Understanding and Managing Tourism Impacts}, 201.
\textsuperscript{320} Shaw and Williams, \textit{Critical Issues in Tourism}, 224. Others also note the potential for environmental damage—see Richard Sharpley, “Planning for Tourism,” 203.
\textsuperscript{321} Shaw and Williams, \textit{Critical Issues in Tourism}, 299.
\textsuperscript{322} Shaw and Williams, \textit{Critical Issues in Tourism}, 96.
\textsuperscript{323} Shaw and Williams, \textit{Critical Issues in Tourism}, 96.
\textsuperscript{324} Shaw and Williams, \textit{Critical Issues in Tourism}, 96.
\textsuperscript{325} Shaw and Williams, \textit{Critical Issues in Tourism}, 220; they make the point again on page 272 for cities seeking urban tourism.
power and tends to produce low prices.\textsuperscript{326} These companies tend to be vertically integrated in order to help them maximise profits, and in some instances they tend to own properties in important destinations.\textsuperscript{327} This sort of mass tourism tends to lead to lower prices for local operators.\textsuperscript{328}

Some types of tourism tend to have lower returns to the host country than others. Hall and Lew indicate that “high-end tourism developments, which are often built by multi-national corporations, tend to have very high leakage rates.”\textsuperscript{329} The involvement of transnational corporations is also sometimes associated with high leakage rates.\textsuperscript{330} Likewise, with mass tourism, local facilities can find that they are squeezed on price.\textsuperscript{331}

2.2 Why Oman and Qatar?

This study uses tourism as a prism for examining the impact of GATS on policy space available to small states, and examines Oman and Qatar as case studies. Oman and Qatar provide good examples of small states in a power sense -- or, as Mouritzen and Wivel would characterise them, non-pole states that appear to have little power to change the international system and thus must live within the confines that it creates.\textsuperscript{332} Like many states, they have power on some issues at some points in time--Oman’s willingness to sign an access agreement for military pre-positioned equipment with the United States in the 1980s gave that country an importance to one of the then two world superpowers. Similarly, Qatar’s importance to the United States increased considerably in the early part of this decade when that country agreed to the creation of the Al Udeid airbase south of Doha. Likewise, both countries have relatively large reserves of hydrocarbons, and at particular points in time, these reserves give them more power or influence over particular issues. But, neither their hydrocarbons reserves nor their strategic alliances (nor any other factor) appear to give them sufficient power to make changes in the global system.

\textsuperscript{326} Shaw and Williams, \textit{Critical Issues in Tourism}, 131.
\textsuperscript{327} Shaw and Williams, \textit{Critical Issues in Tourism}, 130.
\textsuperscript{328} Shaw and Williams, \textit{Critical Issues in Tourism}, 132.
\textsuperscript{329} Hall and Lew, \textit{Understanding and Managing Tourism Impacts}, 103.
\textsuperscript{330} Hall and Lew, \textit{Understanding and Managing Tourism Impacts}, 114.
\textsuperscript{331} Shaw and Williams, \textit{Critical Issues in Tourism}, 222.
\textsuperscript{279} Mouritzen and Wivel, \textit{The Geopolitics of Euro-Atlantic Integration}, 1-4.
Further characteristics make these two states good examples for this study. Beyond the question of power, Oman and Qatar are small states in the economic sense of the term. Their populations are relatively small—Oman's population numbers some 2.577m, while in Qatar, the total is about 838,000. In addition, they both rely heavily on hydrocarbons resources to support their economies. Although they are both seeking to diversify their economies away from crude oil exports, their options, beyond those associated with hydrocarbons-based industries, are fairly restricted as their non-hydrocarbons resources are limited. Services are thus one of the main areas into which these two small states are potentially able to expand their economies. Like many small states (defined both in an economic and a power sense), Oman and Qatar are turning to tourism as an area of potential economic expansion.

In addition, like many other small states, both Oman and Qatar have opted to participate in the international economic system, and are members of the World Trade Organisation. That body has been criticised (some say unfairly) for limiting the policy space available for development. Qatar was an early member of the WTO, joining in 1996, and Oman joined four years later, in 2000. As one of the early WTO members, Qatar may have fewer immediate restrictions on how it develops its tourism sector. But there remains for Qatar the more general question of whether its original WTO agreement restricted significantly the policy space available to develop the tourism sector as desired. In addition, both Oman and Qatar potentially face additional policy restrictions which could arise from future negotiations.

The similar characteristics and the recent efforts to develop tourism make Oman and Qatar good examples for examining the interaction of GATS, policy space and tourism for small states with limited diversification options. Other case study options might have been Jamaica or the Maldives or any number of other states. But in the cases of both Oman and Qatar, the tourism industries are very much still developing, and doing so within the context of the GATS agreements. Although small states with more mature tourism industries

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continue to develop within the context of the GATS, these two states with less mature industries may prove better at highlighting some of the issues which arise as a result of GATS commitments. Change in Oman and Qatar may be easier to observe than in a more mature context, where generating new commercial interest in the tourism sector (which would highlight the policy issues) might be more difficult.

Additional shared characteristics of these two states also make them good case studies for examining the interplay of domestic and international factors in determining the direction of tourism policy. Notable characteristics include fundamental cultural norms, which are similar. Both states are relatively conservative socially, with Islam the main religion. Both were relatively undeveloped before the advent of oil wealth in the 1970s, and that wealth has greatly improved the economic situation for the vast majority of citizens. Governmentally, both countries are ruled by hereditary rulers, and bureaucracies in both cases have reputations for excessive red tape.

2.3 How has tourism developed in these states?

Despite these similarities, the development of their two tourism industries has come at different paces. For Oman, expanding tourism has been a controversial issue. Most Omanis living in that country had little contact with the outside world until the 1970s, and the leaders of this very traditional society were reluctant to see local culture changed as a consequence of mass tourism. There was also a feeling that local sensitivities might be offended by the actions and dress of large hordes of tourists. Largely as a result of these social constraints, tourism development in the 1980s and 1990s focussed on the capital area (which already had some exposure to Western lifestyles). The upper end of the market was targeted, with access restricted through visa policy and only a few relatively expensive hotels available.

More recently, the problems for the country have shifted, as oil resources are gradually dwindling and the population is increasing. These pressures seem to be part of the mix which is driving policy. More hotels are being built, the country has started to promote more actively its tourism sector, and visa
restrictions have been eased. In addition, the government's commitment to expanding the sector has been seen in the creation of a separate ministry of tourism, and in the expansion of the number of tourism projects within the country.

Unlike Oman, Qatar had very little in the way of a tourism industry until very recently. Before the advent of the wealth associated with its gas-based industries, the potential for Qatari tourism was fairly low. The country had a few upmarket hotels which largely catered to business visitors. Indeed, in the mid-1990s, the country was a backwater with a bit of oil and quite a lot of natural gas for which the market was very limited. It has since developed its natural gas into a thriving industry. The country is significantly wealthier than Oman, and its natural gas reserves hold more promise of longer-term wealth than do Oman's limited oil reserves. But, beyond hydrocarbons, the scope for further development of goods trade is very limited--the population is small and so is the non-hydrocarbons resource base.

In the absence of other real potential, the government is working on developing its services sector, including the development of a financial centre. The country's wealth has been very actively invested in ways that seek to promote Qatar as a tourism destination. Large-scale developments are going ahead, and the country has a number of up-market hotels. But a lack of attractions was (and remains) one of the main problems--the country has some coast, but little in the way of landmarks which illustrate the country's culture and history. It is working to address this problem. An Islamic art museum has recently opened, and a new national library and a photography museum have been mooted.

For Qatar, the motivation for the tourism push appears to be a desire for recognition or an expression of "national pride."

The country's leaders appear to want to carve out a regional or even international role for themselves--in efforts such as hosting the 2001 Doha Development Round or the 2006 Asian Games. These two events gave the country a chance to showcase their ability to host events, and more generally, gave it positive publicity which frequently

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334 Economist Intelligence Unit, Country Profile Qatar 2007, 37.
eludes the Middle East region. In addition, these two events highlight two of the main foci of the Qatari efforts--meetings, incentives, conferences and exhibitions (or MICE) tourism, and sports tourism. Although the main reason behind the development of tourism does not appear to be an immediate need for further income sources, the government is also aware that development of this sector will nonetheless give average Qataris opportunities within a wider range of economic sectors, and will provide a boost to sectors such as retail and transport.

Thus where Oman appears to have come to the decision to develop larger scale tourism as a result of economic need, Qatar's desire for further recognition seems to be the driving force, with less emphasis placed on preserving local culture or protecting local sensitivities. Different problems, different experiences and to a degree, different norms appear to impact the reasons that these states are pursuing development of tourism industries.

2.4 How are the issues examined?

Substantially through interviews, this study seeks an in-depth understanding of how the GATS agreements and other factors have influenced the policy space available for tourism development and the policies adopted in Oman and Qatar. The study seeks to understand the type of agreement reached and the resulting working environment--the policy space and the constraints--that those agreements have created, and how businesses and governments function within that environment. It looks at whether the accords have left states to pursue little more than the establishment of a competitive business environment or whether states still have scope to pursue a substantial policy agenda, particularly in areas with considerable tourism potential. The study also looks at the balance of international and domestic factors influencing development of the tourism sector, including the role of institutions in the tourism sector. The need to understand these issues requires interviews and also determines the types of people that should be interviewed.

Interviews are supplemented by the use of other materials. The GATS agreement itself forms important background for the study. In addition, as well
as the perceptions of those interviewed, government statistics aid in gauging the success or failure of the tourism sector. Materials from local publications on tourism projects and from local websites are also useful in establishing some historical background for the sector, which provides a context for the impact of the GATS agreements.

2.5 What kind of policy space exists?

In order to get a full understanding of these issues, a range of individuals need to be interviewed. To get an understanding of the policy space and constraints that exist now, government officials who were involved in both negotiating and implementing the agreements and also businesspeople who are working within that environment are targeted as well as representation from the WTO.

Officials involved in the negotiations can provide key background on the outcomes that their countries hoped to achieve from the negotiations. Such information helps in the understanding of whether the states involved achieved the sort of policy space that they sought—whether, for example, they sought protection for local firms in particular areas and whether they achieved this. Such officials are also able to provide some perceptions of the pre-existing situation within the tourism sector, which provides some context for their negotiations. With regard to the negotiations themselves, such officials may provide insight into the experiences and the pressures that existed to reduce policy space within the tourism sector. They are able to highlight parts of their experiences which would elucidate whether, for example, the experience of Oman as a result of its later accession was substantially different from that of Qatar. They are in a position to provide an understanding of their perceptions of the policy space that exists within the agreements that they negotiated and of their perception of the successes and failures of their efforts to create/preserve policy space. Some officials are also willing to speculate about the possibility of further pressure on small states to reduce the policy space within this sector.

In addition, other interviews aim to determine the local business reaction to the parameters set by these agreements from those active in tourism and related industries. What did businesspeople think would be the best outcome for them
in these negotiations--including issues like whether they have asked for and received protection to operate in particular areas? Their perceptions of the subsequent limits that the agreements have placed on the room for businesses to manoeuvre are also important indicators--included in the perceived issues here would be whether they feel that local companies are being forced out by multinationals. Their perceptions of the changes within the sector that have resulted from the implementation of the accords are also useful. Such interviews include both expatriate and local businessmen, as their perceptions and experiences may differ and thus provide a broader insight into the actual workings of the sector.

The study also seeks the perceptions of officials involved in implementing the agreements--whether or not they believe that the policy-making process has been severely truncated. The scope that planners perceive they have to develop the tourism sector in their own fashion provides a clear indication of the amount of policy space that exists--such space needs to exist in areas with significant potential and not just marginal areas. Like businessmen, they have perceptions of the changes that have occurred as a result of the agreements, and thus are able to provide some understanding of the position of the tourism sector prior to the accords. Interviews outside Oman and Qatar aim to get the perspective of other officials on the question of the impact of these accords on existing policy space. Taken together, these interviews help to establish an understanding of how much policy space exists.

2.6 What is the balance between domestic pressures and capacity and international obligations in determining policy?

Businesspeople involved in the tourism sector and government officials implementing the GATS agreement should be able to give insight into the relative importance of domestic pressures and capacity as well as international obligations on policy formation in the tourism sector of each of these countries. To understand this issue, it is necessary to examine the impact of domestic pressures on policy. In addition, businesspeople and government officials are also able to give some indication of how successful the policies have been to date.
2.6.1 Norms and historical experience

Local norms and historical experience are two of the important domestic factors which Weiss suggests may influence institutions within a country and therefore policy decisions. Understanding this context is thus an important aspect of understanding the potential that domestic factors have to influence tourism policy. Secondary sources provide some background on norms and historical experience. But interviews with Omanis and Qatars--both businesspeople and government officials--provide valuable insight into these issues. Issues of importance include how conservative the society is generally, how important tradition is within society, and how these factors influence policy. Officials may, for example, be concerned about the impact that tourism might have on conservative society, or they may have a strong social commitment to consult locals before going ahead with projects.

Government officials involved in both negotiating the GATS accord and implementing that accord are able to provide some insight into these issues. Likewise, business people are generally aware of these issues as they impact the running of their businesses holistically, and not just where such business touched on issues related to GATS implementation. Although others in these societies could answer these questions equally well, the officials and businesspeople already targeted are also able to speak to these issues.

In a similar vein, Oman and Qatar have a fortunate pre-existing condition--unlike many other small states, the need for financial backing seems less acute for Qatar and, to a lesser degree, Oman. This factor has the potential to influence policy outcomes, as these states may have greater freedom to act than is found in other states which might need more outside investment and therefore might need more participation by transnational corporations.

2.6.2 Institutions

The willingness of institutions to become involved in particular policies as well as their capacity to carry out policy are two further domestic issues identified by Weiss as important in understanding development policy outcomes. Understanding these factors is a further step necessary to understanding the potential that domestic factors have to influence development policy.

Businesspeople involved in the tourism sector and government officials involved in implementing policy have perceptions of how willing government institutions are to intervene. Likewise, a track record of planning gives an indication of government willingness. The willingness (or lack thereof) to intervene may reflect local expectations or philosophy regarding the role of government. Institutions may, for example, have a history of intervention in social matters, or may eschew involvement. On this matter, local residents and citizens can offer further insight. Again, although many could provide such insights, the local businesspeople and government officials already being interviewed are able to talk about these issues.

Businesspeople also provide a gauge of how effective government institutions have been in encouraging development of the sector. Both local and expatriate businessmen are consulted--the expatriates sometimes have broader experience and are thus able to provide more perspective on the question. But local businessmen also have considerable experience, and their answers on this issue are sometimes tempered by their assessment of what pace of change social norms would tolerate.

Exploring the questions of the role of norms, historical experience and institutions helps delineate the types of policies and strategies that the Omani and Qatari governments have pursued to develop their tourism sectors. These discussions include questions about how successful policies have been--with success measured both in terms of monetary and employment gains from the tourism sectors and perhaps more elusively in terms of concerns raised during interviews about the social and cultural impact that the sector has. Particularly

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336 Weiss, States in the Global Economy, 16 and 25
using this latter way of judging success, the perception of success or failure highlights the sorts of domestic priorities which influence tourism policy. They also highlight the capabilities (or lack thereof) of institutions.

In addition, examining these domestic issues is coupled with an examination of the balance of influence that these issues have had compared with international obligations in the development of tourism policy. Both local and expatriate businesspeople active in the sector have perceptions about the role that international accords have, as well as perceptions about how the domestic environment has also influenced policy. Government officials similarly have an understanding of their international obligations as well as the domestic forces which may drive the direction of policy. Many of these individuals also have opinions on what influences policy more--the domestic or the international.

2.7 What methodology is used?

As indicated above, two case studies--examining the tourism industries in Oman and Qatar--are used to try to answer the questions which have emerged out of the literature review. Both Oman and Qatar are examples of small states seeking to find policy space to develop their tourism sectors, making them what Ragin calls "instances of the same larger category." When looking at the question of whether there is policy space within GATS to develop tourism, the case studies are not used in a comparative sense--trying to find differences between them--but as two examples of small states seeking to cope with the restrictions placed on them by GATS.

As a number of scholars point out, drawing generalisations from one case study can be problematic. The use of two case studies therefore aims to provide a better basis for drawing conclusions that are more generally applicable, rather than conclusions that may be accurate only for the particular circumstances of one state. As discussed above, these two countries provide good examples

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337 Ragin, Constructing Social Research, 63.
338 As examples, see Landman, Issues and Methods in Comparative Politics, 32, and also Robson, Real World Research, 168.
339 Robson, Real World Research, 161. See also Ragin, Constructing Social Research, 87: he also suggests that "(t)he important point is that even though many examples of the same thing
of small states with limited options for diversification. They therefore may also provide some general insights because they are "cases that are especially representative of the phenomenon under study," although their relatively large financial resources may make generalisations on some aspects of this issue more problematic.

But even with these similar states, there are some instances in their experiences of significant difference—like the dates that they joined the WTO. Such differences may have an impact on the outcome that they achieved in terms of policy space. In these matters, a comparison can be made, highlighting the different results and the implications of those results for policy. Thus, the similarities between these two countries mean that it should be possible to "examine patterns of similarity and differences across cases and try to come to terms with their diversity." Again, drawing generalisations from two cases can be problematic, but the materials gathered should suggest hypotheses on issues and causes.

The use of case studies rather than experiments or surveys reflects the sort of questions that the study poses. These questions do not lend themselves to an examination through experimentation, and a large-scale survey of tourism officials in many small states would pose significant problems.

In particular, there are potentially language problems. There are also practical ones. To cover a large number of small states with face-to-face surveys would be too time-consuming and financially difficult. These circumstances would make a postal (or email) survey necessary, and this would reduce the likelihood of obtaining responses. As Robson points out, the "refusal rate for personal interviews is typically very much smaller than the non-response rate for postal questionnaires."
Moreover, the issues examined require an in-depth understanding of a number of aspects of the tourism industries in small states. Such issues would probably not lend themselves easily to closed questions. Even if they did, they would require a very extensive and time-consuming set of questions, making it less likely that many officials and business people would respond to a postal/email survey.

Indeed, in-depth questions are necessary to explore fully the issues that this study hopes to examine, and a number of scholars indicate that this is one of the strengths of case studies. Landman argues that in-depth interviews "strive to uncover a deeper level of information in order to capture meaning, process and context." Put differently, Ragin suggests that qualitative methods "are appropriate for in-depth examination of cases because they aid the identification of key features of cases." Or, as Robson notes, case study formats tend to lend themselves to answering questions of "how" and "why" very effectively. These descriptions of the attributes of case studies indicate that this method is an appropriate one for studying how small states cope, and why there are policy differences.

Such in-depth interviews come in different forms, and this study uses "semi-structured interviews." This type of interview has clearly defined purposes, but seeks to achieve them through some flexibility in wording and in the order of presentation of questions. This method has key interview topics defined and questions established beforehand. Although such questions may not provide directly the comparable answers that surveys do, their use nonetheless ensures a greater depth of understanding than would be possible with a fully structured interview. This method also allows for follow-on questions, which again provide for gaining more knowledge about the topic at hand.

Although more fluid than closed question interviews or surveys, semi-structured interviews provide some guideposts for the interviewer and interviewee. They

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344 Landman, Issues and Methods in Comparative Politics, 19.
345 Ragin, Constructing Social Research, 79.
346 Robson, Real World Research, 44.
347 Robson, Real World Research, 227.
348 Robson, Real World Research, 227.
thus allow for more organised gathering of information that an open discussion would not.\textsuperscript{349}

This sort of in-depth interview is then the main method for seeking an understanding to the questions posed about small states, and the study involves interviews with about 50 individuals. The list of interviews was compiled on the basis of purposive sampling--these subjects are likely to be able to provide insights into the questions that this study asks.\textsuperscript{350} Wilmot says that such sampling can give a sense of the "diversity and breadth of the sample population."\textsuperscript{351} The selection seeks to accomplish this goal--it includes local officials in Oman and Qatar, business people in various aspects of the tourism industries in both countries, and representation from the WTO. The interview list thus takes into consideration the thoughts of both policy-makers and practitioners in an effort to get a balanced view of the issues at hand. In addition, interlocutors outside Oman and Qatar have a different perspective than officials from particular countries or business people. In most instances, the questions have been asked face-to-face, in interviews conducted largely in Oman and Qatar.

The sort of interpretive method used is also an important consideration—as Denzin and Lincoln point out, “all research is interpretive; it is guided by the researcher’s set of beliefs and feelings about the world and how it should be understood and studied.”\textsuperscript{352} However, the particular choice of interpretation can influence the findings. One set of authors suggest that there are four “major interpretive paradigms” for qualitative research.\textsuperscript{353} My research takes a positivist/post-positivist perspective—that there is some reality which can be either reached or nearly reached. Given the general unreliability of some of the statistical data utilized in this study, and the contested nature of findings based on quantitative analysis, a focus on broad principles and systematic

\textsuperscript{349} Robson, \textit{Real World Research}, 159. He provides discussion of focussed interview and other types of interviews. On pages 227 and 231 he discusses semi-structured interview.

\textsuperscript{350} Robson, \textit{Real World Research}, 141-2 and 155.

\textsuperscript{351} Wilmot, "Designing Sampling Strategies for Qualitative Social Research," 3.

\textsuperscript{352} Denzin and Lincoln, “The Discipline and Practice of Qualitative Research,” 22.

\textsuperscript{353} Denzin and Lincoln, “The Discipline and Practice of Qualitative Research,” 22. They list four major schools of interpretive work: positivist and post positivist; constructivist-interpretive; critical; and feminist-poststructural.
observations is chosen here. This angle of examination allows for some observations to be made which might inform wider policy debate on the issues under consideration—the broad issues examined are arguably found in other small states, and drawing on the experiences of Oman and Qatar as case studies may provide qualitative lessons which help policymakers avoid pitfalls elsewhere.

This research has relied heavily on interviews, and below is a summary of the types of representatives interviewed. With regard to hotels, the types that the managers or employees represented are also broken down. Hotel managers were an important component of the interview survey, as the impact of GATS on the hotel sector is an important indicator of policy space. The sample includes a range of hotel types to ensure that a full picture of the impact of GATS, rather than one which might be skewed as a result of examining just five-star facilities. Likewise, the study includes interviews with a number of travel agency representatives in Oman as that country’s GATS agreement impacts the travel agency sub-sector. In Qatar, a number of individuals involved in the MICE sector, which is a growth industry in that country, were interviewed in order to obtain insight into the effectiveness that this sector has in achieving Qatar’s goals for tourism overall. In addition, in both countries, a number of government officials are interviewed. This part of the interview sample included relatively high-ranking officials as well as lower ranking officials in order to obtain detail of both policy goals and implementation activities. A representative from the WTO was also interviewed to gain insight into the impact of GATS on tourism more generally from a practitioner with broad international experience.

The sample has provided the study with a range of experiences and perspectives, with the aim of ensuring that the study has a sound basis for conclusions. A full list of individuals interviewed is included at the end of this chapter.
### Summary of interviews conducted

<table>
<thead>
<tr>
<th>Country</th>
<th>Total number of interviews</th>
<th>Of which</th>
<th>Sub-totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oman</td>
<td>24</td>
<td>Hotel managers/representatives</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Travel agents</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Government officials</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Other (consultants, event</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>management/MICE, etc)</td>
<td></td>
</tr>
<tr>
<td>Qatar</td>
<td>24</td>
<td>Hotel managers/representatives</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Travel agents</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Government officials</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Other (event management/MICE,</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>consultants, etc)</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>3</td>
<td>International officials (WTO,</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>NGOs, etc)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>51</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Interviews—hotels by type

<table>
<thead>
<tr>
<th>Country</th>
<th>Type</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oman</td>
<td>Five-star</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Four-star</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Three-star</td>
<td>1</td>
</tr>
<tr>
<td>Qatar</td>
<td>Five-star</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Four-star</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Three-star</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Two-star</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Hotel-apartment</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Other (hotel management company)</td>
<td>1</td>
</tr>
</tbody>
</table>
Within Oman and Qatar, interviews were relatively easy to obtain. Hoteliers and businesspeople were generally forthcoming with their opinions, while, with some exceptions, government officials tended to be more reticent. Additionally, officials from UN World Tourism Organisation were unavailable for interview with students. Officials from the Gulf Co-operation Council, which might have been able to provide a regional perspective on this issue, were also unavailable.

An understanding of and sensitivity to the cultural norms of these two countries aids in the success of this study. In addition, an understanding of the historical context of the development of the tourism sector facilitates the formation of follow-up questions. Finally some experience in the area, particularly if it assists in access, is useful. In these areas, I am fortunate enough to have spent several years living and working in the Gulf region, including nearly three years in Oman. This experience has helped me in obtaining and conducting interviews for this study.

But this study needs to go beyond interviews to the use of documentary sources in order to answer the questions posed. The use of such sources is an accepted aspect of case studies—indeed, Robson suggests that case studies are "inherently multi-method" and use records and documents as well as interviews.\(^{354}\) This study therefore also makes use of primary documentation from both the WTO and governments. Documents such as the GATS agreements reached by Oman and Qatar provide a valuable starting point on which questions about the impact of these agreements can be based. Government statistics which give an indication of tourism growth—such as airport arrivals—are used where available. But in many instances comprehensive tourism statistics are not available. In some cases, proxies which give an idea of the popularity of a tourism destination—such as occupancy rates—are available and are used. Additionally, figures for the contribution of hotels and restaurants to the economy are used where available as a proxy. But these figures do not include the full contribution of tourism to the economy and also include some economic activity which is entirely unrelated to

tourism. Some secondary sources are also used, including local newspaper coverage of tourism issues.

Although recording the interviews might aid in direct quotes, it might also inhibit some subjects from answering frankly. The nature of the questions should not elicit what might be considered commercially sensitive information, but an honest discussion might require some criticism of governments. Such frankness might be less forthcoming with a recorder going, and for this reason, recording has not be used.

2.7.1 Interviews conducted

Businessperson number one (Qatar) involved in event management and event organisation. Interview with Angeline Turner. Doha: May 3, 2009.


Manager at four-star hotel number one (Oman). Interview with Angeline Turner. Muscat: June 1, 2008.

Manager at four-star hotel number one (Qatar). Interview with Angeline Turner. Doha: October 12, 2008.

Manager at four-star hotel number two (Oman). Interview with Angeline Turner. Muscat: June 2, 2008.

Manager at four-star hotel number two (Qatar). Interview with Angeline Turner. Doha: October 14, 2008.
Manager at five-star hotel number one (Qatar). Interview with Angeline Turner. Doha: October 12, 2008.

Manager at five-star hotel number two (Qatar). Interview with Angeline Turner. Doha: October 13, 2008.

Manager at five-star hotel number three (Qatar). Interview with Angeline Turner. Doha: October 14, 2008.

Manager at five-star hotel (Oman). Interview with Angeline Turner. Muscat: June 1, 2008.

Manager at hotel apartment company number one (Qatar). Interview with Angeline Turner. Doha: October 14, 2008.

Manager at large travel agency number two (Oman). Interview with Angeline Turner. Muscat: October 26, 2008.

Manager at large travel agency number three (Oman). Interview with Angeline Turner. Muscat: June 2, 2008.

Manager at small travel agency number one (Oman). Interview with Angeline Turner. Muscat: October 27, 2008.

Manager at three-star hotel number one (Qatar). Interview with Angeline Turner. Doha: October 12, 2008.

Manager at two-star hotel number one (Qatar). Interview with Angeline Turner. Doha: October 11, 2008.


Owner of small travel agency number two (Oman). Interview with Angeline Turner. Muscat: June 2, 2008.

Representative of large travel agency number one (Oman). Interview with Angeline Turner. Muscat: October 25, 2008.
Representative of large travel agency number one (Qatar). Interview with Angeline Turner. Doha: October 11, 2008


Representative of Qatar Airways. Interview with Angeline Turner (Qatar). Doha: May 4, 2009.


Chapter three: General background on the GATS and on Omani and Qatari commitments to the GATS

The World Trade Organisation was formally launched in 1995, as successor to the General Agreement on Tariffs and Trade (GATT). The agreements behind the WTO are more extensive in scope than those of the GATT, which covered trade in goods only. Members of the WTO are signatories to a number of agreements that cover issues related to trade in goods, services, and trade-related aspects of intellectual property rights. This study is concerned with the WTO’s General Agreement on Trade in Services (GATS) which covers 12 broad categories of services, of which tourism and travel-related services are one area. Each sector is further divided into sub-sectors, with a total of 160 used. The agreement consists of a main framework, and specific commitments on the part of parties to the accord.

3.1 The main framework

Under the main framework of the GATS, parties agree to a number of principles. Two of these fundamental principles that member countries must agree are national treatment and market access. National treatment means that the member country agrees that it will treat all companies in the same manner that it treats national companies--so that foreign firms entering the

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355 For a full examination of the history and workings of the WTO, see World Trade Organisation, Understanding the WTO.
359 Hoekman and Kostecki, The Political Economy of the World Trading System, 252-3. See also World Trade Organisation, General Agreement on Trade in Services, Articles XVI, XVII and XVIII. These three sections introduce the types of specific commitments to be made by members--market access, national treatment and additional commitments. The latter refers to other issues, including qualifications, standards and licensing issues which are to be included in the individual country's schedule.
market do not face discrimination. This means, for example, that tax rates for foreign companies are not different from those applied to domestic companies. Market access means that foreign firms can enter into the market in order to compete. In joining the GATS, the state signatories must make this overall commitment to these two important principles. But the application of these ideas may be circumscribed--these principles in fact only apply to the areas in which countries make specific commitments (see below).

Also under the main framework is the explicit call for future negotiations aimed at further liberalisation of the services sector. Negotiations for that expansion are part of the wider process of the Doha Development Round, launched in 2001.

In addition, the GATS treaty calls for most favoured nation treatment (MFN), but allows for exemptions to this provision which can last for up to a decade. MFN requires that countries provide the same level of access to all countries involved in the system.

The parties to the GATS must also make a number of other commitments within the context of the main framework. Transparency is a key concern, and

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360 World Trade Organisation, *General Agreement on Trade in Services*, Article XVII.
361 World Trade Organisation, *General Agreement on Trade in Services*, Article XVI and Article I.
362 World Trade Organisation, *General Agreement on Trade in Services*, Article XVI, para 1 Article XVII, para 1, and Article XX.
364 World Trade Organisation, *General Agreement on Trade in Services*, Article II, para 1. This concept is explained in World Trade Organisation, "The General Agreement on Trade in Services: An Introduction," 5. under MFN, "the best access conditions that have been conceded to one country must automatically be extended to all other participants in the system. This allows everybody to benefit, without additional negotiating effort, from concessions that may have agreed between large trading partners with much negotiating leverage." For further discussion of MFN, see Adlung et al, "The GATS: Key Features and Sectors," 260.
365 World Trade Organisation, "The General Agreement on Trade in Services: An Introduction," 7. See also Hoekman and Kostecki, *The Political Economy of the World Trading System*, 252. They suggest that "the need for an annex on MFN exceptions arose from concerns on the part of some members that an unconditional MFN rule would allow competitors located in countries with relatively restrictive policies to benefit from their sheltered markets while enjoying a free ride in less restrictive export markets."
366 See World Trade Organisation, *General Agreement on Trade in Services*. In addition to the provisions mentioned in this paragraph, which are relevant to the area under study, there are a number of other requirements placed on member countries. Included are the need adhere to specific requirements in the types of economic integration groups that they join (article V); various provisions about mutual recognition of qualifications (article VII); and rules about monopolies (article VIII).
members must agree to the prompt publication of any regulation or law which would impact trade in services. GATS membership also brings with it commitments on the types of domestic regulations that a country can have. It looks at "qualification requirements and procedures, technical standards and licensing requirements" that affect trade in services. In particular, GATS requires that domestic regulations affecting trade in services not become a barrier to services trade. Members must also ensure that there is an appropriate body to hear and remedy complaints about administrative decisions rendered under local regulations. Additionally, the GATS accord provides a dispute settlement mechanism, offering a system of redress which can be accessed by small states.

The main framework also provides for a limited number of circumstances in which members may be relieved of some of their obligations under the agreement. If a country has balance of payments difficulties for example, it may ask for the right to restrict temporarily its services trade. There are also "General Exemptions" which allow countries to introduce regulations which "protect public morals or...maintain public order" and "protect human, animal or plant life or health." The agreement also allows governments to take action to prevent fraud and default and protect privacy and safety. The agreement also protects the rights of members to act in the interests of their security.

3.1.1 How services are delivered

With services, the GATS looks at four modes of supply. The first of these is cross-border supply, where a service provider sells to a consumer in another country. The second method is consumption abroad, where the consumer

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371 World Trade Organisation, *General Agreement on Trade in Services*, Article XXIII.
372 World Trade Organisation, *General Agreement on Trade in Services*, Article XII.
373 World Trade Organisation, *General Agreement on Trade in Services*, Article XIV
374 World Trade Organisation, *General Agreement on Trade in Services*, Article XIV
375 World Trade Organisation, *General Agreement on Trade in Services*, Article XIV bis
travels to the country in which the service is provided and uses it there--tourism is a prime example of this mode of supply. The third is commercial presence, with the foreign firm establishing some sort of entity in the country in which it wants to sell its services. Finally, there is movement of natural persons, where labour from one country travels to and works in another country in order to provide a service. Some of these modes of supply are more sensitive than others in negotiations--allowing the movement of natural persons, for example, is quite controversial within many developed countries as they are concerned about the impact on their local labour markets.

### Service delivery under the GATS

<table>
<thead>
<tr>
<th>Mode</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross border supply</td>
<td>Service provider sells to a consumer in another country</td>
</tr>
<tr>
<td>Consumption abroad</td>
<td>Consumer travels to the country where service is provided</td>
</tr>
<tr>
<td>Commercial presence</td>
<td>Foreign firm establishes entity in another country in order to sell its services</td>
</tr>
<tr>
<td>Movement of natural persons</td>
<td>Labour from one country works in another country</td>
</tr>
</tbody>
</table>


### 3.2 The specific commitments

In addition to the main framework agreement, signatories to the GATS negotiate a schedule, or set of specific commitments. The schedule includes two types of commitments. In the first section, the country must provide what are called horizontal commitments--commitments which apply across the board for all sectors listed in the second section. These are general commitments (and exceptions) on market access and national treatment. In the second section of the schedule, the country makes commitments that are sector-specific. These commitments are made on the 12 service sectors and their various sub-sectors, and across the four modes of supply.\(^{377}\)

## Types of commitments under GATS

<table>
<thead>
<tr>
<th>Type</th>
<th>Detail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Horizontal</td>
<td>Commitments that apply across all sectors. Deal with market access and national treatment.</td>
</tr>
<tr>
<td>Schedule</td>
<td>Commitments that are sector-specific. Apply to specific areas in the 12 service sectors dealt with by the GATS. Detailed commitments are made across the four modes of supply (see table above).</td>
</tr>
</tbody>
</table>


All countries that are party to the GATS must submit a schedule of specific commitments. This schedule is agreed after negotiation for accession for new members. Countries list the sectors and sub-sectors in which they are making commitments, and only in these listed areas is the country expected to offer market access and national treatment. Once on the schedule, however, if the country wants to limit market access or national treatment in some way for one of these sectors, then it must list that exception on the schedule.

Under the GATS, where the goal is opening up market areas, there are six types of restrictions on market access which are no longer legal in areas where commitments are made unless the country involved lists one (or some) of them as an exception in their schedules. These six restrictions are:

1. the number of companies or suppliers which are allowed to operate within a sector
2. the monetary value of the services that are provided or the monetary value of the assets that are held by services suppliers
3. the size of the service operations or the volume of services provided
4. the number of employees in the sector

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378 World Trade Organisation, *General Agreement on Trade in Services*, Article XX.
380 World Trade Organisation, *General Agreement on Trade in Services*, Article XX.
381 World Trade Organisation, *General Agreement on Trade in Services*, Article XVI.
5. the type of business venture established to supply a service
6. the level of participation by a foreign firm

Likewise, for national treatment, the WTO points out that, under the GATS, countries must list any measures that they intend to pursue or keep which do not conform to that standard. The sorts of measures which might be included here are differences in tax treatment of locally-owned and foreign-owned firms.

### 3.3 What are the some of the concerns raised about these provisions?

Why are the provisions of the GATS controversial? From a broad perspective, the concerns about the GATS are similar to those expressed about the WTO more generally. Concern focuses on whether existing services industries will be able to cope with competition from multinational corporations and whether new services suppliers will be able to gain a foothold if seeking to compete with international companies.

In part, this concern reflects the nature of trade in services—many services are not, in fact, tradable in the same manner as goods—they require the physical presence of the consumer and producer together. For many such services, a long-term presence is also required, and market access for foreign direct investment therefore becomes a key area of contention for those who want to encourage further liberalisation of services trade. Thus mode 3, or commercial presence, in the form of foreign direct investment (FDI) is of considerable importance, as it is the most significant method for delivery of services.

Hoekman and Kostecki suggest that:

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382 World Trade Organisation, *General Agreement on Trade in Services*, Article XX.
383 Daniels, “Export of Service, or serving exports?,” 10. He suggests that “many developing countries anticipate that trade liberalisation will undermine their existing, often fragile, service activities (especially knowledge and information services such as finance, business and professional services) and make them more dependent on imports and/or FDI from the leading service nations.”
"(c)ommercial presence dominates cross-border sales for other services. Thus, most of the "action" revolves around FDI. Temporary entry of service providers is of trivial quantitative importance."\(^{385}\)

The importance of FDI for trade in services means that GATS commitments differ from the types of commitments which typically accompanied trade in goods. For trade in goods, tariff reduction has traditionally been the main focus for advancing the goal of increased trade. For GATS, however, the statements above indicate the importance of investment as the key concern. The focus on investment explains why GATS commitments must address the questions of market access and national treatment, and why domestic regulations that govern that investment become a critical area of debate. The GATS treaty addresses the former issues; the issue of domestic regulation is covered briefly, but left largely to further negotiation.

3.3.1 Market access and national treatment

The requirements for provision of wide-ranging market access have meant that GATS affects domestic investment climate unlike traditional trade treaties which only affect the movement of goods.\(^{386}\) The importance of foreign direct investment to trade in services and the resulting emphasis on market access is cause for concern for states. In many instances, developing countries have sought to encourage local companies by regulating entry of FDI. In some instances, GATS commitments would mean that states would have to limit their protection of local industry in some instances. Hodge suggests that "...developing countries have historically placed significant restrictions on FDI in order to encourage domestic ownership of capital, limit repatriation of profits, and increase the linkages of the multinational firm with upstream suppliers. Full liberalisation of the commercial presence mode

\(^{385}\) Hoekman and Kostecki, *The Political Economy of the World Trading System*, 242. See also Daniels, “Export of Service, or serving exports?,” 3. He adds to this analysis, suggesting that "there is clearly an overlap between services trade and services foreign investment. Indeed, most service firms involved in international markets cannot exclusively pursue one without the other." A similar point is made in Hodge, “Liberalisation of Trade in Services in Developing Countries,” 222.

\(^{386}\) See United Nations Institute for Training and Research, "Services Negotiations Under the GATS," 1. The author here puts the issue slightly differently: "...unlike the GATT, the GATS applies not only to the treatment of products, but also to the treatment of suppliers, i.e. producers and/or distributors."
of supply would outlaw most of these measures in the services sectors.\(^{387}\)

The six market access tools which are no longer legal under the GATS unless a country asks for an exemption are important points in this debate. These tools have, in the past, been very significant tools available to governments to shape the development of particular sectors. For example, prior to liberalisation of services, authorities would frequently limit services like telecommunications to monopoly provision or insurance to oligopoly provision.\(^{388}\)

While thanks to exemptions such limitations remain possible, countries come under considerable pressure to open some sectors of their systems to foreign direct investment. Hodge argues, for example, that the notion of natural monopoly is no longer valid for many sectors.\(^{389}\) He suggests that "continued monopolisation for the sake of universal service, when alternative regulatory means of fulfilling these social objectives are available, would clearly fall foul of attempts to give market access to foreign firms."\(^{390}\) Mattoo also argues that "entry restrictions are becoming more difficult to justify in the face of technological change and the mounting evidence that competition works."\(^{391}\) He nonetheless acknowledges that governments may be seeking to fulfil other objectives such as infant industry protection or revenues earned from monopoly rents.\(^{392}\) This acknowledgement makes the point that pressure to change systems potentially limits the policy choices that governments have. Although Hodge's arguments may be true and there may indeed be welfare gains for societies that introduce competition into these areas where monopolies previously existed, such arguments raise questions about the amount of policy space which exists for small states to determine how they wish to develop.

Likewise, although many states like to ensure local majority ownership of companies, limitations on the level of participation by foreign firms are contentious. For example, in the Middle East, many states have traditionally required 51% local ownership, and changes to such rules would potentially be

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387 Hodge, "Liberalisation of Trade in Services in Developing Countries," 222.
389 Hodge, "Liberalisation of Trade in Services in Developing Countries," 222.
390 Hodge, "Liberalisation of Trade in Services in Developing Countries," 222.
controversial. But the issue is whether such restrictions, while potentially benefiting individual owners, limit local growth and productivity. Mattoo suggests that "it is not easy to find a sound economic rationale for these restrictions." Moreover, although Mattoo lists a range of potential economic benefits from foreign ownership, he suggests that "(i)nsofar as the incentives to transfer technology, improve management, and so on are related to an owner's share in the profits, ownership limitations are bound to dampen those incentives and adversely affect firm performance." He does, however, suggest that governments adopt such limits if they are seeking to limit the rents generated by foreigners, or seeking to protect "infant entrepreneurs" or seeking for political reasons to limit foreign participation in a particular sector. This latter statement makes clear that this issue is a policy issue, that the GATS restrictions potentially limit the policy space available to states, and that states must consider policy to keep that space open.

There are four other types of limitations on market access which are expressly forbidden by the GATS treaty- on size of service operations, on the number of employees, on the type of business venture, and on the monetary value of a type of service provided. Although these rules attract less comment, they add further limitations to the ability of governments to govern within their own boundaries the direction of development of particular services industries. Governments wishing, for example, to preserve small businesses in particular areas would find it impossible to restrict the size of a provider unless they had sought an exemption in their GATS agreement. Likewise, governments keen on developing their stock markets would not be able to require companies to list on their local exchanges unless they had sought an exemption from the GATS commitment which does not allow for restrictions on the type of business adventure.

For national treatment, the GATS treaty does not give a list of measures which become illegal as it does with market access. Rather, it simply states that a country must accord foreign suppliers "treatment no less favourable than that it

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accords to its own like services and service suppliers. Among the types of treatment targeted are different tax treatment of foreign-owned firms from domestically owned firms, and differences in land ownership requirements. As with market access restrictions, these restrictions might in some instances be used by governments to limit the penetration of foreign businesses or give small local businesses an opportunity to grow. Restricting the ability of governments to use these tools thus potentially limits their ability to pursue domestic policy goals.

In addition to the new parameters that GATS establishes for market access and national treatment, countries face difficulties if they want to re-negotiate the commitments. For WTO members, problems may also arise if there is an unforeseen development within one of the services sectors. Renegotiation of a commitment is legally possible, but whether partners would agree to new terms (or to new terms which would not be exceeding onerous) is open to question. The GATS requires that countries seeking new terms must enter into negotiations with the parties that might be affected by the change. Compensation must be agreed, and it must be made on a most favoured nation basis, meaning that all parties to GATS would be offered the new concessions. Moreover, the process requires at least three months notice, meaning that quick reaction to changes in circumstances is not possible.

3.3.2 Domestic regulation and subsidies

The GATS provisions on domestic regulations also raise concerns about the possible impact of the agreement on policy space. Granted, the provisions are within the context of an explicit WTO recognition of the right of governments to regulate their services. In the preamble to the GATS agreement, the members recognise

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396 World Trade Organisation, General Agreement on Trade in Services, Article XVII, part 1.
397 World Trade Organisation, General Agreement on Trade in Services, Article XXI sets out the procedure for “modification of schedules.”
398 World Trade Organisation, General Agreement on Trade in Services, Article XXI, para 2 (a).
399 World Trade Organisation, General Agreement on Trade in Services, Article XXI, para 2 (b).
400 World Trade Organisation, General Agreement on Trade in Services, Article XXI, para 1 (b).
“the rights of members to regulate and to introduce new regulations on the supply of services within their territories in order to meet national policy objectives and, given asymmetries existing with respect to the degree of development of services regulations in different countries, the particular need of developing countries to exercise this right.”

This is a strong statement on the rights of member states to continue to govern their domestic affairs. Looking at the issue, Gamberali and Mattoo add that the "overall disciplines on domestic regulations in the General Agreement on Trade in Services (GATS) remain weak." Moreover, in explaining the GATS, the WTO makes clear that there are "public policy objectives that might require regulatory support," including consumer protection, environmental protection, inclusion of the disadvantaged in the labour market, and other such issues. The WTO makes the point that "governments remain free under the GATS to pursue such policy objectives even in sectors where they have undertaken full commitments on market access and national treatment."

Despite this broad reassurance, domestic regulation is a second important area where GATS potentially encroaches upon what has traditionally been an area for sovereign government decision. Under the general agreement to which members are party, GATS requires that countries undertake that domestic regulations affecting trade in services be "based on specific and objective criteria; not more burdensome than necessary....; (and) in the case of licensing procedures, not in themselves (be) a restriction on the supply of the service."

In addition, the question of domestic regulation is an on-going one within the context of GATS. The GATS agreement calls on the Council for Trade in Services to "develop any necessary disciplines" which aim at "ensuring that measures relating to qualification requirements and procedures, technical standards and licensing requirements do not constitute unnecessary barriers to trade in services." The basic principles expected to guide the eventual

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401 World Trade Organisation, General Agreement on Trade in Services, preamble.
402 Gamberali and Mattoo, "Domestic Regulations and Liberalisation of Trade in Services," 290.
403 World Trade Organisation, “GATS Training Module,” 1 (section 3.1).
404 World Trade Organisation, “GATS Training Module,” 1 (section 3.1).
405 World Trade Organisation, General Agreement on Trade in Services, Article VI, para 4, points a-c.
406 World Trade Organisation, General Agreement on Trade in Services, Article VI.
407 World Trade Organisation, General Agreement on Trade in Services, Article VI, para 4.
framework are the questions of necessity, transparency, equivalence (related to qualifications earned abroad), and international standards.\footnote{World Trade Organisation, "The General Agreement on Trade in Services: An Introduction," 14.}

This on-going process and its potential implications leads to some concerns about the longer-run impact that GATS may have on states and their ability to formulate domestic regulations. Joost Pauwelyn argues that a recent Appellate Body decision has worrying implications.\footnote{See Pauwelyn, "Rien ne Va Plus?." Pauwelyn's concern is echoed in brief statement by Sapra, "The systemic importance of the GATS domestic regulation negotiations."} The decision involved a US ban on the service of on-line gambling. The board's ruling suggested that because the US regulations had the affect of limiting the number of participants in the sector, even though the regulations were not discriminatory, they were in violation of market access commitments.\footnote{Pauwelyn, "Rien ne Va Plus?," 132.} Taken to its logical conclusion, Pauwelyn suggests that there is little protection in this ruling for the right to domestic regulation:

"Essentially, if the scope of market access restrictions under Article XVI of GATS were defined too broadly, as risks being the case after US-Gambling, scores of domestic regulations would already be prohibited and the ongoing negotiations would lose much of their purpose."\footnote{Pauwelyn, "Rien ne Va Plus?," 133.}

Holmes is also concerned about the same case, and suggests that this decision

"is one of the many factors making developing countries increasingly reluctant to sign on to further WTO disciplines in diplomatically ambiguous texts whose meaning might then become more constraining as legal precedents develop."\footnote{Holmes, "The WTO and Domestic Regulation," 26.}

Elsewhere, Pauwelyn suggests that the decision "may threaten the validity of many domestic service regulations that were so far considered to be safe and subject only to future disciplines currently under negotiation."\footnote{Pauwelyn, "WTO softens....".} He points out that, in his view, market access restrictions should be defined as those which provide maximum limits on quantity.\footnote{Pauwelyn, "Rien ne Va Plus?," 152.} In contrast, domestic regulation restrictions, which include qualification requirements and procedures, technical
standards, and licensing requirements, should be defined as those which provide minimum requirements for quality standards.\footnote{Pauwelyn, “Rien ne Va Plus?,” 152.}

The overall impact of the ruling is, however, subject to some debate. The US challenge was on the basis of the undesirable social impact of on-line gambling. But the ruling against the US resulted not from a rejection of this argument. Rather, the judges viewed the US position on implementation as inconsistent because on-line gambling on horses was allowed.\footnote{Dale Honeck (WTO official speaking in a private capacity) in discussion with author February 2010.}

Nonetheless, Pauwelyn's comments suggest that the judicial decisions taken to settle disputes are having an important impact on the direction that this aspect of the WTO is taking. The specific case with which he deals is not related to the tourism sector. But the idea of an expanded definition of market access giving investors more rights and giving local governments less scope to pass domestic regulations could affect the tourism sector. More generally, GATS involvement in domestic regulation through these judicial mechanisms could potentially limit the policy space available to all states, including small states.

In addition to the question of domestic regulations, GATS also has provisions on the use of subsidies. Under the GATS accord, member states undertake to negotiate an agreement on subsidies which addresses any trade-distorting consequences of the use of subsidies.\footnote{World Trade Organisation, \textit{General Agreement on Trade in Services}, Article XV, para 1.} Members also undertake as part of that negotiation to agree possible countervailing measures in the event of violation.\footnote{World Trade Organisation, \textit{General Agreement on Trade in Services}, Article XV, para 1.} The accord adds that the situation of developing countries is to be taken into account, accepting that such states might need greater flexibility.\footnote{World Trade Organisation, \textit{General Agreement on Trade in Services}, Article XV, para 1.} The text adds that if a member believes that subsidies of another member are adversely affecting trade, then they can seek bilateral consultations.\footnote{World Trade Organisation, \textit{General Agreement on Trade in Services}, Article XV, para 2.} But there is little reason for an offending member to act in current circumstances—
the GATS treaty only requires that “such requests (for consultations) shall be accorded sympathetic consideration.”

Moreover, thinking on regulation of subsidies in services is not well-advanced. As Sauve points out, the treaty does not define a subsidy, the first step in reaching agreement on a discipline on the issue. Beyond the questions of definition, there is a lack of information on how frequently subsidies are used and the impact of their use on trade.

With regard to the potential impact on national policy, there are at least two areas where GATS might restrict current government policy space. The first is related to the question of national treatment and subsidies. Sauve notes that subsidies are subject to the national treatment requirements of the GATS, meaning that if a subsidy is available to a domestic provider it must also be made available to a foreign provider unless the country lists subsidy provision as an exclusion in its schedule. If the country’s negotiators or policymakers do not include this sort of exclusion, then policy space can be constricted. In the longer run, moreover, an agreement on this issue could restrict the kinds of subsidies that states can provide. For tourism, subsidies that might be an issue include payment of conference fees or subsiding hotel costs for conferences.

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422 Sauve, “Completing the GATS framework,” 331.
423 Sauve, “Completing the GATS framework,” 331.
424 Sauve, “Completing the GATS framework,” 331.
Summary of important areas for GATS agreements

<table>
<thead>
<tr>
<th>Area</th>
<th>Nature of commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Access</td>
<td>Restrictions on the ability of states to limit market access. Six types of market access restrictions are potentially forbidden.</td>
</tr>
<tr>
<td>National Treatment</td>
<td>Potentially requires states to offer same treatment to foreign companies as is available to national companies</td>
</tr>
<tr>
<td>Domestic regulations</td>
<td>Requires that domestic regulations not place an undue burden on business and that licensing requirements not be put into place in order to restrict trade</td>
</tr>
<tr>
<td>Subsidies</td>
<td>Requires states to look at the issue, with a view to eliminating trade distorting subsidies</td>
</tr>
</tbody>
</table>


3.3.3 Future concessions

Additional judicial decisions that may emerge over the next few years have the potential to affect the impact that GATS has on the policy space available for states. The situation of the GATS and small states is more generally dynamic as well. In at least two other ways, the situation is evolving. First, states are individually expected to make liberalisation offers. Second, there is on-going work on an agreement on domestic regulations.

Individual offers of additional liberalisation of services come under the new round of services negotiations. In this round, the talks on liberalisation have

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425 Article XIX of the GATS provided for a new round of services negotiations that were due to start within five years of the conclusion of the Uruguay Round. As Hoekman and Kostecki (The Political Economy of the World Trading System, 257) point out, the initial commitments made by those WTO members involved in the Uruguay Round of talks were largely of a "standstill nature." The new round officially commenced in January 2000, although the modalities of the process were not agreed until March 2001 (World Trade Organisation, "Current Negotiations"). As with much of the recent WTO negotiations, progress has been slow. The chairman of the trade negotiating committee noted in 2008 that progress had generally been made throughout the sectors and across the various modes, but cautioning that "there is still a considerable way to go" (World Trade Organisation, "Services Signalling Conference," 8).
taken the form of bilateral, multilateral and plurilateral negotiations, with a request-offer format cited by the WTO as the "main method." This involves parties making requests for concessions to their negotiating partners, and those partners responding with offers. But neither party is required to release details of their proposals, and so detailed information on these requests and offers is limited. Nonetheless, the United Nations speculates that most countries have received some form of requests. Although once they are members countries do not have to agree to concessions, the GATS accord includes a specific commitment to on-going liberalisation. This on-going process means that, over time, countries are likely to experience more pressure to liberalise.

Negotiations on an expanded discipline for domestic regulation--called for in the original GATS text and now under the remit of the Working Party on Domestic Regulation--will also potentially impact considerably the policy space available. At least some government officials from member states find the proposals potentially worrying. In a submission to the ministry of foreign affairs and trade dated January 11, 2007, the chief executive of Local Government New Zealand, for example, points out several issues that concern his organisation. He raises concerns about the question of the right of prior comment on legislation and rules which are apparently proposed in the draft. He says that his organisation would not support such a requirement as it is "neither warranted nor desirable." Additionally, he says that there would be no local government support for the inclusion of a necessity test for new

\[427\] See United Nations Institute for Training and Research, "Services Negotiations Under the GATS," 6. The WTO does not store documents on requests. The WTO does make public some offers (see http://www.wto.org/english/tratop_e/serv_e/s_negs_e.htm#offers for link to a listing of offers which have been made public), but these are limited and as of April 2010, the WTO listed no offers by Oman or Qatar. See also WTO, "Technical Aspects of Requests and Offers," 2. The WTO indicates here that "(i)n the Uruguay Round there was a suggestion, at some stage, that when a request is sent to a participant, a copy should also be sent to the Secretariat for its records. That was followed for some time, but then subsequently abandoned and the process turned into a purely bilateral exercise."
\[429\] World Trade Organisation, General Agreement on Trade in Services, Article XIX.
\[430\] World Trade Organisation, General Agreement on Trade in Services, Article VI, para 4.
\[431\] World Trade Organisation, "GATS Training Module," 1 (section 3.2).
\[432\] Bowen, "Domestic Regulations Submission."
\[433\] Bowen, "Domestic Regulations Submission," point 13.
\[434\] Bowen, "Domestic Regulations Submission," point 13. See also World Trade Organisation, "GATS Training Module," 1 (point 3.3), which suggests that one of the points under negotiation is that there should be "reasonable advance notice before implementation" of domestic regulations.
legislation, which would require governments to show that regulations were necessary if they had an adverse impact on foreign investors or businessmen.\(^\text{435}\)

Hoekman and Kostecki similarly suggest that a cautious approach should be taken in future negotiations regarding domestic regulations. They suggest that, for example, enforcement of a "necessity test" system for domestic regulation would be very difficult, and therefore seeking its institution would probably not be the best use of resources in at least some cases.\(^\text{436}\) Finally, New Zealand local officials were concerned that differing local government directives--including those related to protecting the environment--could be viewed as unnecessarily burdensome and thus prohibited under GATS.\(^\text{437}\) These comments suggest that new GATS rules on domestic regulations have the potential to restrain significantly a government's ability to set and enforce policy, which would potentially place a considerable burden on small states.

### 3.4 Oman, Qatar and interaction with the GATS

At least three types of documents give some insight into the impact that GATS has had and may potentially have on countries which have joined. This section examines some of these documents for insight into Oman and Qatar’s situation vis-à-vis GATS and tourism sectors in these countries.

In the first instance, as members of the WTO, Oman and Qatar have each submitted schedules of their services commitments. These include horizontal commitments, which are applied across all sectors, and sector-specific commitments. For travel and tourism related services, the WTO schedule identifies four sub-sectors. These are hotels and restaurants; travel agencies and tour operator services; tourist guide services; and other.\(^\text{438}\) The sector commitments for Oman and Qatar relate to these areas.\(^\text{439}\) These specific

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\(^{435}\) Bowen, "Domestic Regulations Submission," point 15.

\(^{436}\) Hoekman and Kostecki, *The Political Economy of the World Trading System*, 269. See also World Trade Organisation, "GATS Training Module," 1 (point 3.3) which says that one of the points under negotiation is whether there should be a necessity test.

\(^{437}\) Bowen, "Domestic Regulations Submission," points 8 and 10.


\(^{439}\) The WTO schedule for tourism and travel-related services is sometimes criticised for being too narrow. This study will nonetheless focus on travel and tourism-related services as currently
commitments set the parameters in which these two states must work as they seek to meet their domestic policy goals in the development of their tourism industries.

In addition to actual agreements, the on-going nature of services negotiations means that there are documents related to the ask-offer process. The WTO does not, however, keep these documents, and the lack of readily available documentation on requests and offers makes a thorough analysis of the sorts of pressures that Oman and Qatar are facing difficult. Nonetheless, some early European Commission requests of both countries have been leaked, and an analysis of these documents provides a likely flavour of the types of requests that these states face.

Finally, reviews of existing trade policy for all World Trade Organisation members are mandated by the WTO agreement. Both the government being reviewed and the WTO secretariat prepare reports for these reviews, and a revised version of these reports may emerge after the review talks. The talks involve both written questions as well as statements by delegates. Although participants in these meetings cannot force a country to make particular concessions, they are a venue for increasing the pressure on states, and probably small states in particular, to consider concessions. They highlight the areas where negotiators may seek further concessions, and make clear that even small states cannot expect to be ignored in concession rounds if a further trade pact nears.

3.4.1 Oman’s specific commitments affecting Tourism and Travel-Related Services

Oman joined the WTO on November 9th, 2000. As with other member states, Oman has agreed a schedule which lists both horizontal and sector specific

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commitments. The country's horizontal commitments included the following provisions that might affect tourism companies.\footnote{World Trade Organisation, "Oman: Schedule of Specific Commitments," Horizontal Commitments.}

- foreign firms may hold up to 70% equity in businesses in Oman (effective January 2001),
- foreign firms may not purchase property, but service suppliers may obtain renewable 50-year leases on land and buildings,
- firms with foreign equity participation in excess of 70% may be required to pay tax at a higher rate than wholly Omani-owned companies or firms with up to 70% foreign ownership, and
- expatriate employees of firms are limited to 20% of the total number of employees and these expatriates must be engaged in specific types of work such as management.

These horizontal commitments are taken in conjunction with the sector specific commitments. Oman's sector specific commitments on travel and tourism related services are limited to two sub-sectors only—"hotels and restaurants" and "travel agencies and tour operator services." No specific commitments were made either for "tour guide services" or for "other."\footnote{World Trade Organisation, "Oman: Schedule of Specific Commitments," Sector Specific Commitments, Tourism and Travel-related services.} This means that Oman has no obligation to allow foreign companies to offer tour guide services in Oman.

The sector-specific commitments for "hotels and restaurants" and "travel agencies and tour operators" include the following: \footnote{World Trade Organisation, "Oman: Schedule of Specific Commitments," Sector Specific Commitments, Tourism and Travel-related services.}

- For mode one, cross-border supply, Oman does not place market access restrictions on the activities of foreign firms involved. This lack of restriction applies to travel agency and tour operator services, as hotels or restaurants cannot offer a "cross-border" service.
• For mode two, consumption abroad, Oman does not place market access restrictions.

• For mode three, commercial presence, foreign equity participation in restaurants is limited to 49%. For other sectors, there are no limited on foreign equity participation beyond those specified in the horizontal commitments (so 70% as of January 2001—see above).

• For mode four, presence of natural persons, Oman makes no market access commitments beyond those found in the horizontal commitments (so a maximum of 20% of the staff may be expatriate, with some limitations on the types of jobs available for expatriates—see above).

For national treatment, most of Oman’s restrictions for the travel and tourism sector of the economy are enumerated in the horizontal commitments. For mode one (cross-border supply)\(^445\), mode two (consumption abroad), and mode three (commercial presence), Oman makes no further restrictions on foreign companies involved in either “hotels and restaurants” or “travel agencies and tour operator services.” For mode four (presence of natural persons), Oman reiterates that it will not allow access to the market except as specified in its horizontal commitments.\(^446\)

Beyond the original GATS agreement, Oman is part of the GATS 2000 round of negotiations, which is part of the on-going services negotiations. This means that there has been an ask-offer process, and it has probably received a number of requests for revisions in its trade schedule. These documents are not in the public domain, but some EU documents have been leaked and provide some material for analysis. The EU document to Oman shows that the EU submitted a wide-ranging request for new concessions.\(^447\) On horizontal commitments, the EU asked Oman to agree:\(^448\)

\(^445\) As above—this would be relevant for travel agency and tour operator services only.
\(^446\) World Trade Organisation, “Oman: Schedule of Specific Commitments,” Sector Specific Commitments, Tourism and Travel-related services.
\(^447\) World Trade Organisation, “GATS 2000: Request from the EC… to Oman.” Requests were made across a range of services sectors, in addition to tourism and travel-related services.
\(^448\) World Trade Organisation, “GATS 2000: Request from the EC… to Oman,” section on Horizontal Commitments.
• to remove the 70% restriction on foreign equity participation in ventures;
• to remove restrictions on foreign ownership of land for companies establishing a commercial presence in Oman; and
• to increase the proportion of permitted foreign employees from the current level of 20% in some cases and to remove it entirely in others.

In addition to these and other horizontal commitment requests, the EU asked for additional specific commitments for the tourism and travel-related sector. Included on this list were: 449

• a request that Oman remove the 49% equity participation limitation for foreign companies in the restaurant sector;
• a request that Oman remove all limitations on market access and national treatment for modes two (consumption abroad) and mode three (commercial presence) for tour guide services; and
• a request that Oman allow more foreign employees to work in the sector (as mentioned above in the horizontal sector requests).

Finally, Oman has recently participated in its first trade policy review. The review, which was held in mid-2008, provides some understanding of the perceptions of both the WTO secretariat and Oman's trading partners. In particular, the secretariat seems to suggest that the foreign tour guide sector should be liberalised. 450 The report also indicates that tools that achieve domestic goals are to be targeted for further opening. In particular, the secretariat criticises Oman's continuing restrictions on foreign land ownership. It suggests that these restrictions are a reason that "Oman's vast potential for attracting foreign investors and fostering domestic investment remains somewhat untapped." 451

449 World Trade Organisation, "GATS 2000: Request from the EC…to Oman," section on Tourism and Travel-related services.
Questions presented by Oman's trading partners reinforce the view that these areas are ones where Oman might see future pressure to relax its current restrictions. The European Community asked why tourism guide services were reserved for Omanis only, and further inquired as to whether Oman intended to allow foreign competition in the sector. Oman's reply was robust, but it is clear that this is an area where pressure might be applied in future to liberalise.452

Likewise, Oman may see further pressure to allow higher levels of foreign ownership. Both Canada and Hong Kong questioned Oman about the restrictions on foreign ownership of tourism projects.453

3.4.2 Qatar's specific commitments affecting Tourism and Travel-Related Services

Qatar officially joined the WTO January 13th, 1996.454 Under its original agreement, horizontal commitments include the following provisions which would affect tourism companies.455

- Foreign ownership of land is not allowed. Foreign companies may acquire a "long lease," but no term is listed in the Qatari commitments.
- All foreign companies may be required to pay income taxes while local firms may not be obligated to pay such taxes.
- Foreign companies with a commercial presence (mode 3) may be obliged to offer technical or marketing help, technology transfer, and training programmes.
- Qatar reserves the ability to offer loans and other assistance to national companies.
- Qatar makes no commitments on mode four (presence of natural persons) except to say that some managers, specialists and skilled technicians will have access to the country. The schedule also makes

455 World Trade Organisation, "Qatar: Schedule of Specific Commitments," Horizontal Commitments. All material in bullet points is taken from this section.
clear that for some government services—like housing and healthcare—there are access restrictions for foreigners.

- Foreign companies are required to have a Qatari partner or agent.\textsuperscript{456}

In addition to the horizontal commitments, Qatar made some sector specific commitments for tourism and travel-related services. These commitments were limited to the "hotels and restaurants" sub-sector only. Qatar made no sector specific commitments for "travel agencies and tour operator services," for "tour guide services" or for "other."\textsuperscript{457}

For "hotels and restaurants," Qatar makes no commitments for either market access or national treatment for mode one (cross-border provision of service)\textsuperscript{458} or mode four (presence of natural persons). But for mode two (consumption abroad) and mode three (commercial presence) it adds no further restrictions than those set out in the horizontal commitments.\textsuperscript{459}

As with Oman, Qatar’s membership in the WTO has meant that it has been part of the on-going negotiations on services liberalisation. Qatar has also received a request from the European Commission to open further its trading regime for services. The EC tabled a number of requests for changes in Qatar's horizontal commitments. Included on this list were:\textsuperscript{460}

- a request for a change in the rule which requires foreign companies to have either a Qatari agent or a partnership with a Qatari company,
a request that Qatar specify what sorts of technology transfer, marketing help and training that it requires of foreign investors,

a request that Qatar no longer prohibit foreign ownership of land,

a request that Qatar no longer prohibit foreign ownership of shares,

a request that Qatar clarify the sorts of assistance and incentives that it offers to national companies, and

a request that Qatar clarify some definitions of foreign workers in a manner which would ensure extensive access.

These requests, if agreed, would apply across all services sectors included in the GATS agreement. In addition, the EC expressed hope that Qatar would consider a number of sector specific concessions, including:

- a request that Qatar apply clarified and extensive definitions for those who are allowed to have work permits in the hotels and restaurants, travel agencies and tour guide services;
- a request that Qatar open fully its travel agencies and tour operator services for mode 1 (cross-border services), mode 2 (consumption abroad), and mode three (commercial presence); and
- a request that Qatar undertake full market access and national treatment commitments for tour guide services in modes two (consumption abroad) and mode three (commercial presence).

Finally, also like Oman, Qatar's trade policies have been reviewed by the WTO. This review was conducted in early 2005, and documents related to that exercise provide insight into some of the areas where Qatar's trade partners would like to see changes. Part of the pressure is to allow greater foreign investment generally. In a discussion of Qatar's need for diversification, the moderator suggested that, for manufacturing and services, "any surge… would only come through further liberalizing various policy decisions that currently constrained foreign participation." Canada asks Qatar to expand foreign investment opportunities in a number of services areas, including banking,

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461 World Trade Organisation, “GATS 2000: Request from the EC… to Qatar,” section on Tourism and Travel-related services.
insurance, telecommunications and postal services. Japan's statement to Qatar echoes some of these requests and also suggests that Qatar has "room for further commitment," suggesting that it might become involved in WTO plurilateral agreements.\(^{463}\) Other countries make similar points, effectively setting out the concessions that Qatar's trading partners would like to see in the country's offer for additional concessions.\(^{464}\) Among the sectors on which Qatar was questioned was tourism.\(^{465}\)

Countries questioning Qatar had other policy goals as well. These goals were clear from the types of questions that they posed--the United States, for example, asked Qatar whether it intended to eliminate the need for prior government approval for foreign ownership in excess of 49%.\(^{466}\)

Member states are also interested in seeing Qatar further open its tourism sector specifically. The EC in particular questions Qatar on its openness to foreign investment in this sector. The EC representative specifically seeks greater openness for tour managers and tour guides.\(^{467}\) Hong Kong also asks Qatar to include a commitment to full foreign ownership in all tourism sub-sectors in a revised schedule.\(^{468}\) Hong Kong's interest is in an expansion beyond the current commitment to allow partial foreign ownership of hotels and restaurants only, rather than in the full range of tourism services.\(^{469}\) Qatar's policy on the matter was also clear from its response—although foreign companies may under current law and with appropriate approvals have 100%....

\(^{464}\) See World Trade Organisation, "Trade Policy Review Qatar: Minutes of Meeting." Hong Kong suggested that Qatar submit its offer "as soon as possible" (page 9). The European Communities suggested that Qatar's own interest would be served by opening its banking, commercial representation and insurance sectors, and adds that the country would "benefit from further consolidating its services sector by ensuring foreign competition in all sub-sectors" (page 9). The United States pressed Qatar to change some of its standards (page 10), while Singapore echoed the sentiment of other participants by encouraging further liberalisation of services sub-sectors (page 12).
\(^{467}\) This document provides the more detailed advance written questions and replies submitted by Qatar. The United States also raises a national treatment issue, on land leases, seeking an assurance that renewal of leases is automatic (page 3).
\(^{469}\) Mexico raises a similar point, see page 30.
ownership of all tourism projects. The possibility of repealing the current law thus remains open to Qatari policymakers.

3.5 Implications for Oman and Qatar

The nature of trade in services means that commercial presence, and more generally foreign direct investment, is part of the package. The agreements that Oman and, to a lesser extent, Qatar have struck suggest that their economies are bound to be open to such investment. But have they managed to find policy space within the agreements to develop their tourism sectors in a manner compatible with their domestic goals and norms? The discussions with officials and businesspeople presented in subsequent chapters examine this question.

In addition, the on-going nature of the services liberalisation process means that Oman and Qatar have already been presented with further requests for concessions on their trade and investment regimes and can expect further requests in the future. The issues raised in the trade policy reviews and in the EU requests for further liberalisation may be areas that have an impact on the ability of Oman and Qatar to achieve their domestic policy goals. Such liberalisation would, in the cases of both Oman and Qatar, potentially impact those countries’ abilities to control the direction of their sectors and to diversify in ways which maximise local ownership and employment. To understand the potential importance of these issues, it is necessary to look at those goals and the tools being used to achieve them. It is also necessary to ask whether the concessions requested would impact the ability of these two countries to address high priority policy goals. Beyond that query, are those states likely to make such concessions in the near term? Would such concessions dismantle tools that governments currently use to control development of the tourism

470 World Trade Organisation, “Trade Policy Review Qatar: Report by the Secretariat,” 18, which notes “under the 2000 investment law, a company can be 100% foreign owned in selected sectors, such as agriculture, industry, tourism, education, health and natural resources, subject to prior government approval and provided that the company is duly established (italics added).” See Law No. 13 of 2000: Qatar’s Investment Law Regulating the Investment of Foreign Capital in Economic Activities.

sector? These questions, and insights on them provided by businesspeople and officials, are addressed in subsequent chapters.
Chapter four: Oman and policy space

Do Oman's commitments to the General Agreement on Trade in Services provide the country with sufficient policy space to develop its tourism sector in a manner that helps the country achieve its more general policy goals? To answer this question, it is first necessary to examine Oman's policy goals to determine what the government's priorities are for the tourism sector. Actual developments in the sector must then be examined within the context of policy goals to determine whether these goals are being pursued as the sector is being developed. Finally, if those goals are not being achieved, it is necessary to ask whether the lack of success is the result of GATS commitments or other factors. As small states more generally are seeking to develop their economies through tourism, this case provides some insights into the impact of GATS commitments on policy space and consequently development efforts.

4.1 The development of tourism in Oman

Oman began developing its tourism industry in earnest in the early half of this decade. Prior to this thrust, Oman was largely off the global tourist map. A 1983 report on tourism development prepared for the government suggested that with growth the country might achieve 4,000 tourists in 1985.\footnote{Darwish Shankland Cox, A Development Strategy for Tourism, iv.}

Facilities were one issue. In 1983, the government’s plan called for hotels with a total of 150 beds suitable for tourist visitors by 1985.\footnote{Darwish Shankland Cox, A Development Strategy for Tourism, iv.} Government concern about the potential impact of tourism accompanied the lack of facilities. The 1983 study cautioned that the government should set modest targets for tourism growth in order to “keep in step with the rate of social change.”\footnote{Darwish Shankland Cox, A Development Strategy for Tourism, 94 and 107.} It went further to argue that tourism should be targeted at “the selective tourist who is likely to...show respect for local customs and values,” with the aim of attracting those “prepared to pay higher prices.”\footnote{Darwish Shankland Cox, A Development Strategy for Tourism, 94 and 107.}
the natural and built environments, and advised to act to control growth strictly to avoid these impacts.\textsuperscript{476} Similar thinking provided the framework for the National Plan for Tourism devised in 1989.\textsuperscript{477} Development of the sector was to take place within the context of “limits imposed by the need to protect cultural values and the environment.”\textsuperscript{478} Targets were again modest—by 1990, the country hoped to attract about 14,500 leisure visitors.\textsuperscript{479} Again, the target audience was clear—the Omani government was aiming for travellers “with a high average level of education and disposable income.”\textsuperscript{480}

In this context, tourism growth was modest, and facilities remained limited. In 1996, the capital had one five-star tourist hotel, and two five-star business hotels. Muscat additionally had four four-star hotels, and 18 less well-equipped establishments. In Salalah, in the southern Dhofar region, there was one four-star hotel, and six other facilities, ranging from one-star to three-star. Throughout the rest of the country, there were only 17 additional hotels, of which one, in Buraimi, was classed as four-star.\textsuperscript{481}

\begin{thebibliography}{99}
\bibitem{477} World Tourism Organisation, \textit{Tourism Planning and Training: Oman, Volume 1}.
\bibitem{478} World Tourism Organisation, \textit{Tourism Planning and Training}, xv.
\bibitem{479} World Tourism Organisation, \textit{Tourism Planning and Training}, xvii, with business visitors estimated at about 176,000.
\bibitem{480} World Tourism Organisation, \textit{Tourism Planning and Training}, 1.
\bibitem{481} Ministry of National Economy, \textit{Statistical Yearbook} 25\textsuperscript{th} edition, 643-644.
\end{thebibliography}
### Tourism development timeline: Oman

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983</td>
<td>Government plan calls for development of hotel space providing 150 beds of tourism standard by 1985</td>
</tr>
<tr>
<td>1996</td>
<td>Government recorded one five-star tourism hotel and two five-star business hotels in the capital.</td>
</tr>
<tr>
<td>1999</td>
<td>Government reiterated its emphasis on small-scale, “quality” tourism</td>
</tr>
<tr>
<td>2003</td>
<td>Visa rules are relaxed, allowing nationals from 68 countries to obtain visas on arrival</td>
</tr>
<tr>
<td>2004</td>
<td>Creation of new tourism ministry, signalling shift to development of larger-scale tourism sector</td>
</tr>
</tbody>
</table>


In the early 1990s, most tourists who came to the country tended to stay in the capital area, with day trips to nearby forts. The government's focus remained on attracting a relatively small number of well-heeled visitors who would be content to stay largely within the confines of hotel facilities. A government publication from 1999 suggested that, for tourism, “the emphasis is on "quality" with a selective strategy aimed at attracting the more affluent tourists from Europe and Asia, thus avoiding the negative aspects of mass tourism.”

This small-scale tourism industry may have provided custom for the main upper-end tourist hotel, but offered only limited job opportunities and made a limited contribution to the

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country's economy. But the system was not designed to encourage visitors--visas had to be obtained in advance, and a local sponsor was needed.

The visa difficulties and the lack of major hotels were combined with questions about political will. Omani policymakers were concerned that mass tourism might offend local social sensibilities. In addition, under Sultan Qaboos, Oman has taken considerable interest in preserving its natural heritage, and there may have been some feeling that large-scale tourism would have a detrimental environmental impact.

These concerns are still very real, but by the early part of the first decade of the 2000s, problems in Oman's oil industry made policymakers reconsider the sector. At this point, the need for additional sources of income was combined with concern about creation of employment opportunities, particularly for young people.

One key signal that Oman's policy outlook on tourism was shifting was the creation of a ministry of tourism. Previously, tourism had been a department within the ministry of commerce and industry. But in 2004, Sultan Qaboos announced that the country would henceforth have a tourism ministry. A veteran Omani bureaucrat, Rajha bint Abdul Ameer, was named to head the new ministry, and assets from the ministry of commerce and industry were transferred to the newly formed organisation. That ministry lists an ambitious strategy that is five-fold--promoting Oman as a tourist destination; making Oman the main tourist destination of the region; ensuring that tourism contributes 5% of national income; encouraging private sector involvement; and reaching 80% Omanisation of tourism jobs. Within the context of promoting the sector, the ministry has a number of concrete tasks listed, including

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483 Government statistics do not have a separate entry for all tourism services. But they do supply an entry for hotels and restaurants, and in 1994, the hotel and restaurant sector accounted for less than 1% of the country's gross domestic product measured in constant 1988 prices. See Ministry of National Economy, *Statistical Yearbook* 25th edition, 352.

484 Local hotels could act as sponsor and would do so for the period that a tourist had booked to stay.

485 See Ministry of Information, *Oman 99*, 256-260, which lists the range of measures that Oman had taken by that time to protect the country's natural environment. The text notes in several places the Sultan's own activities related to the environment.


487 Ministry of Tourism, "About us: Objectives."
marketing activities like ensuring brand awareness and destination marketing, as well as participation in events, industry shows and exhibitions, e-marketing, and airline marketing. Oman is having some success in its efforts to promote the tourism sector. Figures for the number of hotel guests provide some indication of success, although as the table below indicates, not all guests are foreign visitors.

**Hotel and motel occupants by nationality: Oman**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>% Omanis</th>
<th>% Non-Omanis</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>1,697,525</td>
<td>25.2</td>
<td>74.8</td>
</tr>
<tr>
<td>2007</td>
<td>1,501,316</td>
<td>24.7</td>
<td>75.3</td>
</tr>
<tr>
<td>2006</td>
<td>1,654,896</td>
<td>21.1</td>
<td>78.9</td>
</tr>
<tr>
<td>2005</td>
<td>1,407,672</td>
<td>22.7</td>
<td>77.3</td>
</tr>
<tr>
<td>2004</td>
<td>1,201,926</td>
<td>24.4</td>
<td>75.6</td>
</tr>
<tr>
<td>2003</td>
<td>886,776</td>
<td>29.0</td>
<td>71.0</td>
</tr>
<tr>
<td>2002</td>
<td>862,819</td>
<td>25.4</td>
<td>74.6</td>
</tr>
<tr>
<td>2001</td>
<td>749,295</td>
<td>25.0</td>
<td>75.0</td>
</tr>
<tr>
<td>2000</td>
<td>709,821</td>
<td>19.5</td>
<td>80.5</td>
</tr>
<tr>
<td>1999</td>
<td>626,713</td>
<td>19.8</td>
<td>80.2</td>
</tr>
<tr>
<td>1998</td>
<td>529,249</td>
<td>19.9</td>
<td>80.1</td>
</tr>
<tr>
<td>1997</td>
<td>463,150</td>
<td>18.9</td>
<td>81.1</td>
</tr>
<tr>
<td>1996</td>
<td>435,589</td>
<td>19.8</td>
<td>80.2</td>
</tr>
<tr>
<td>1995</td>
<td>352,181</td>
<td>20.7</td>
<td>79.3</td>
</tr>
</tbody>
</table>


Likewise, the contribution of the hotel and restaurant sector to the local economy is growing. These figures do not, however, give a full picture of the contribution of the tourism sector to the economy and in some cases they reflect returns which are unrelated to tourism. Nonetheless, they show that there has been growth in some areas which have a strong tourism input.

\[488\text{ Ministry of Tourism, "Marketing Overview."}\]
Hotels and restaurants: Contribution to Omani GDP
(constant prices 2000)

<table>
<thead>
<tr>
<th>Year</th>
<th>ORm</th>
<th>% of GDP</th>
<th>Growth rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>118.8</td>
<td>1.1</td>
<td>11.1</td>
</tr>
<tr>
<td>2007</td>
<td>107.0</td>
<td>1.1</td>
<td>23.8</td>
</tr>
<tr>
<td>2006</td>
<td>86.4</td>
<td>0.9</td>
<td>9.3</td>
</tr>
<tr>
<td>2005</td>
<td>79.0</td>
<td>0.9</td>
<td>17.4</td>
</tr>
<tr>
<td>2004</td>
<td>67.3</td>
<td>0.8</td>
<td>11.7</td>
</tr>
<tr>
<td>2003</td>
<td>60.3</td>
<td>0.7</td>
<td>9.2</td>
</tr>
<tr>
<td>2002</td>
<td>55.2</td>
<td>0.7</td>
<td>-3.0</td>
</tr>
<tr>
<td>2001</td>
<td>56.9</td>
<td>0.7</td>
<td>2.0</td>
</tr>
<tr>
<td>2000</td>
<td>55.8</td>
<td>0.7</td>
<td>4.3</td>
</tr>
<tr>
<td>1999</td>
<td>53.5</td>
<td>0.7</td>
<td>7.5</td>
</tr>
</tbody>
</table>


New visa policy also signalled that the government's attitude about tourism had changed. The need for a sponsored visa gave way in the latter part of the 1990s to a new system, which, although still complex, was better for some potential visitors. Under that regime, residents of neighbouring GCC countries could obtain visas at the border. But other individuals still needed visas, although these could in theory be obtained via embassies within 72 hours. Groups were still required to have sponsored visas.\(^{489}\) In 2003, the rules for visas changed further, allowing nationals from 68 countries to obtain visas on arrival in the country.\(^{490}\) In addition, the new regulations provide that cruise ship passengers do not have to pay for their visas provided that their stay is for less than 24 hours.\(^{491}\)

Further highlighting the government's commitment to the development of the tourism sector was the creation of Omran and Waterfront Investments. These government organisations are investing in a range of mega-tourism projects in

\(^{489}\) Ministry of Information, Oman 99, 127.
the Sultanate, largely by taking equity stakes with foreign partners (see Ensuring local economic participation and local ownership).

As the Omani government has developed and then moved ahead with tourism development, it has sought to achieve a number of policy goals. Its ability to achieve these goals (or not) has been in the context of its international obligations and domestic pressures. The impact of these two factors gives some insight into the pressure on policy space and the ability of small states to develop tourism within the context of these pressures.

4.2 Economic policy issues for Oman: diversification

The Omani government has been actively involved in long-range planning, and its overarching vision for the period leading up to 2020 is called Vision for Oman’s Economy 2020. This plan runs from 1996-2020, and is teamed with more detailed period five-year plans, the most recent of which is the seventh five-year plan which runs from 2006-2010. In Vision for Oman’s Economy 2020, the Omani government sets out four major policy goals. These are economic balance and continuous growth; human resources development; economic diversification; and private sector development.

The government's programme for diversification aims to move the economy away from dependence on crude oil, and explicitly targets the tourism sector for growth. When the programme was first drawn up, the government hoped that the sector would contribute 3% to the country's GDP by 2020, up from 0.8% in 1995. The country's success thus far has encouraged policymakers to

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492 For purposes of looking at Oman through Weiss’ framework, it is interesting to note that the country has a history of intervention and planning. Weiss suggests that a state’s approach to a problem is likely to be informed by past approaches, and within this framework it is not be surprising to find that Oman has taken at least some planning action with regard to tourism. See chapter 1, Literature review, What are the options for states after the deal is done?, and Linda Weiss, "Globalisation and national governance," 81.

493 For information on planning, see Ministry of National Economy, “Development Strategy.” For mention of the seventh five-year plan, see Oman News Agency, “State’s General Budget for the Year 2010.”


raise that goal to 5%. The government, moreover, expected that the tourism sector would be one of the main drivers for a more general expansion of the country's services sector.

The need for diversification results from changes in the Omani economy. In the past, the economy has been dominated by the oil sector. Although oil continues (and will continue) to play an important role, production levels have dropped dramatically in recent years. Oil output peaked in 2001, with production of 956,000 barrels/day (b/d). It fell gradually over the next several years, reaching an annual average of 710,000 b/d at the end of 2007. Results have since improved—the average output for 2009 was 812,500 b/d. But this figure is still nearly 150,000 b/d lower than the 2001 peak, and output costs have risen. Both Petroleum Development Oman, the country's largest oil producer, and the country's second largest producer, Occidental Petroleum, have had to invest heavily in expensive enhance oil recovery techniques.

Until recent months, relatively strong world oil prices had cushioned the blow of the production drop and the higher production costs. But even before the recent drop in oil prices, the decline in output, particularly since the start of this

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497 Ministry of Tourism, "About us: Objectives."
498 Ministry of National Economy, *Long-term Development Strategy (1996-2020)*, Chapter 4, point 4.6-12b. For discussion on how development of tourism may encourage growth in other sectors of the economy, see Brenton, Newfarmer and Walkenhorst, “Export Diversification,” especially pages 15-20, which suggests that for goods particularly but also for services, development of tourism services can encourage export growth. See also Ashley, De Brine, Lehr and Wilde, *The Role of the Tourism Sector*, which discusses linkages that can be developed between hotels and local suppliers of goods and services. See also Cali, Ellis and Velde, *The Contribution of Services to Development*, especially pages 10-11 which discusses the potential positive externalities of tourism on areas like human resources development, infrastructure, and diversification.
500 Ministry of National Economy, Monthly Statistical Bulletin February 2010, Crude Oil and Gas Sector Table.
502 The price per barrel of Omani crude rose steadily from 2001, when it averaged $23/barrel (b) to 2007, when it averaged $65/b. For the first nine months of 2008, government figures put the average at $104/b. Prices have fallen off their mid-2008 peaks, but are still higher than they were at the start of the decade. See Ministry of National Economy, *Statistical Yearbook 36th edition*, Oil and Gas Indicators table. See also Ministry of National Economy, "Monthly Statistical Bulletin October 2008", Table 6. For 2009, the average price of Omani crude was just over $56/b, while the average price for February 2010 was just over $76/b. See Ministry of National Economy, "Monthly Statistical Bulletin, March 2010," Table 6.
decade, combined with higher production costs, had persuaded the government to push for diversification with new vigour.

4.3 Economic policy issues for Oman: employment

*Vision for Oman’s Economy 2020* states that job creation and Omanisation are two reasons for the human resource development programme. The document suggests that one of the goals of the Vision 2020 programme is "creating employment opportunities for interested Omanis, and providing them with necessary training and qualifications, according to the labour market needs." It adds that the goal is to "avoid unemployment among Omanis." In addition, as part of the programme, the government makes a goal of "substituting expatriate labour with highly qualified Omani labour, in order to shift the economy from a low value added to a high value added economy."

Oman’s decision to put human resources development, with its subsidiary aim of employment, at the top of its policy goals was not accidental. Creating jobs and filling existing jobs with Omanis is arguably one of the most critical issues for the country’s economy in the coming decade. Between 1990 and 2006, the World Bank estimates that Oman’s population increased at an average rate of 3% annually, meaning that the country’s population would double in just 23 years. The rate of growth is forecast to slow to 2% for the 2006-2015 period. But past growth means that the country’s population is young--the Bank’s figures indicate that one-third of residents are under 15 years of age, compared with the UK, where the comparable figure is 18%. As a consequence, a large number of young Omanis are graduating from secondary school each year. The International Labour Organisation estimates that about 40,000 Omanis enter the job market annually, and the average annual job

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507 World Bank, *World Development Indicators 08*, 41.
508 World Bank, *World Development Indicators 08*, 41.
509 World Bank, *World Development Indicators 08*, 41-42.
creation expected in the 2001-2005 five-year plan would result in jobs for only just over half the number of new job-seekers.\textsuperscript{510}

In recognition of the need to find answers to the looming employment problem, the government held its first National Manpower Seminar in 2001, which was part of Sultan Qaboos' tour around the country.\textsuperscript{511} Combining the events was a move almost certainly designed to show the seriousness of the government's engagement in the employment question. The concern does not seem to have been misplaced--figures from the World Bank indicate that unemployment in 1996 was about 10\% in Oman, and by 2003, government estimates put unemployment at about 20\%.\textsuperscript{512} With a large number of new job seekers expected annually, the government was then and is now seeking to grow the economy beyond the capital-intensive and skill-intensive hydrocarbons industry. Tourism is one relatively low-skill area that has been identified as a source of employment.

4.4 Environment and culture protection policy

In addition to concerns about jobs and diversification, Omani policymakers have long been concerned about the impact that tourism might have on the country's culture and its environment. The undersecretary at the ministry of tourism suggested that the desire to preserve the culture and the environment drives the direction of the development of the tourism sector. He added that some people think that Omani policy is a "bit complicated" when it comes to visas and environmental protection and other similar matters. But the government adapts a cautious approach on these matters "for the sake of the people, the environment" to make sure they are not destroyed in a headlong rush toward tourism.\textsuperscript{513} As we have seen, even in 1983, such a concern was high on the state's agenda.

\textsuperscript{511} Oman Chamber of Commerce and Industry, "34\textsuperscript{th} National Day," 6.
\textsuperscript{512} World Bank, "Current Unemployment Rates in Arab Countries," table 1. The Omani government figures are from Karra, "Jobs...but no takers?," which reported an interview with the director-general of planning and development at the Omani Ministry of Manpower.
\textsuperscript{513} HE Mohammed Hamood al-Tobi (undersecretary of tourism) in discussion with author, October 2008.
4.4.1 Concerns about culture

For the Omani government, and older Omanis at least, some of the concern about the development of the tourist industry is related to the worries about the potential impact tourism would have on the country’s relatively conservative culture. This issue was one of the factors which prompted Oman to have a go-slow approach toward tourism in the 1990s (see The development of tourism in Oman above). Although the changes in the country’s economic situation have now encouraged promotion of tourism, concern remains that the local culture is not overrun by less restrictive Western standards.  

The undersecretary at the ministry of tourism confirmed that the government’s go-slow approach is rooted in concerns about the country’s culture. He said that the country wants to preserve its culture—he characterised Oman as a conservative, but open, society. He noted that Oman had been a trading and sea-faring nation, and, as a people, Omanis have seen other religions and traditions in the past. That experience, he suggested, has been transferred to a new generation, making the society relatively open.

The recognition of the conservative nature of society has led to concerns that extensive exposure to more liberal social norms will cause fundamental change in Omani culture. The undersecretary, for example, cautioned that the exposure to other societies could affect Omani culture, and the government thinks that it is quite important to try to preserve the Omani way of life. Purely from the perspective of tourism, he believes that foreigners like Oman because it is unique, and its people are hospitable. Developing tourism in a way which preserves the Omani character would help to make tourism sustainable: if there

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514 Several interlocutors made comments which supported this notion. Among them were HE Mohammed Hamood al-Tobi (undersecretary of tourism) in discussion with author, October 2008; Tara Chandrasekhar (Marketing Communications Manager, Grand Hyatt Muscat) in discussion with author, May 2008; and manager at large travel agency number three (Oman) in discussion with author, June 2008.

515 HE Mohammed Hamood al-Tobi (undersecretary of tourism) in discussion with author, October 2008.
is an erosion of the local culture, then Oman could be just like any other place.\textsuperscript{516}

The recognition of the issue goes beyond government--industry officials confirmed that the government is perceived as seeking to preserve the local culture despite development of the tourism sector. An inbound travel agent suggested that cultural norms remain a strong factor in how the government wants to see tourism develop. He argued that any company operating in the industry had to keep the locals in mind. Muscat and Sohar are "more vibrant than elsewhere" and more tolerant, but it is still necessary to respect the local culture even in these cities. He thought that the government would continue to do what it could to develop the sector, but the pace would be governed by the local culture--the government would do "nothing against the will of the people".\textsuperscript{517}

\textbf{4.4.2 Concerns about the environment}

Preservation of the environment is another policy goal of the Omani government.\textsuperscript{518} The country has a number of environmentally sensitive sites which could have considerable potential for eco-tourism, ranging from dolphin and whale watching to fishing to outdoors adventure.\textsuperscript{519} But, while this potential exists, Omani officials avow keenness to ensure that fragile sites are not overused and destroyed.\textsuperscript{520}

The undersecretary confirmed the importance of preserving the environment as a policy goal. In his opinion, the government hopes to develop tourism in a way which will minimise its impact on the environment. The government, he said,
would love to see tourists enjoying the country as it is, in a manner which would not destroy the environment.\footnote{521}{HE Mohammed Hamood al-Tobi (undersecretary of tourism) in discussion with author, October 2008.}

The concerns about the environment are serious--the government suggests that “conservation of the environment and protection of natural resources is a cornerstone of Oman’s general development strategy.”\footnote{522}{Ministry of Information, Oman 2004-2005, 182.} The interest in the environment comes from the top—the ruler of Oman, Sultan Qaboos bin Said, has himself been actively involved in environmental issues for years. For example, under the current sultan’s tutelage, Oman runs a successful project to revitalise the Arabian oryx, which were hunted to extinction on the Arabian Peninsula in the latter part of the 20th century. This project is of sufficient royal interest that it is under the diwan of the royal court. The government has also established a number of other nature reserves since he came into power, including a bird sanctuary on the Damaniyat islands, a reserve for gazelles and other animals at Saleel Park, a reserve for the Arabian tahr at Wadi As Sarin, and a reserve for the Arabian leopard at Jabal Samhan. Under the current sultan as well, industrial establishments must show that they will not harm the environment before government authorities will grant licenses.\footnote{523}{Ministry of Information, Oman 2004-2005, 182-8.}

### 4.4.3 Concerns about the built environment

In addition to the country’s focus on the natural environment, the Omani government is concerned about the impact that tourism and the resulting foreign investment might have on the country’s built environment. Discussions with officials made clear that the government has firm ideas on how the built environment should be handled. The undersecretary at the ministry of tourism suggested that, in the development of tourism, Oman’s methodology and strategy were different from those of their neighbours. Oman does not, for example, allow sky scrapers. The country is developing horizontally. The authorities do not want “alien buildings” that would be intrusive to other surroundings. It is not an issue of creativity, he contended, but if a question of whether a building fits into its surroundings or not. He asked rhetorically if a 40-
story glass building would fit into the Muscat skyscape -- and then answered his own question, describing it as "something alien." He likened Muscat city planning to trying to put together a "symphony" and the different bits had to be in harmony with each other.\textsuperscript{524}

The seriousness of this concern is reflected in the development of the capital area. Regulations also limit building height, and require that buildings be painted particular, generally muted, colours. Such regulations and others like them are “put in place to ensure that the traditional aesthetic appeal of Oman is preserved.”\textsuperscript{525} Local regulations require that new buildings must adhere to “the intrinsic character of the Arab and Islamic heritage of Oman.”\textsuperscript{526} The result is that “any new development will need to complement existing buildings and fit with the current aesthetics of the surrounding area.”\textsuperscript{527} Moreover, the regulations make “all building permits…subject to laws protecting Oman’s heritage.”\textsuperscript{528}

4.5 Is Oman achieving its goals?

Development of tourism thus touches a number of policy goals for the Omani government. An expansion of the sector is being pursued because policymakers are hopeful that it will help achieve two important economic goals—diversification and employment. Diversification has become an increasingly urgent policy goal as concerns have grown about the country’s dependence on dwindling supplies of oil. The country’s natural beauty has encouraged policymakers to pursue this sector as part of the diversification strategy. In addition, tourism potentially helps Oman meet another important policy goal—employment creation. If successful, the sector will provide relatively large numbers of low-skill jobs which will help meet unemployment concerns.

While potentially helping to meet the policy goals of diversification and employment creation, development of the tourism sector poses challenges for

\textsuperscript{524} HE Mohammed Hamood al-Tobi (undersecretary of tourism) in discussion with author, October 2008, throughout paragraph.
\textsuperscript{525} Schofield, “Building by the Rules.”
\textsuperscript{526} Schofield, “Building by the Rules.”
\textsuperscript{527} Schofield, “Building by the Rules.”
\textsuperscript{528} Schofield, “Building by the Rules.”
the government as it seeks to fulfil other policy objectives. In particular, the
government is anxious to preserve the country’s local culture. Omani society is
traditional and generally conservative, and large numbers of scantily clad
tourists would be an affront to many citizens. The sector also raises concerns
about the environment and the built environment. Large-scale development of
tourism will put pressure on water resources, and on environmentally sensitive
areas like turtle-nesting sites.\textsuperscript{529} Additionally, developers may pressure officials
for permission to build larger, taller buildings in an effort to maximise their profits
from individual parcels of land.

The tension between the economic policy goals and the cultural and
environmental preservation goals would be present with or without a WTO
agreement. But has the GATS agreement impacted the government’s ability to
manage such issues and the tensions that they create? Or has the accord taken
away tools that might have enabled the government to ensure that these goals
were met and these tensions managed? Such issues are confronted more
broadly as other small states seek to develop their tourism sectors within the
context of their GATS agreements and the policy space available under those
agreements.

\textbf{4.6 Oman’s strategy in GATS negotiations}

Oman’s domestic policy concerns were behind the country's position on
concessions in tourism during its GATS negotiations and Oman adopted an
informed and activist approach.\textsuperscript{530} The type of agreements made suggest that
these goals—particularly provision of employment—were a negotiating priority
for the Omani team.\textsuperscript{531} The team tried to take into account these sorts of key

\textsuperscript{529} Regarding the impact on water resources, see Ashley, De Brine, Lehr and Wilde, \textit{The Role
of the Tourism Sector}, 9. For more general comment on the potential impact that tourism has for
the environment, see Jules, \textit{Sustainable Tourism in St. Lucia}, 2, 8, and 9-10.

\textsuperscript{530} Oman’s efforts to be informed and active would, of course, have been relative to that of its
interlocutors, many of whom would have had more resources to devote to trade negotiations.
Such a situation, while beyond the scope of this paper, would have put Oman at a
disadvantage. See chapter 1, Literature review, How do small states fare in WTO negotiations?

\textsuperscript{531} The importance of domestic policy in the formulation of international negotiating objectives is
a point made by Putnam—see Chapter 1, Literature review, How do small states fare in WTO
negotiations?, and Putnam, “Diplomacy and Domestic Politics,” 432. Also, Putnam argues the
need for governments to satisfy local concerns in a two-level game negotiation—although
beyond the scope of this paper, Omani concerns about employment and the potential impact of
GATS on that issue would be an interesting case study. See chapter 1, Literature review, How
policy goals, and tried to draw the line when these goals were threatened. Dr Said al-Riyami, who led the Omani negotiating team on services, confirmed that domestic policy goals set the parameters for Oman’s negotiating position. In his view, negotiations have to take into account broader government policy goals and the negotiators have to draw the line when key goals are threatened. In terms of policy goals that influenced the negotiations, Dr al-Riyami said that the main ones were Omanisation, diversification and, more generally, development.\textsuperscript{532}

Ensuring that there was policy space to pursue local employment policies was a clear priority for the Omani government. Speaking about the tourism sector, Dr al-Riyami said that the negotiators wanted to make sure that Omanis could participate in the expansion of the economy and of this sector. He suggested, for example, that policymakers thought that Omanis could manage restaurants well, and so would only allow 49% foreign ownership. His experience made clear that the Omani government “wanted to give a chance” to Omanis to establish themselves in the tourism sector.\textsuperscript{533} The resulting accord also speaks to the importance that employment goals held for the negotiating team. In addition to the example cited by Dr al-Riyami, Oman’s GATS commitments do not allow foreigners to offer tour guide services, an area which potentially provides Omanis with considerable job opportunities.\textsuperscript{534}

Government concerns about the direction of the economy, rather than local business pressure, were the main drivers for the Omani position. Dr al-Riyami noted that, during the negotiation period, local business showed little interest. He also suggested that there is still not much local knowledge about the WTO. He said, for example, that most businessmen assume that foreigners can own up to 70% in all tourism sectors—even those where ownership is restricted to 49% or 51%.\textsuperscript{535} This lack of knowledge is in some ways a form of a local

\textsuperscript{532} Dr. Said al-Riyami (member of Oman’s GATS negotiating team, and Economic Expert in the Ministry of Commerce and Industry), in discussion with author, October 2008.
\textsuperscript{533} Dr. Said al-Riyami (member of Oman’s GATS negotiating team, and Economic Expert in the Ministry of Commerce and Industry), in discussion with author, October 2008.
\textsuperscript{535} Dr. Said al-Riyami (member of Oman’s GATS negotiating team, and Economic Expert in the Ministry of Commerce and Industry), in discussion with author, October 2008.
bottleneck. A clear understanding of the limits of local ownership might actually encourage more investment. Likewise, it suggests that there is not the enmeshed governance that Weiss advocates, where the public and private sectors work closely together.\(^{536}\)

4.6.1 Negotiating pressures

Oman's experiences in negotiating its WTO membership appear to have been similar to those of many small states—the negotiating team was under pressure to make considerable concessions in exchange for membership.\(^{537}\) Dr al-Riyami confirmed this assessment. He said that when Oman joined, the country was under "lots of pressure" and the negotiations were "very difficult." He said the process was "like joining a club" and that Oman "wanted to join" so they were "negotiating from a weak standpoint." He suggested that some of Oman's commitments were on par with those of developed countries. He added that Oman and Saudi Arabia had the highest level of commitments of all of the GCC because they had joined later than the rest of the GCC.\(^{538}\)

The assessment that Oman had problems similar to those experienced by other small developing countries is further confirmed by statements made by the minister of commerce and industry, Maqbool bin Ali Sultan. The Central Bank of Oman's *Al Markazi* publication summarised a lecture by the minister made in 2000 prior to Oman's accession. According to the article in *Al Markazi*, the minister suggested that "the sultanate has endeavoured to protect her interests during tough negotiations by introducing some barriers or restrictions against the foreign importers of services."\(^{539}\) Efforts to restrict foreign ownership in services businesses were met by "serious opposition," but Oman refused to concede the right to 100% foreign ownership of services ventures.\(^{540}\)

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\(^{536}\) See chapter 1, Literature review, What are the options for states after the deal is done?. Weiss notes that information exchange, of which this would be a very basic kind, is an important element of enmeshed governance. Weiss *States in the Global Economy*, 308-9.

\(^{537}\) See chapter 1, Literature review, How do small states fare in WTO negotiations?. States that joined the WTO later have faced considerable demands for concessions in negotiations—see Grynberg, Dugal and Razzaque, An Evaluation of the Terms of Accession to the World Trade Organisation, 7-11.

\(^{538}\) Dr. Said al-Riyami (member of Oman's GATS negotiating team, and Economic Expert in the Ministry of Commerce and Industry), in discussion with author, October 2008.


also met with considerable pressure to allow foreign-owned businesses to take any legal form, but Oman “strongly rejected” these pressures during “tough negotiations.”  

The minister also suggested that Omani efforts to restrict the number of expatriate workers in business ventures was targeted by the country’s negotiating partners. But Al Markazi indicated that he asserted “the sultanate succeeded during the tough negotiations to restrict the number of foreign staff in foreign service companies to 20% of the manpower employed.”

Although they were able to resist pressure from their negotiating partners for some concessions, Oman inevitably had to change some laws in exchange for membership. In particular, Oman had to loosen its restrictions on foreign ownership in response to demands during WTO membership negotiations. In addition, the country had to agree to change its taxation policy to gain membership.

There are other indications that Oman’s experiences are like those of other small states. Asked about pressure now to make further concessions in the current round of trade talks, Dr al-Riyami said that there is more pressure now to make concessions on goods than services in the negotiations. But he seemed fairly relaxed about the process—he said that basically Oman could not be forced to make new concessions. He again used the club analogy—because Oman is now a member of the WTO, the country does not have to respond positively to requests made by other members. Oman’s reluctance to make further concessions reflects the high level of commitments that it has already made, and Dr al-Riyami indicated that it is not very interested in making further concessions at this time. Oman’s offer in the current round has consequently

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consisted largely of cleaning up of the existing text, removing items that were there for the transitional period. 545

Dr al-Riyami added that countries seeking membership now face even tighter standards. There are, he said, more pressures and expectations for even higher commitments. He suggested that during the cold war, more powerful countries were interested in keeping small states involved and were therefore less interested in pressuring them for concessions. But now interest in building coalitions has waned, and big countries are just looking for concessions. 546

While Oman may not make concessions this time, the WTO is a vehicle for pressure to make additional concessions, and the GATS agreement explicitly requires states to commit to further liberalisation. 547 For this round, Oman has thus far managed to provide an offer which largely institutes existing promises. 548 The EU, however, submitted a substantial request for concessions in services from Oman, 549 and, for the next round, Oman may find that, even though it is a member of the club, pressure will be greater to put more substance on the table to satisfy its negotiating partners. Already, in separate negotiations, Oman has made additional concessions through the free trade agreements that it has negotiated with the US and is involved in the (now halted) negotiations with the EU along with other GCC members. 550

Finally, the costs of membership meant that there should have been clear reasons for joining, and Omani policymakers have put forward a number of arguments for the decision. 551 Among the benefits cited were attracting

545 Dr. Said al-Riyami (member of Oman’s GATS negotiating team, and Economic Expert in the Ministry of Commerce and Industry) in discussion with author, October 2008.
546 Dr. Said al-Riyami (member of Oman’s GATS negotiating team, and Economic Expert in the Ministry of Commerce and Industry) in discussion with author, October 2008.
547 World Trade Organisation, General Agreement on Trade in Services, Part IV: Progressive Liberalisation.
548 Dr. Said al-Riyami (member of Oman’s GATS negotiating team, and Economic Expert in the Ministry of Commerce and Industry) in discussion with author, October 2008.
549 World Trade Organisation, “GATS 2000: Request from the EC ...to Oman,” General Remarks, Horizontal Commitments and Tourism and Travel-related Services.
550 Dr. Said al-Riyami (member of Oman’s GATS negotiating team, and Economic Expert in the Ministry of Commerce and Industry) in discussion with author, October 2008. See text below where these concessions are discussed in detail. Separately, the GCC decided to suspend its FTA negotiations with the EU in 2008 and these have not yet resumed. See John, “GCC suspends FTA talks with EU.”
551 See chapter 1, Literature review, Why join?.

additional foreign investment, benefiting from technology transfer, obtaining better access to export markets, and obtaining access to the WTO’s dispute settlement mechanisms. Policymakers also judged that trade would increasingly be governed by WTO rules, as by the time Oman joined some 96% of world trade was conducted by WTO members. These arguments were sufficiently convincing for Oman to decide to join, with policymakers calculating that the potential membership benefits outweighed the potential costs.

4.7 Policy space

Omani negotiators tried to ensure that their key policy priorities—Omanisation, diversification and development—were well-served during the WTO GATS negotiations. Were they successful—were they able to carve out policy space for development of the tourism industry in a manner that allows them to pursue these broad goals? Such questions have relevance beyond the Omani experience to the wider question of small states’ policy space. In addition, the Omani tourism ministry is concerned that both the country’s culture and its environment not be substantially damaged by higher levels of tourism. Does policy space remain to pursue these goals? Is the Omani government able to steer the development of the tourism sector? A number of questions can be asked in an effort to determine answers to these broader questions.

- On Omanisation, do Omanis make up a substantial proportion of the workforce within the tourism sector? Is the government able to set (and enforce) requirements for the employment of Omanis? Such questions help to determine whether the Omani government is able to pursue its policy goal of employment within the sector despite GATS commitments.
- On diversification and development, is there Omani ownership (or significant part-ownership) of tourism establishments? Are these firms

555 Dr. Said al-Riyami (member of Oman’s GATS negotiating team, and Economic Expert in the Ministry of Commerce and Industry) in discussion with author, October 2008.
556 HE Mohammed Hamood al-Tobi (undersecretary of tourism) in discussion with author, October 2008.
able to compete? The answer to this question gives an indication of whether the sector is producing returns for the local economy or for foreign investors and firms.

- On the direction of tourism, who sets the agenda for tourism development? Are there effective tools to control the direction of tourism so that cultural and environmental assets are not degraded? What are these tools? Such enquiries shed light on whether Oman has been able to protect its cultural norms and environment.

### 4.8 Pursuing local policy goals: Employment of Omanis

One of the main government goals behind the decision to develop the tourism sector was the need to provide jobs for a growing number of young Omani school-leavers and graduates. Oman has put into place Omanisation requirements for hotels and travel agents, and in mid-2008, these institutions were required to ensure that at least 65% of their staffs are Omani nationals.

While 65% is a substantial proportion, Oman's current GATS commitments suggest that it can require 80% of staff to be Omanised.\(^{557}\) The difference between Oman's commitment and the actual requirement reflects Oman's own policy planning--during its WTO negotiations, Oman sought a higher ceiling than it intended to enforce initially in order to give the country the flexibility to increase the proportion of Omanis working within the tourism sector.\(^{558}\) Dr al-Riyami noted that the goal within tourism is to reach 80% Omanisation,\(^{559}\) and industry interlocutors acknowledge that the Omanisation requirements have risen over the course of the last decade.\(^{560}\)

In the main, most hotels--Omani owned or otherwise--seem to be close to or meeting the current Omanisation requirements. Asked about Omanisation and the big hotels, the Grand Hyatt marketing manager acknowledged that the hotel

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\(^{558}\) Throughout the economy, Oman is gradually increasing its Omanisation requirements for private sector businesses. The need for a gradual approach reflects the issues that the private sector has raised about employing Omanis. See Local Bottlenecks section in text above.

\(^{559}\) Dr. Said al-Riyami (member of Oman's GATS negotiating team, and Economic Expert in the Ministry of Commerce and Industry) in discussion with author, October 2008.

\(^{560}\) Tara Chandrasekhar (Marketing Communications Manager, Grand Hyatt Muscat) in discussion with author, May 2008.
was under pressure to Omanise, and that Omanisation was at about 60% in the hotel, which was slightly below the target of 65%. Similarly, at the Intercontinental Muscat, the general manager said that his establishment consistently recorded Omanisation between 61% and 63%, and within that range, the hotel could comfortably achieve the target. Several smaller hotels also indicated that they were meeting their targets.

Additionally, the management structure of the hotel did not seem to be a factor in whether or not a hotel was meeting its Omanisation targets. As managers of the government's flagship hotels, international management companies have been at the forefront of meeting Omanisation targets. Likewise, locally managed hotels reported good results for the Omanisation policies.

Of the travel agents interviewed, one indicated that his agency had reached the Omanisation target. Of the others interviewed, some acknowledged that they were below the targeted level, while others were reluctant to provide exact Omanisation figures, probably indicating that they were not at the targeted level. But as most of these were Omani-owned establishments, Oman's GATS commitments would not be a factor in lower-than-targeted employment of Omanis. Indeed, many cited problems with the local labour market in meeting these targets (see Local bottlenecks).

Within the context of discussion of Omanisation, it should be noted that some interlocutors were critical of what they contended was an uneven application of Omanisation targets. They alleged that two hotels had managed to negotiate

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561 Tara Chandrasekhar (Marketing Communications Manager, Grand Hyatt Muscat) in discussion with author, May 2008.
562 Renzo Cavagliotti (General Manager, Intercontinental Muscat) in discussion with author, June 2008.
563 Representative of the Beach Hotel (Oman) in discussion with author, May 2008; manager at four-star hotel number two (Oman) in discussion with author, June 2008; and manager at four-star hotel number one (Oman) in discussion with author, June 2008.
564 Manager at four-star hotel number one (Oman) in discussion with author, June 2008.
565 Manager at four-star hotel number two (Oman) in discussion with author, June 2008 and representative of Beach Hotel (Oman) in discussion with author, May 2008.
566 Owner of small travel agency number two (Oman) in discussion with author, June 2008.
567 Representative of large travel agency number one (Oman) in discussion with author, October 2008. Also, manager at large travel agency number two (Oman) in discussion with author, October 2008; manager at large travel agency number three (Oman) in discussion with author, June 2008; manager of five-star hotel (Oman) in discussion with author, June 2008; and representative of mid-sized travel agency (Oman) in discussion with author, October 2008.
targets which were lower than those for the rest of the industry. But discussions with those critical of the policy suggest that at least one of these institutions was 100% locally owned. The ownership structure of this hotel makes clear that, even if the allegations were true, it is not foreign investors who had access to Oman through the GATS that are pressuring the government to lower standards related to an important domestic policy goal.

In this important policy area, then, Oman seems to have the policy space necessary to develop tourism in a way compatible with stated local goals. The government was able to negotiate a 20% ceiling for expatriate workers within the sector. This ceiling allows not just for the maintenance of current employment levels, but for the expansion of the number of Omanis employed within tourism. The current goal for Omanisation is 65%, and discussions with local businesspeople in the hotel industry indicate that most met or came close to that target. Travel agencies appeared, however, to have a less impressive record in meeting Omanisation targets. But missing government targets is not a reflection of GATS commitments or pressures from foreign firms which now have access to the Omani market as a result of GATS. Instead, in instances where the target was missed, local firms were frequently involved, and local interlocutors blamed the local human resources situation (see Local bottlenecks). Although the government is working to address this problem—through institutions like Oman Tourism and Hospitality Academy—the comments from various interlocutors suggest that there is more work to do.

4.8.1 Tour guide services

Oman has also managed to carve out considerable policy space to try to meet its employment goals in the area of tour guide services. While Oman is obliged to allow expatriates to work in hotels and travel agencies, the country's

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568 Expatriate businessman number one in tourism sector (Oman) in discussion with author, May 2008.
569 The Oman Tourism and Hospitality Academy was founded in 2001 and provides training to Omanis interested in working in the tourism field. It is sponsored by the Omani ministry of manpower, and works in affiliation with two Austrian organisations—the International Institute of Tourism and Management and the International Management Centre University of Applied Sciences. For information see www.otha.edu.om
570 Their work as tour guides also allows Omanis to portray their country through their own eyes, giving tourists perhaps a different perspective than they would get from an expatriate tour guide.
WTO commitments do not oblige it to allow foreign involvement in the tour guides sector.\(^{571}\) As Dr al-Riyami noted, the government resisted pressure to open the sector to foreign involvement during WTO negotiations because encouraging local involvement in the tourism sector was a policy objective.\(^{572}\)

Oman's WTO position means that, in theory, Oman has no obligation to allow non-Omanis to take jobs as tour guides. In fact, however, Oman allows companies to hire non-Omanis if qualified Omanis are not available. The result has been that, particularly in the case of German-speaking guides, foreigners are able to find positions (see Local bottlenecks).\(^{573}\) As a result, the ministry of tourism estimates that in fact only about 60\% of tour guides were Omani.\(^{574}\) Nonetheless, the space exists to expand the number of Omanis to 100\% of the sector, should the government decide to do so.

Oman's ability to keep this sector closed to other nationalities makes clear that there is some space even within tough WTO negotiations for countries to carve out policy space in areas of particular importance. The creation of jobs for Omanis is one of the government's top policy priorities, and this part of the WTO agreement provides some of the policy space necessary to pursue this goal within the tourism sector. But the space is comparatively small---the ministry of tourism reports that the total number of licensed tour guides in the country is only about 200,\(^{575}\) while the annual number of new entrants to the job market may be as high as 40,000.\(^{576}\) The relative size of the tour guide sector also appears to support the conclusion reached by Armstrong and Read—at some times, small states may obtain concessions because the economic importance of these concessions is relatively small to their negotiating counterparts.\(^{577}\)

\(^{571}\) World Trade Organisation, "Oman: Schedule of Specific Commitments," 15.
\(^{572}\) Dr. Said al-Riyami (member of Oman's GATS negotiating team, and Economic Expert in the Ministry of Commerce and Industry) in discussion with author, October 2008.
\(^{573}\) Representative of large travel agency number one (Oman) in discussion with author, October 2008; and manager at large travel agency number two (Oman) in discussion with author, October 2008.
\(^{574}\) HE Mohammed Hamood al-Tobi (undersecretary of tourism) in discussion with author, October 2008.
\(^{575}\) Official from the Ministry of Tourism (Oman) in phone conversation with author, May 2010.
\(^{576}\) International Finance Corporation, "GEM Country Brief Oman 2005," 1. See also Appendix Three, which discusses the need for employment for Omanis.
\(^{577}\) Armstrong and Read, "The importance of being unimportant," 81.
4.9 Pursuing local policy goals: Diversification and development

Like employment, diversification and development are important goals for the Omani government. These goals are related to how much return the sector brings to the local economy, and therefore for Oman. The question of whether the country is able to meet these policy goals is tied to the question of ownership of tourism properties. Generally for developing countries, as markets are opened, the influx of foreign firms and the type of supply structures they use may mean that the country receives less revenue from the hotel and tour operators, with leakage estimated at up to 90% in some cases. If so, even though the country's economy is diversifying, the economic benefit which accrues to the local population is more limited, and the country does not develop as rapidly as it might if local ownership and participation was greater. For Oman, using a more conservative rate of leakage of 45% for the hotels and restaurant sector alone (without taking into account transport), leakages would indicate the loss of about $150m.

Omani officials were cognisant of these potential problems of developing their tourism industry in the context of a GATS agreement. This awareness appears to have been an important factor in Oman’s GATS negotiating stance. Dr al-Riyami, for example, said that the ownership restrictions in the tourism sector reflected the government's desire to give Omanis the opportunity to establish themselves within this sector.

The undersecretary at the ministry of tourism echoed this view. He said that when Oman had negotiated its WTO obligations for the tourism sector and the levels of ownership, the negotiators wanted Omanis to benefit the most from the development of the tourism sector. He said that Oman did not “want them

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578 The estimates of leakage rates vary considerably, and there is also controversy around the notion of leakages (see Appendix one, Tourism).
580 See discussion above. Dr. Said al-Riyami (member of Oman's GATS negotiating team, and Economic Expert in the Ministry of Commerce and Industry) in discussion with author, October 2008. Local ownership alone will not address the question of leakages, particularly in a country like Oman which is not self-sufficient in food. But local ownership does ensure that the local economy receives some benefits from the diversification.
(Omanis) to be in the shadow of the development of the sector as a result of the WTO obligations. He expressed the hope that Omanis would be leaders in the tourism sector in the future. He said that he wants them to build up a base of expertise, and then there will be room for the law to change.  

Although concern about the sidelining of Omanis within the tourism sector was an important factor in Oman’s negotiating position, the results that they achieved were mixed. Oman’s commitment to the GATS agreement allows foreign investors to hold up to 70% of the shares in any hotel venture. This agreement thus still potentially gives control of hotels to foreign companies, and a closer examination of the sector is necessary to understand what the implications have been for ownership and consequently for development and economic benefit.

Finally, a caveat about the potential impact of the boom and possible bust in the Omani tourism sector should be noted. When interviews were conducted in May, June and October 2008, the hotel sector in Oman was in the midst of a boom that had built momentum over several seasons. When interviewed in mid-2008, smaller hoteliers were benefiting from a buoyant market, and, like the big hotels, were experiencing high occupancy rates.

But the global financial crisis has generally impacted the tourism sector worldwide, and the Middle East is no exception. Figures from the industry research group STR Global indicate that average occupancy for hotels in the Middle East for December 2008 was down by 10% compared with December 2007. Earnings were also down—the average revenue per available room was 7% lower during December 2008 compared with December 2007. Only in early 2010 did the numbers start to turn around, with STR Global reporting that for February 2010 occupancy rates rose by a somewhat anaemic 1.9%, while revenue per available room was down by 0.8% for the first two months of

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582 World Trade Organisation, "Oman: Schedule of Specific Commitments," 2-3 and 15.
583 Manager at four-star hotel number two (Oman) in discussion with author, June 2008; and representative of the Beach Hotel (Oman) in discussion with author, May 2008.
584 STR Global, “Global Performance.”
585 STR Global, “Global Performance.”
Within Oman, larger concerns are probably better placed to weather the economic storm, while for smaller and locally-run establishments, competitive difficulties may exist if demand slackens. Moreover, depending on how long the global economic slowdown, new foreign-owned hotels could open which would add to the competition that local companies face. This competition, allowed under the GATS agreement, could make the situation even more difficult for local hotels. This scenario suggests that time frames and circumstances are important for judging the impact of the GATS agreement on individual countries.

4.9.1 Five-star hotels

Despite GATS provisions which allow substantial foreign ownership, the experience thus far indicates that Omanis have not been locked out of the sector, with local ownership or part-ownership of facilities remaining a key feature of the sector. Of the eight 5-star hotels in the capital area as listed in the 2009 Statistical Yearbook, six are wholly Omani-owned. These hotels include the Al Bustan Palace Hotel, and the Intercontinental Muscat, both of which are wholly-owned by the government. In addition, the local National Hotels, part of the Al-Hashar Group, owns the Oman Sheraton. Finally, the Statistical Yearbook names three five-star facilities that are located at the Shangri-La Resort on the outskirts of the capital. This resort is jointly owned by the local Zubair Corporation and the Omani government.

Separately, another five-star hotel, the Grand Hyatt Muscat, is owned by Habrout LLC, which in turn is owned by Sheikh Hamad al- Aulaqi. The sheikh, although Yemeni, is a long-term resident of Oman, having obtained

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586 STR Global, “Middle East/Africa Results Feb 2010.”
588 Al-Hashar Group, "Our Services: Hospitality."
589 Project Finance Magazine, "First Omani tourism project closes."
590 Tara Chandrasekhar (Marketing Communications Manager, Grand Hyatt Muscat) in discussion with author, May 2008. The Sheikh was originally of Yemeni nationality, but was thrown out of Yemen. The Omanis granted him residence, and the sultan gifted him the land on which the Grand Hyatt now sits.
residency in Oman in the aftermath of political difficulties in Yemen. Although he is not of Omani origin, the hotel is effectively locally-owned.

Other five-star hotels in the capital area are partly foreign-owned. The luxury beach-front Chedi is listed on the Muscat Securities Market. As of late 2008, Omani ownership amounted to 71% of the shares in the company, with other GCC owners holding 5% and non-Arab foreigners holding the remaining 24% of shares.

In addition, the Omani government, through the Oman Tourism Development Company (Omran) is a stakeholder in several of the mega-tourism projects which are planned or under construction. Omran is working with Orascom Hotels and Development of Egypt on the Jebel Sifah resort with four planned hotels. The two companies have formed a joint venture, called Muriya Tourism Development. Orascom holds a 70% stake in the venture, with Omran holding the remaining 30%. For the Saraya Bandar Jissah project, Omran is working with the Lebanese company Saraya. Two 5-star hotels are planned at this resort.

Outside the capital area, Omran is working with Qatari Diar real estate investment company on the development of a resort at Ras Al-Hadd. One 5-star hotel and two smaller 4-star facilities are featured there. Also outside the capital, Omran’s joint venture with Orascom of Egypt is responsible for the development of the Salalah Beach resort.

The Omani government has also established a separate company to hold its shares in The Wave resort development near the capital area. That company, called Waterfront Investments, is partnered with Omani government pension funds and the UAE’s Majid Al-Futtaim Group in the development. The Wave will include at least two five-star hotels in addition to residential facilities.

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591 Tara Chandrasekhar (Marketing Communications Manager, Grand Hyatt Muscat) in discussion with author, May 2008.
592 Muscat Securities Market, “Hotel Management Company International: Foreign Investments.”
593 Jebel Sifah Oman, “The Project: About Us.”
594 Salalah Beach Oman, “The Project: About Us.”
The importance of Omani ownership in these large structures in coupled with the selection of partner companies from the region. In part, this may reflect which companies have been interested in the Omani market. Oman’s economy is relatively small, and thus may not be of considerable interest to large Western investors.

But Oman may also be less interested in attracting international, as opposed to regional, investors. An Omani official said that the government had been careful in selecting its partners. This selection process may reflect a level of cultural comfort. But it may also reflect a more hard-nosed approach that acknowledges that the government would have more difficulty resisting pressure to relax its standards from, for example, a large US company backed by its government than it would from a regional company. The regional governments, even if they backed their local companies, might be less interested in using pressure in relationships when they might shortly need Omani support on other issues within the regional context. In such circumstances, those regional companies might themselves be susceptible to pressure from their own governments if those governments thought that company actions might interfere with broader relations with Oman. Finally, in at least some instances, those regional companies are government-owned or part government-owned.

In addition to the question of pressure, there is also the question of the effectiveness of Oman’s tools to control which might play a role in selection of partners. Some of these tools—like minority equity investment—work on the basis that the parties will work toward consensus. This approach obviously cannot be guaranteed even with regional partners. But Oman’s leaders would have ready access to decision-makers in regional governments, a situation which might be less true with US or other Western policymakers. They would probably feel reasonably confident that if there were serious problems with a regional partner company, they could contact the appropriate government to put pressure on the company to back down.

HE Mohammed Hamood al-Tobi (undersecretary of tourism) in discussion with author, October 2008.
4.9.2 Other hotels

While an important part of the government's tourism strategy, these 5-star facilities are only part of the local industry. Among the lower rated hotels, there are a number that are also Omani-owned. Like their 5-star counterparts, these facilities attract a mixture of leisure and business clients.\(^{596}\) But other hoteliers pointed out that smaller hotels are benefiting from a spill-over effect as the larger hotels reach full occupancy during peak periods.\(^{597}\) In addition, prices at the bigger hotels have risen as demand has increased, and the higher prices in the big hotels are pushing some people to go to the smaller, lower-end facilities.\(^{598}\) This shift probably puts pressure on the smaller hotels to improve their services to keep new clients happy, as individuals who are used to 5-star service move down the ladder. The price consideration also suggests that if the global economic slowdown lengthens and 5-star hotels respond with price cuts, some of the lower rated hotels may feel the pinch.

The Coral Hotel\(^{599}\) is 100% Omani owned--the owner is Sheikh Suleiman al-Yahyai. In addition, the general manager of the Coral said that his management firm was in negotiations about two more Coral Hotels for Oman. One will be in Qurum, and they hope to reach agreement for another in Quriyat. The latter, if the deal is signed, will be a resort. Both will be Omani-owned ventures.\(^{600}\)

Likewise, the Safeer is a local chain which is 100% Omani owned by the al-Ghazali family. It currently has ten properties under management--four of the hotels are four-star establishments; the rest are three-star. Most of the properties are in the capital.\(^{601}\) Another local establishment, the Beach Hotel, is 100% Omani owned by Ahmed al-Mughrazi.\(^{602}\)

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\(^{596}\) Manager at five-star hotel (Oman) in discussion with author, June 2008, and representative of the Beach Hotel (Oman) in discussion with author, May 2008.

\(^{597}\) Tara Chandrasekhar (Marketing Communications Manager, Grand Hyatt Muscat) in discussion with author, May 2008; and manager at five-star hotel (Oman) in discussion with author, June 2008.

\(^{598}\) Renzo Cavagliotti (General Manager, Intercontinental Muscat) in discussion with author, June 2008.

\(^{599}\) Coral is a Dubai-based company which offers hotel management services.

\(^{600}\) Bob Khalife (General manager, Coral Hotel) in discussion with author, June 2008--whole paragraph.

\(^{601}\) Manager at four-star hotel number two (Oman) in discussion with author, June 2008.

\(^{602}\) Representative of the Beach Hotel (Oman) in discussion with author, May 2008.
In addition, the government also owns hotels outside the 5-star category. Within the capital area, the Golden Tulip Seeb is owned by the government. Outside the capital, the Royal Oman Police pension fund owns small rest houses at Ghaba and al-Qabil.\textsuperscript{603}

Other ventures have a component of foreign ownership. In addition to managing Omani-owned facilities, the Dubai-based Coral is looking at the development of an Ecos budget hotel near to the airport which will be a 50-50 joint venture. The Omani partner has the land, which will be part of his contribution to equity.\textsuperscript{604}

The continuing participation of Omanis in the hotel sector, through both full and partial ownership, indicates that the country’s GATS agreement allows Oman to pursue its policy goal of involvement of Omanis in the development of the sector. Beyond this simple test, however, a number of questions about the nature of foreign participation in the Omani tourism sector need to be raised.

4.9.3 Hotels: Beyond just ownership

For Oman and for other developing countries, ownership is only part of the issue. The issue of whether local concerns are well-positioned to compete also arises. This question relates, however, in large part to the domestic environment, although GATS intervenes as Oman’s commitments allow for additional competition which puts more pressure on local business people.

The question of whether Omani institutions will be able to compete effectively is difficult to answer during a period when there are not a large number of these foreign-backed ventures in operation. Some observations are, however, possible. Oman joined the WTO in 2000, and the lack of large-scale foreign dominated firms thus far has given the sector some time to adjust to competition. Even if little attention has been paid to the notion of looming competition from foreign firms, the time scale to establish a hotel in Oman means that existing hotels have had a chance to refine their skills, which should

\textsuperscript{603} South Travels, "Oman Discounted Apartments, Hotels, and Beach Resorts."
\textsuperscript{604} Bob Khalife (General manager, Coral Hotel) in discussion with author, June 2008
prepare them better to compete with new foreign-based firms when they do start operations. In particular, for the larger hotels, they will have benefited from the management expertise that they are buying--the five-star hotels in the country are all under management by major international hotel chains.

4.9.4 Hotels: New markets

The success of these local firms will depend in part on their ability to be proactive in a highly competitive environment. This issue is related to the GATS agreement, as it concerns the amount of pressure and competition that local businesses may feel as a result of the increase in foreign direct investment allowed under GATS. But this issue also goes beyond the impact of the GATS agreement, and into the realm of the effectiveness of local business people and practice. Local interlocutors expressed confidence that they would be able to meet the challenge.

Seeking to attract new customers through the development of new markets is one way that local hoteliers might be able to ensure that they remain competitive as the stock of foreign-owned hotels increases. One manager of a large up-market hotel indicated that he was not worried about the impact of foreign investment in the sector on his hotel, arguing that the new hotels would seek different markets. He added that the big foreign investments were focused more on the development of residential properties, and that the hotels were not the centre of their business. On that basis as well, he was not worried. He also said that all of these mixed resort/residential developments were trying to do the same thing, with the implication that they would fight for that particular market among themselves.605

Similarly, a manager at another major hotel suggested that when the Shangri-La Resort had opened, its capacity represented 50% of the existing capacity in the country, and hoteliers in Muscat were worried about the potential impact. But in fact the hotel brought its market segment with it--it is, for example, the only hotel in Muscat which has the capacity to handle meetings, incentives,

605 Manager at five-star hotel (Oman) in discussion with author, June 2008.
conferences and exhibitions (MICE) business properly.\textsuperscript{606}

4.9.5 \textit{Hotels: Time frames}

For both the question of ownership and the question of competitiveness of the local hotel industry, the issue of time frames must be explored. The situation for local hotels is dynamic, and the importance of the time frame under consideration is heightened by the increase in foreign investment that the country’s GATS commitments allow. Such questions have broader implications beyond Oman, as other small states deal with the dynamic nature of their tourism commitments under the GATS.

The opening of new hotels is a longer-run process, and when that occurs there will be substantially more competition in the sector. That means that the full impact of the GATS agreement on the local tourism sector cannot be appreciated immediately as this increased competition will be the result in part of the country’s GATS agreement. Indeed local hoteliers are not expecting a substantial increase in competition from foreign-owned hotels in the short term. For example, speaking in mid-2008, a manager at one of the smaller hotels in the capital area contended that he was not worried about competition from new hotels, suggesting that progress on new projects was generally slow.\textsuperscript{607}

Other interlocutors expressed similar opinions. Asked about the entrance of additional competition as a result of the WTO agreement, he said that the issues changed according to the time frames under consideration. Over the medium term (five years), there were no problems with competition. He indicated that in the current market it would take a minimum of 24 months and probably closer to 36 months to get one of the major projects completed. (All of the major projects are only at the planning stages or at the beginning of construction.) After that, there was another two years of bedding down, and then the industry would have to see. The work/occupancy might not be at the same level that it is now, but the industry should be able to sustain itself. He contended that Oman is still very much a new destination, and there are lots of

\textsuperscript{606} Renzo Cavagliotti (General Manager, Intercontinental Muscat) in discussion with author, June 2008.

\textsuperscript{607} Manager at four-star hotel number one (Oman) in discussion with author, June 2008.
markets which had not yet been tapped.\footnote{Renzo Cavagliotti (General Manager, Intercontinental Muscat) in discussion with author, June 2008.}

The question of time frames is an important one for Oman. The long lead-times for construction of new hotels may provide a chance for existing facilities to improve their services and to establish loyal clienteles. The time frames may, moreover, extend under the influence of the global economic slowdown and tighter credit conditions. The planned large-scale projects will need finance, and even if it is available in the short-term, it will be more costly for firms. With global tourism markets in retreat,\footnote{STR Global, “Global Performance.” For December 2008 compared with December 2007, STR Global reports that occupancy was down by 16% in the Asia Pacific, 6.6% in the Americas, 7.7% in Europe and 10% in the Middle East and Africa. Likewise, revenue per available room was down by 21.4% in the Asia Pacific, 10.4% in the Americas, 20.3% in Europe and 7% in the Middle East and Africa. The slump continued in 2009. Figures for occupancy fell by in the Americas by 8.7%, in the Asia Pacific by 6.9%, 6.2% in Europe and 10.9% in the Middle East and North Africa. Revenue per available room was also down by 16.9% in the Americas, 19.4% in the Asia Pacific, 21% (in dollar terms) for Europe, and 13.3% in the Middle East and Africa. See STR Global, “STR Global posts Americas results for Dec. '09, year-end '09,” “STR Global posts year-end '09, Dec. '09 results for Asia/Pacific,” “STR Global posts year-end '09, Dec. '09 results for Europe,” and “STR Global posts Middle East/Africa Dec. '09, year-end '09 results.”}

it is likely that companies will postpone large projects, giving local competition in Oman further breathing space.

\textbf{4.9.6 Hotels: Quantitative restrictions}

The issue of time frames is closely tied to the question of the number of hotels that will be competing within the tourism sector. Oman's GATS commitments do not allow for quantitative restrictions on the number of hotels.\footnote{World Trade Organisation, “Oman: Schedule of Specific Commitments,” 2-3 and 15.}

According to one of the team that helped negotiate Oman's services agreement, Oman chose not to have any quantitative restrictions on the areas where they allowed access. Instead, the Omanis decided that they would allow market forces to dictate the number of hotels that would be built.\footnote{Dr. Said al-Riyami (member of Oman's GATS negotiating team, and Economic Expert in the Ministry of Commerce and Industry) in discussion with author, October 2008.} This restriction means that qualified companies that apply for licenses to establish hotels cannot be barred from doing so simply because the government believes that there are too many licenses already in circulation.\footnote{Dr. Said al-Riyami (member of Oman's GATS negotiating team, and Economic Expert in the Ministry of Commerce and Industry) in discussion with author, October 2008.} If qualified companies...
apply, the ministry of tourism would be obliged to issue licenses. \textsuperscript{613}

For Oman, this lack of ability to restrict quantitatively the number of hotel licenses potentially presents domestic problems. The undersecretary at the ministry of tourism said that the ministry had noticed some time ago that, with the number of hotel licenses granted for Muscat, "hotels will flood the city." He said that the ministry then commissioned a study from Deloitte to look at the number of hotels and the projected demand for rooms, bearing in mind that thus far, for Muscat, some 60 permissions have been given to hotel investors. This, he contended, was too many, and officials "have to stop them." On this basis, he said that the ministry had decided that it will "stop for the time being" the granting of licenses to build hotels in the capital. He said that the ministry needs to reassess the situation--see what they have, see what they get and then maybe start again. Right now, though, he said that the message to potential investors is "sorry, we are closed." \textsuperscript{614}

The undersecretary's statement echoed concerns initially expressed in February 2008 by the minister of tourism, Rajha bint Abdulameer bin Ali. In a statement reported by the local \textit{Oman Daily Observer}, she conditioned the issuance of more hotel licenses on the outcome of the ministry's survey which was to "check whether there is need for more hotels." \textsuperscript{615} She said that "if there is actual need the ministry will be glad to issue more licenses...." \textsuperscript{616} But the statement left open the possibility that, if no need were found, licenses would not be forthcoming.

In the event, the Deloitte study suggests that, for five-star establishments, permission has already been granted to build hotels which will create some 6,251 rooms. The study then estimates a 40% attrition rate, giving the net number of rooms that Deloitte expects will actually be built at 3,751. With some 1,857 rooms at the end of 2007, Deloitte calculates that there will be some 5,608 five-star hotel rooms in Muscat in 2015. This figure, they suggest, is some

\textsuperscript{613} Dr. Said al-Riyami (member of Oman's GATS negotiating team, and Economic Expert in the Ministry of Commerce and Industry) in discussion with author, October 2008.

\textsuperscript{614} HE Mohammed Hamood al-Tobi (undersecretary of tourism) in discussion with author, October 2008.

\textsuperscript{615} Al-Musalmy, "Muscat to witness hotel boom, says Rajha."

\textsuperscript{616} Al-Musalmy, "Muscat to witness hotel boom, says Rajha."
1,000 rooms more than will be required, based on their forecasts. As a consequence, they recommend that licensing continue for small five-star facilities only—i.e., those with less than 100 rooms.\(^{617}\)

At least one hotelier shared the concerns that the ministry had and that were highlighted by the Deloitte report. He said that, on licenses, it was a question of how many, contending that everyone wanted to build something right now. That meant that, at present, there were too many permits. But he opined that there would be a gap between reality and the number of permits that have been issued, meaning that a number of projects would fall by the wayside, and that the "market will settle."\(^{618}\)

In this area, then, Oman's desire to control a particular aspect of tourism development runs counter to its GATS commitments. That said, the Omani government appears to have decided during the WTO negotiations that market forces would be sufficient to police the number of hotels in Oman.\(^{619}\) At the time that the agreement was negotiated, this decision may have made sense—the tourism sector in Oman had not yet taken off, and the demand for licenses would not have been excessive.

But the ministry of tourism, backed by the Deloitte report, now suggests that the supply of hotel rooms will exceed demand within the capital area and for this reason wants to restrict licenses.\(^{620}\) If there is overbuilding, then market forces would probably mean that some facilities would close, a painful and expensive adjustment within the hotel sector that has the potential to affect small Omani investors. Government officials, with an eye to ensuring that Omani businesspeople benefit from the sector, seem wary of allowing this sort of market adjustment to occur.

\(^{617}\) Deloitte, *Oman Hotel Information*, especially page 28.
\(^{618}\) Renzo Cavagliotti (General Manager, Intercontinental Muscat) in discussion with author, June 2008.
\(^{619}\) Dr. Said al-Riyami (member of Oman's GATS negotiating team, and Economic Expert in the Ministry of Commerce and Industry) in discussion with author, October 2008.
\(^{620}\) HE Mohammed Hamood al-Tobi (undersecretary of tourism) in discussion with author, October 2008, and Deloitte, *Oman Hotel Information*. 
This dilemma highlights one of the issues for GATS agreements which has more general implications for small states. While the lack of quantitative restrictions seemed fine nearly a decade ago when the agreement was being negotiated and the sector was sleepy, ministry of tourism officials would now like to be able to apply such limitations. But Oman is largely locked into the commitment that it has made, as re-negotiating this part of the deal would leave it open to requests for compromises in other areas.621

4.9.7 Travel agencies

Oman's GATS commitments also affect the country's travel agency industry. These companies thus must be examined in order to gain an understanding of how GATS has impacted Oman's ability to meet its development and diversification policy goals, looking at questions of ownership and competitiveness.

At present, Oman is under obligation to allow the opening of travel agencies with up to 70% foreign ownership.622 Although this commitment means that foreigners can own the majority of stock in a travel agency in Oman, there remains a large number of local travel agencies. That said, the investment necessary to open a travel agency is significantly less than that necessary to open a hotel, and consequently in comparison to the hotel sector, travel agencies have seen more rapid growth in the number of foreign firms that have opened. In Oman, there are now branches of a number of Dubai-based companies including Kanoo and Dnata.623 Agents from a few other countries--France, Syria, and Lebanon--have also apparently set up shop.624

At least some of these firms are making their commercial presence felt, and in some cases, have been providing stiff competition to their Omani-owned counterparts. According to some local agencies, firms from Dubai have had the biggest impact of the foreign-based agencies.625 Their tactics were, perhaps

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621 World Trade Organisation, “General Agreement on Trade in Services,” Article XXI.
623 Representative of mid-sized travel agency (Oman) in discussion with author, October 2008.
624 Manager at large travel agency number three (Oman) in discussion with author, June 2008; and representative of mid-sized travel agency (Oman) in discussion with author, October 2008.
625 Manager at large travel agency number three (Oman) in discussion with author, June 2008.
unsurprisingly, criticised by local companies that felt their business was being affected. A representative from one of the larger agencies complained that the foreign firms use pricing tactics--they move in and drop prices, even when customers had been happy with the previous prices. The agency representative indicated that he would quite happily compete with these companies on a service basis, where he thought his company had an edge.\textsuperscript{626}

Another large agency confirmed that their business had seen the impact of Dubai travel agencies coming into Oman and opening satellite offices. These agents provide their clientele services in both the UAE and Oman. The Oman-based agency said that these new operations were cutting into their market share and also diluting the level of service. The representative added that European agencies who deal directly with the Dubai offices are being forced to work with the Dubai-based firms or their satellites in Oman for their Oman travel as well.\textsuperscript{627}

A representative from another larger agency had, however, a different view, indicating that his company’s work was largely unaffected by foreign competition. He added that he thought that companies like the Dubai-based Kanoo had not "started properly."\textsuperscript{628}

The impact on smaller agencies may, however, be greater. One of the larger agents also commented that smaller agencies were not benefitting from the boom in the sector because of the increased competition from outside companies. In the context of the increased competition, he suggested that small agencies had seen their business levels remain low or perhaps move up marginally despite the booming sector.\textsuperscript{629} This view was echoed by a representative from another large agency. He suggested that the Dubai company tactics of trying to lock Omani companies out of the competition for work with European travel firms booking for both Dubai and Oman would have a detrimental impact on small Omani firms. He noted that even small numbers of

\textsuperscript{626} Manager at large travel agency number three (Oman) in discussion with author, June 2008.
\textsuperscript{627} Manager at large travel agency number two (Oman) in discussion with author, October 2008.
\textsuperscript{628} Representative of large travel agency number one (Oman) in discussion with author, October 2008.
\textsuperscript{629} Manager at large travel agency number three (Oman) in discussion with author, June 2008.
tourists taken from the smaller agencies could impact their bottom line. Such anti-competitive behaviour is one of the issues that scholars warn is a potential consequence of opening up small markets.

Omani government data on tourists generally separates them by nationality rather than point of entry. While it is not possible to establish from available statistics how many visitors are on joint trips to the UAE and Oman, it is possible to establish the importance of the UAE as a source of tourists for Oman. The Omani government figures for visitor numbers to the annual Khareef Festival are available by country of residence. Those figures show that in 2007 24.8% of the visitors to the Khareef festival were resident in the UAE. If Omani visitors are removed from the total, then some 74.9% of the remaining 120,453 visitors came from the UAE.

These figures provide information on a different group than discussed above—travel agents in Oman were worried about group tours that had joint visas for Dubai and Oman. The Khareef figures look at individuals resident in the UAE, not those visiting on joint visas. While not providing an accurate picture of the joint visa market, they still indicate the importance of the UAE as a source of visitors for Oman, and indicate that there is quite a lot at stake in the Dubai market for Omani travel agents.

For at least some of the smaller agencies, however, the impact has been limited. At the upper end of the market, one agent contended that the relationships are built on trust, and business has not therefore been affected by the increase in competition. This sentiment was echoed by another smaller agency. The representative there suggested that there was already lots of competition generally—the issue was not actually whether the agencies were

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630 Representative of large travel agency number one (Oman) in discussion with author, October 2008.
631 See chapter 1, Literature review, Tourism and policy space. See also Adam Dunlop, *Tourism Services Negotiation Issues*, vi.
633 Owner of small travel agency number two (Oman) in discussion with author, June 2008. The owner did not seem to be aware that foreign firms could own stakes in travel agencies in Oman.
634 Manager at small travel agency number one (Oman) in discussion with author, October 2008.
foreign or domestic. On that basis, he said that the WTO "hasn't affected us." 635

The discussions with travel agency representatives in Oman suggest that impact of this new foreign competition on Omani-owned ventures is mixed. There was already considerable competition within the travel agent sector in Oman--some 42 travel agents are listed on the Destination Oman 2008 guidebook.636 But foreign competition that has appeared since Oman entered the WTO does seem to have a different tone than the domestic competition. In particular, the linkages between at least some of the Dubai-based firms and their Omani offices have reduced the amount of business that some Omani travel agents get from Dubai. The tactic of requiring foreign customers to use their Omani satellite offices rather than giving them free choice has also bitten into local business. But, while some complained about lost business, at least as many Omani travel agents asserted that the Dubai agencies had not adversely affected their business, indicating that their business came from long-standing relationships built on trust.637

Nonetheless, the foreign competition seems to be focused on a particular area, and in the longer run, it may be that Omani companies find it difficult to compete within that particular niche. More generally, Omani companies grumbled about the competition, but it has not forced them out of business, which suggests that the policy goal of Omani participation within the sector continues to be met. Indeed, when asked in a different context about protecting companies from this sort of outside competition, Dr al-Riyami indicated that the Omani government did not believe that it could generally protect Omani companies from foreign competition over the long term.638 This attitude suggests that government policy shies away from long-term infant industry protection, and that while Omani firms may feel the pinch of competition, it is within the acceptable range of results in terms of Omani policy.

Pressure may, however, increase. The global economic slowdown has affected tourism, and Oman may see that local businesses are competing for fewer

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635 Representative of mid-sized travel agency (Oman) in discussion with author, October 2008.
637 See discussion in this section and associated references.
638 Dr. Said al-Riyami (member of Oman's GATS negotiating team, and Economic Expert in the Ministry of Commerce and Industry) in discussion with author, October 2008.
opportunities. The impact of foreign competition, particularly in the Dubai sector, may as a result be felt more acutely by local travel agents who depend on this niche. Figures from the ministry of national economy and the ministry of tourism cited above suggest that, at least for the Khareef festival, this market is a significant proportion of the total market.639

4.10 Pursuing local policy goals: Choosing the direction and protecting culture and the environment

At a general level, the Omani government is concerned about protecting the country’s environment, and this concern is reflected in its policy toward the development of the tourism industry. In addition, policymakers pay attention to the impact that tourism is having on the local culture, and aim to ensure that it is minimised. The importance of these concerns was confirmed by the undersecretary of tourism, who said that Oman is seeking to protect its environment and culture while developing the tourism industry.640 Other small states have similar non-economic goals for their tourism sectors, and whether the GATS accord provides policy space to achieve these goals is an important question.

For the Omani government, efforts to protect the environment and local culture require the ability to maintain some control over the direction of tourism development. Within the context of its GATS commitments, the Omani government uses several tools to direct tourism development, which in turn helps it to achieve the goals of protecting the country’s culture, its environment, and its built environment from the potentially deleterious impact of tourism. Included on this list of tools are equity investment, targeted marketing, visa policy, domestic regulation and land ownership. Other tools, with more limited scope, are also used. These include working with hotels and limiting access to sites.

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639 See above, and also Ministry of National Economy, Results of Full Count and Survey of Salalah Khareef Visitors 2007.
640 See discussion above. HE Mohammed Hamood al-Tobi (undersecretary of tourism) in discussion with author, October 2008.
4.10.1 Tools: Targeted marketing

The government has sought to maintain control of the direction of the sector through targeted marketing, a strategy that it is able to implement within the context of its GATS agreements. Oman’s aim is to attract the middle and upper end of the market, and its financial and marketing resources are put to that goal. Government officials acknowledge that this is the objective.\textsuperscript{641}

Pricing appears to be part of this strategy. One travel agent suggested that the government encourages higher prices in order to avoid mass tourism.\textsuperscript{642} In the past, this policy has taken the form of a minimum rate agreement, which required hotels to charge minimum prices which depended on their star ratings.\textsuperscript{643} This agreement, which was particularly important before the recent boom in the tourism sector, clearly benefited local businessmen, but it also served to discourage those looking for a cheap holiday.\textsuperscript{644}

In addition to targeting high-end tourism, Oman is seeking to expand into other specialised markets, like meetings, incentives, conferences and exhibitions (MICE), which offer tourism revenue without mass tourism.\textsuperscript{645} Private sector companies are active in promotion of this sector, and a new conventions centre is being built.\textsuperscript{646}

4.10.2 Tools: Visa policy

Oman’s visa policy is also a tool to deal with the possible cultural impact of tourism. At present, Oman offers airport visas to citizens from 68 countries, including the US, the UK, Germany, France, Sweden, Japan, Canada, Brazil, South Africa and South Korea. But for a second list of nationalities, visas are much more difficult to obtain. Included on this list are nationals from Russia,\textsuperscript{647} Russia,\textsuperscript{648} and the UK.\textsuperscript{649}

\textsuperscript{641} HE Mohammed Hamood al-Tobi (undersecretary of tourism) in discussion with author, October 2008.
\textsuperscript{642} Manager at large travel agency number two (Oman) in discussion with author, October 2008.
\textsuperscript{644} Tara Chandrasekhar (Marketing Communications Manager, Grand Hyatt Muscat) in discussion with author, May 2008.
\textsuperscript{645} Manager at large travel agency number two (Oman) in discussion with author, October 2008.
\textsuperscript{646} Omran, "Oman Convention and Exhibition Centre."
\textsuperscript{648} Manager at large travel agency number two (Oman) in discussion with author, October 2008.
\textsuperscript{649} Omran, "Oman Convention and Exhibition Centre."
India, Iran, the Ukraine, Albania, Syria, Bosnia, Jordan, Morocco, Egypt and Belarus.  

The restrictions on visas are one way of controlling some of the impact that tourism might have on the local culture. One travel agent noted the stricture that Russian women under 25 cannot travel by themselves to Oman, and added that Chinese travellers are banned entirely. Concerns about crime, in particular prostitution, appear to drive these policies.

Omani officials are probably also identifying countries that are generally a source of blue-collar workers. Indians, for example, account for some 62% of private sector expatriate workers in Oman, and worries about individuals entering on a visit visa with the intention to work probably also play into visa policy. Either way, however, GATS does not cover visa policy, and this tool remains an important one available to Omani officials who are concerned about the impact that tourism may have on their culture.

4.10.3 Tools: Domestic Regulation

Domestic regulations also help to ensure that these domestic policy goals are achieved, enabling the government to require investors to protect both the environment and the built environment and providing scope for legal action if they fail to comply. Oman has long-standing criteria for buildings, and new hotels have had to fit into pre-existing architectural guidelines. Aside from safety issues, the regulations help to ensure that key visual criteria are known to developers and that officials have a clear way for legal recourse should developers fail to comply.

Likewise, Oman's ministry of environment has the power to block projects which have a serious detrimental environmental impact, and environmental impact

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647 Royal Oman Police, "Director General of Passport and Residence: Country Listing 1"; and Royal Oman Police, "Director General of Passport and Residence: Country Listing 2."
648 Manager at large travel agency number two (Oman) in discussion with author, October 2008.
650 For discussion of these guidelines, see Schofield, "Building by the Rules."
assessment must be made on projects. These provisions put a brake on potentially damaging projects. Moreover, giving authority to the ministry of environment takes decisions out of the hands of officials whose primary agenda is creation of tourism promotion and puts it into the hands of those whose primary job is environmental protection. For regulations, however, Oman must notify the WTO if new rules come into effect which would impact the sectors where Oman has commitments.

4.10.4 Tools: Land ownership

Land ownership restrictions remain another tool for the Omani government in its efforts to control the direction of the tourism sector. At present, foreigners can only buy land in Oman as individuals, and then only within tourism designated areas. For businesses, the system remains a 50-year renewable lease. A ministry official confirmed this assessment of the use of the land ownership restrictions, adding that the system was unlikely to change.

These restrictions differ from the other tools discussed so far however, as it acts largely as a long-term deterrent. Companies that are concerned about their long-term relationships with the Omani government might curtail their actions based on a distant threat of non-renewal of a lease. But if they have several decades left on a lease, the impact of such threats would probably be limited.

Other countries nonetheless appear to consider the land ownership restrictions an issue. The EU, in its request to Oman for concessions under GATS 2000, asked that the prohibition on land ownership by foreign companies be removed. The EU request presumably came at the bidding of companies that were worried that leases might not be renewed, which would mean that they would lose their fixed investment. Certainly it does give the Omani government

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651 Official from the ministry of environment (Oman) in discussion with author, October 2008.
652 Dr. Said al-Riyami (member of Oman's GATS negotiating team, and Economic Expert in the Ministry of Commerce and Industry) in discussion with author, October 2008. As discussed in chapter three, moreover, the WTO's authority over domestic regulations may increase over time.
655 World Trade Organisation, "GATS 2000: Request from the EC ... to Oman," 1.
an element of control in the longer run. But, given the time-frame involved, whether this would act as a serious deterrent to companies intent on exploiting the market for short-term gain is questionable. Moreover, even in the longer run, threatening non-renewal of leases might affect business confidence and impact not just for businesses engaged in undesirable practices, but also those engaged in acceptable activities.

4.10.5 Tools: Equity investment

The Omani government's involvement in many of the large hotel projects, which are the main area of foreign involvement in the hotel sector, is an important plank of its strategy to ensure that it remains in control of the sector. These stakes give the government input into the direction that a project is taking and the speed at which it is proceeding. It also gives officials a good vantage point from which to view compliance with key policies, such as environmental protection. The undersecretary of tourism confirmed that the Omani government is keeping a stake in the major projects because they want to have a say in how these projects develop. Within this context, he noted that Omanisation and the environment are priorities for the government, and he said that the government wants to ensure that things go the way they want them to in these areas particularly. Although figures for ownership are not available for all of these projects, Oman holds a 30% stake in the two ventures with Orascom, and it seems likely that this is a baseline for Omani government equity in the rest of the large-scale projects in which the Omani government is involved. While not a voting majority, such percentages make it a substantial minority partner and with its standing as lawmaker in the country, the stake gives it a powerful voice in the direction that these projects develop.

Oman's involvement is possible because of the relative wealth of the country in comparison to many smaller states that have developed their tourism industries. This relative wealth of the country gives policymakers some leverage when bargaining with potential foreign partners. On this subject, the undersecretary at the ministry of tourism said that Oman is very careful in selecting its foreign

656 HE Mohammed Hamood al-Tobi (undersecretary of tourism) in discussion with author, October 2008.
657 Jebel Sifah Oman, "The Project: About Us."
partners, and he confirmed that having the funds to invest helps Oman obtain the outcomes that it wants in the negotiations with potential partners.\textsuperscript{658} The government's willingness to invest in hotel stock means that the country is not solely dependent on foreign investment to build the infrastructure for the sector.

Indeed, Oman appears to be in a strong position relative to some of its neighbours, and its relative wealth has given it some room for manoeuvre with potential foreign investors. This view is supported by a statement made by a representative of one of the major local travel agencies. He suggested that Oman was in a strong position in comparison to Dubai. In Dubai, he said, the oil money was running out much faster, and so that emirate had fewer options. Oman, in contrast, did not have the same deadlines, and so things were developing differently there. He used as an example the Omani decision to pursue its particular type of low-rise architecture in its development, and its ability to have foreign investors adhere to that requirement.\textsuperscript{659}

As an equity partner, the Omani government is able to set the parameters for the development and also ensure that investors adhere to both the spirit and the letter of the law. A ministry of environment official offered an example of how Omani government participation had helped to ensure that guidelines had been met. Asked about a large-scale investment that has been going ahead with a foreign partner in the wake of the WTO agreement, an official from the ministry of tourism said that the Qatari firm involved, Qatari Diar, has to work with the ministry of tourism. The company has the license to develop a resort at Ras Al-Hadd, a beach which is famous in Oman for turtle nesting. The official contended that their development has been constricted to provide protection to the environment--it will not be on the beach. Moreover, he said that as a mega-tourism project, they have to follow guidelines. They have had to comply with light control regulations, as lights at night disturb turtles that are trying to nest. But he argued that in some ways they are easier to control than smaller local operations.\textsuperscript{660}

\textsuperscript{658} HE Mohammed Hamood al-Tobi (undersecretary of tourism) in discussion with author, October 2008.
\textsuperscript{659} Representative of large travel agency number one (Oman) in discussion with author, October 2008--whole paragraph
\textsuperscript{660} Official from the ministry of environment (Oman) in discussion with author, October 2008. --whole paragraph.
These experiences suggest that, even with the relatively high levels of foreign participation allowed under Oman's GATS agreement, the government is still able to use equity participation as a means of controlling the direction of the sector. Whether the effectiveness of this tool erodes over time (see Pressure for Change below) is, however, open to question.

4.10.6 Other tools

In addition to the list above of many of the major tools that the Omani government has to try to control the direction of tourism development, there are other ways which it can act. In particular, the government can try to ensure that its working relationships with local hoteliers lead to respect of local cultural norms. Some efforts are also made to limit access to environmentally sensitive areas.

With regard to relationships with local hoteliers, a number of prominent local businessmen have invested in the hotel industry. Many have attracted major international brands to manage their investments. At the upper end of the market, the Chedi Muscat, with 71% Omani ownership, is an example of a successful majority Omani-owned hotel which has attracted a major international brand.661

Although as private businessmen Omani owners might have different agendas than the government, they have to take a longer-term view of their activities than their foreign counterparts might. Many of the major trading companies in Oman have highly diversified business portfolios, and it is therefore in their interest to ensure the good relations with the government which are probably critical to the success of other divisions of their companies. The Omani government thus may have more sway over the direction that these projects might take than they would necessarily over majority foreign-owned projects in which they did not have a stake. This sort of informal influence would not have been impacted by GATS obligations.

661 Muscat Securities Market, "Hotel Management Company International: Foreign Investments."
Another way that the Omani government seeks to influence the impact of tourism on local culture is to work with the local hotels to ensure that its cultural agenda is understood and to the degree possible enforced. At the Grand Hyatt, the head of marketing communications said that, at the request of the ministry, Hyatt employees dealing with the media make sure that the international media is aware of the local "dress code."\(^{662}\) They also make sure that journalists are aware of the timings for the sale of alcohol and the particular restrictions on that item during Ramadan.\(^{663}\) Such front-end efforts are designed to ensure that tourists come to Oman cognisant that it will be an entirely different sun and sea holiday than might be expected in Mediterranean resorts.

In some cases, it is a general awareness which encourages the hotels to ensure guests comply with local cultural norms. Asked about restrictions on promotions which might reflect the social norms of the society, one hotel manager said that the government does not place restrictions on the hotel's promotions. But he said that on the ground, the hotel is aware of the issues, and expects that its guests act and dress in moderation.\(^{664}\)

Inbound travel agents are also aware of the need to monitor client behaviour. One said that his agency makes clear to clients the difference between what is expected of them in the desert, where they are on holiday with no one around (and there is a disco and belly dancing and wine) and interior towns, where they visit a farm and soft drinks are served. He reckoned that the lines on dressing were well-defined and well-respected---he said that if you see a short skirt in Oman, it will be on the beach, not in the town.\(^{665}\)

All of these individuals indicated that these sorts of interventions tended to sort out any minor problems that there might be. The intrusion of the WTO into policy space is clearly not an issue here---the decision to enforce social

\(^{662}\) Tara Chandrasekhar (Marketing Communications Manager, Grand Hyatt Muscat) in discussion with author, May 2008.

\(^{663}\) Tara Chandrasekhar (Marketing Communications Manager, Grand Hyatt Muscat) in discussion with author, May 2008.

\(^{664}\) Renzo Cavagliotti (General Manager, Intercontinental Muscat) in discussion with author, June 2008.

\(^{665}\) Manager at large travel agency number three (Oman) in discussion with author, June 2008.
standards or not is at least in the first instance within the purview of individual managers who are sensitive to government priorities.

Limiting access to sensitive sites is another tool that governments can choose in efforts to protect the environment from over-exploitation or degradation as a result of increased tourism. Tools that can be used included taking careful decisions about road building, or issuing limited numbers of permits to visitors. These sorts of policies appear to be in use in Oman. The undersecretary at the ministry of tourism said that he had personally been behind stopping a number of government actions, including the tarmac of roads to fragile areas. He did so to preserve these areas from too much exposure -- he thought they were too environmentally and culturally sensitive. He would like to keep areas as natural and authentic as possible.666

This rather simple, yet highly effective, way of limiting access remains viable under GATS, which does not affect these sorts of domestic policy decisions. But it obviously has other policy implications--villagers may want the conveniences that paved roads bring, while officials may be reluctant because of their concerns about the implications that the accompanying modernity will potentially bring.

4.11 Local bottlenecks

The discussion above suggests that the country's GATS commitments will set some parameters for development of tourism. Most acutely, they will limit the government's ability to regulate the number of hotels that are licensed in the country. But in other instances domestic factors rather than GATS obligations are likely to play an important role. In at least some cases, domestic institutions do not seem able to tackle these bottlenecks and implement policy effectively, which brings us back to the observation that capacity in local institutions plays

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666 HE Mohammed Hamood al-Tobi (undersecretary of tourism) in discussion with author, October 2008. Although he clearly had the power to take these actions, it seems like such initiatives are either ad hoc or a result of his own personal engagement and concern. Areas of particular environmental or historical concern are not generally controlled. Permits are not required to visit forts or to visit the turtle nesting areas—Info OmanTourism, email message to author, February 23, 2010. Indeed, with regard to forts, this represents a relaxation of previous policy—in the 1990s, permits were required.
Domestic bottlenecks appear to play a considerable role in the pace of tourism development and the ability of the government to meet its goals for the sector. For example, interlocutors from the tourism industry cited a number of domestic issues which make increased Omanisation difficult to achieve. In part, the problem centres on the quality of the local labour force and training. A number of businesspeople commented on high rates of Omani absenteeism, and a lack of work ethic as blocks to achieving goals. Reluctance of locals to work in the hotel industry, based on local social norms, is another local bottleneck to higher rates of Omanisation. Unsocial hours are a problem, particularly for women, making it difficult to recruit high quality staff. Likewise, a reluctance to serve alcohol means that Omanis are not generally recruited as waiters or waitresses, and are unwilling to train in these professions. Although the government is seeking to encourage Omanis to work in the sector, it has not been able to overcome local issues and concerns or create the necessary capacity.

In other areas as well, local factors create bottlenecks in the labour market. Omanisation of tour guide positions is hindered by a lack of local citizens who have appropriate language skills. A lack of international hotel experience acts as a further impediment to high levels of Omanisation, as Omanis lack the international experience generally required by management companies for

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668 Tara Chandrasekhar (Marketing Communications Manager, Grand Hyatt Muscat) in discussion with author, May 2008; expatriate businessman number one in tourism sector (Oman) in discussion with author, May 2008; and manager at large travel agency number three (Oman) in discussion with author, June 2008.

669 Bob Khalife (General manager, Coral Hotel) in discussion with author, June 2008. Also, manager at large travel agency number two (Oman) in discussion with author, October 2008, noted that it was difficult to keep staff on-board once they married and had family.

670 Renzo Cavagliotti (General Manager, Intercontinental Muscat) in discussion with author, June 2008; and Rob Maclean (Director, Oman Hospitality Institute) in discussion with author, June 2008.

671 Expatriate businessman number one in tourism sector (Oman) in discussion with author, May 2008; manager at large travel agency number three (Oman) in discussion with author, June 2008; and Dr. Said al-Riyami (member of Oman’s GATS negotiating team, and Economic Expert in the Ministry of Commerce and Industry) in discussion with author, October 2008..
Efforts to send Omanis abroad as international staff have met with visa problems and a reluctance on the part of Omanis to work away from their families.

In addition to local bottlenecks in the labour market, efforts to promote the country may have succeeded before adequate infrastructure is in place to meet demand. The head of marketing communications at the Grand Hyatt suggested that there was a lack of foresight—the government started promoting the country quite a bit, but did not start adding to the infrastructure at that time. This assessment suggests that the local institutions did not have the right planning skills to address the situation and/or did not work effectively with other local institutions to address the problems. People now want to come to the country, but the hotels in the capital are forced to turn away business because they do not have enough rooms.

Her view was echoed elsewhere. The General Manager of the Coral Hotel said he was concerned that there might be a backlash against the lack of rooms. People are interested, but will not remain interested if they get refused a couple of years trying to get rooms. Others expressed similar concerns or suggested that hotel space was a significant bottleneck to further growth.

Likewise, there is considerable MICE interest in Oman, but again there are not adequate facilities. For its part, the Coral now recommends to any partners that they include conference facilities in their planning. But many are concerned that there has been a delay in the planning and implementation needed for this

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672 Renzo Cavagliotti (General Manager, Intercontinental Muscat) in discussion with author, June 2008; and Rob Maclean (Director, Oman Hospitality Institute) in discussion with author, June 2008.
673 Renzo Cavagliotti (General Manager, Intercontinental Muscat) in discussion with author, June 2008.
674 Tara Chandrasekhar (Marketing Communications Manager, Grand Hyatt Muscat) in discussion with author, May 2008.
675 Bob Khalife (General manager, Coral Hotel) in discussion with author, June 2008.
676 Manager at large travel agency number three (Oman) in discussion with author, June 2008; manager at five-star hotel (Oman) in discussion with author, June 2008; representative of large travel agency number one (Oman) in discussion with author, October 2008; representative of mid-sized travel agency (Oman) in discussion with author, October 2008; and manager at large travel agency number two (Oman) in discussion with author, October 2008. Manager at four-star hotel number two (Oman) in discussion with author, June 2008, who expressed concern about informal B&Bs that were starting up in Muscat as a result of the lack of hotel rooms.
677 Bob Khalife (General manager, Coral Hotel) in discussion with author, June 2008.
market. One manager voiced the concern that the sector might lose momentum—both from a lack of facilities and the high prices that are being charged.\textsuperscript{678} Other interlocutors also expressed concern that the facilities for MICE were not adequate.\textsuperscript{679}

Air transport is another issue for the development of the tourism sector. The airport is currently under expansion to provide additional capacity at peak demand times.\textsuperscript{680} In the meantime, in order to stretch the existing facility, Oman Airport Management Company (OAMC) has increased the number of check-in counters by 50%.\textsuperscript{681} Officials at the Authority acknowledge that the moves do not make entirely good business sense, but they are aimed at supporting the current interest in tourism and at alleviating a recognised bottleneck.\textsuperscript{682}

Although OAMC is working to address these concerns, other issues related to air transport are causes for concern within the tourism industry. Some suggest that the number of airlines flying into the country could usefully increase.\textsuperscript{683} Others argue that the local carrier Oman Air needs to develop to encourage the tourism sector, saying that it does not currently fly to enough destinations.\textsuperscript{684} Quality at Oman Air was also cited as an issue, with interlocutors criticizing the use of older, leased aircraft, and initial slowness in ensuring that its new branding had been implemented throughout its network.\textsuperscript{685}

In addition to these infrastructure issues, some interlocutors raised the question of activities. In the cooler winter months, outdoor activities—related to the sea, the mountains and the desert—are numerous. But for the summer, many argued that more was needed. Businesspeople suggested that existing shopping facilities were not sufficient as a hook for encouraging visitors during the summer months.\textsuperscript{686} Others raised concerns that even during the winter

\textsuperscript{678} Tara Chandrasekhar (Marketing Communications Manager, Grand Hyatt Muscat) in discussion with author, May 2008.
\textsuperscript{679} Manager at large travel agency number three (Oman) in discussion with author, June 2008; and manager at five-star hotel (Oman) in discussion with author, June 2008.
\textsuperscript{680} Official from airport administration (Oman) in discussion with author, October 2008.
\textsuperscript{681} Official from airport administration (Oman) in discussion with author, October 2008.
\textsuperscript{682} Official from airport administration (Oman) in discussion with author, October 2008.
\textsuperscript{683} Manager at large travel agency number three (Oman) in discussion with author, June 2008; and representative of mid-sized travel agency (Oman) in discussion with author, October 2008.
\textsuperscript{684} Bob Khalife (General manager, Coral Hotel) in discussion with author, June 2008.
\textsuperscript{685} Manager at five-star hotel (Oman) in discussion with author, June 2008; and manager at large travel agency number two (Oman) in discussion with author, October 2008.
\textsuperscript{686} Manager at five-star hotel (Oman) in discussion with author, June 2008.
months there is not enough variety to entertain visitors who want to base
themselves in the capital.\footnote{\textsuperscript{687} Representative of the Beach Hotel (Oman) in discussion with author, May 2008; and
manager at large travel agency number three (Oman) in discussion with author, June 2008, who
was generally worried about the lack of indoor activities.}

Beyond local bottlenecks, local policy sometimes plays a contradictory role in
development of tourism, and thus impedes the achievement of other goals. A
case in point is environmental protection--foreign investment in hotels near the
turtle site does not appear to be the main driver behind increased tourism in the
area. Rather, the government's decision to open two major black-top roads to
the area has resulted in a vast increase in visitors. The problems are
exacerbated by the proximity of the nesting grounds to new industrial
developments at Sur, which have meant a higher population in the area which is
searching for recreational activities. In some instances, there have been 1,000
visitors for one weekend—while a study by the local university had indicated
that capacity at the Ras Al-Hadd campsite was about 80. In these
circumstances, the opening of the partly foreign-owned hotel may actually
improve the situation as it may reduce the number of people camping on the
beach and disturbing the turtles.\footnote{\textsuperscript{688} Official from the ministry of environment (Oman) in discussion with author, October 2008.}

In this case, the goals of the Omani government may inherently conflict when it
comes to tourism at environmentally sensitive areas. The ministry would like to
keep it a nature reserve\footnote{\textsuperscript{689} Official from the ministry of environment (Oman) in discussion with author, October 2008.}, but this effort conflicts with another government
goal—finding employment opportunities for Omanis. The government decision
to tarmac roads to the turtle nesting sites illustrates this tension clearly. The
undersecretary's description of the tension between protecting the environment
and providing jobs\footnote{\textsuperscript{690} HE Mohammed Hamood al-Tobi (undersecretary of tourism) in discussion with author, October 2008.} suggests that the driving forces for tourism development in
environmentally sensitive areas are domestic. The pressure for jobs comes
from locals who want employment and business opportunities, not from large
foreign hotel companies.

Beyond these policy questions, there are other local issues which impact on the
ability of the Omani government to protect the environment. The experience at Ras Al-Hadd indicates that pressure comes from the volume of tourists and the lack of experience in controlling them, rather than from restrictions on Omani government action resulting from WTO obligations. Similarly, one hotelier indicated that a local beauty spot at Tiwi had been developed without reference to international best practice, arguing that the failure was down to local planning issues rather than pressure from the outside to increase the pace of change or access to sites.691

The remarks made by these informed interlocutors suggest that domestic factors are the main issues that need to be addressed if the environment is to be protected. Omani domestic regulations on this issue do not appear to have attracted any WTO attention. Moreover, if challenged in the longer run, Oman’s track record on environmental issues would make a defence under Article XIV of the GATS, which allows exceptions to the rules if they are “necessary to protect human, animal or plant life or health,” more credible.692

Finally, there is the question of whether the public and private sectors are working co-operatively and the impact that this situation potentially has on the tourism sector—or as Weiss suggested, working together in an enmeshed fashion.693 Within tourism, one of the main areas where the public and private sectors might naturally co-operate is on marketing and publicity. In Oman, co-operation on these issues exists, although private operators indicate that the Omani government is still working its way up the learning curve. Larger hotels tend to benefit from working with the government, while smaller ones tend to find that the government has less interest in or has less capacity for assisting them.694 Others also suggested that the ministry of tourism was relatively new, and was therefore still learning to market Oman, while the private sector had

691 Tara Chandrasekhar (Marketing Communications Manager, Grand Hyatt Muscat) in discussion with author, May 2008.
692 World Trade Organisation, General Agreement on Trade in Services, Article XIV (b).
693 See chapter 1, Literature review, What are the options for states after the deal is done?. Weiss States in the Global Economy, 308-9.
694 Tara Chandrasekhar (Marketing and communications manager at Grand Hyatt) in discussion with author in Muscat May 2008; Bob Khalife (General manager, Coral Hotel) in discussion with author, June 2008; manager at four-star hotel number two (Oman) in discussion with author, June 2008; and representative of the Beach Hotel (Oman) in discussion with author, May 2008.
years of experience.\textsuperscript{695} The distinction between large and small companies seemed to hold true for the travel agent sector as well. Larger travel agents acknowledged that they had received assistance from the government, but noted that smaller groups might not receive help as readily.\textsuperscript{696}

The domestic bottlenecks cited by local businessmen suggest in part that local government institutions are sometimes not effective, either by themselves or with other local groups, in addressing some of the issues that affect tourism development. The balance of the reasoning varies according to the specific issue, but this supports the suggestion that not just the global framework, but also domestic factors, are important to how and whether opportunities are realised.\textsuperscript{697}

4.12 Results so far

Oman joined the WTO in 2000, and the evidence gathered suggests that the Omani government has thus far managed to retain considerable policy space within the context of its GATS commitments.

In terms of job creation and Omanisation, Oman has retained some policy space. Oman managed to negotiate a 20% ceiling on the number of foreign workers that might be employed in hotels and travel agencies. At present, however, the government only targets a 65% Omanisation rate. But the ceiling gives it space to increase the target, which has been steadily happening in recent years. Likewise, on a smaller scale, Oman's GATS commitments do not require the country to allow expatriates to work as tour guides. Although some expatriates do work in this sector at the present time, they have gained those positions in the absence of any appropriately qualified Omanis. While there is potential for the number of positions to grow in this area, at present it is a

\begin{footnotesize}
\textsuperscript{695} Tara Chandrasekhar (Marketing and communications manager at Grand Hyatt) in discussion with author in Muscat May 2008; manager at five-star hotel (Oman) in discussion with author, June 2008; Renzo Cavagliotti (General Manager, Intercontinental Muscat) in discussion with author, June 2008; and manager at large travel agency number two (Oman) in discussion with author, October 2008.

\textsuperscript{696} Manager at large travel agency number three (Oman) in discussion with author, June 2008; manager at small travel agency number one (Oman) in discussion with author, October 2008; and owner of small travel agency number two (Oman) in discussion with author, June 2008.

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relatively small source of employment—with only about 200 tour guides currently licensed.\textsuperscript{698} The small size of the sector’s employment suggests that it was probably a lower priority for Oman’s negotiating partners, even if Omani negotiators wanted to ring-fence the sector for local employment.\textsuperscript{699}

Nonetheless, the benefits of the government’s Omanisation policies are probably felt well beyond the capital area where most hotels are located. Although beyond the scope of this study, it is likely that Omanis in the tourism sector remit at least some of their earnings to family members in the interior of the country, thus giving greater importance to the preservation of these jobs for locals.

In addition, the influx of partly foreign-owned firms in the wake of the GATS agreement has not affected Oman's ability to reach Omanisation targets. Most hotels seem to manage to reach the target; performance of travel agencies appears spotty. But the lower than targeted employment of Omanis appears to reflect local conditions rather than pressure resulting from the partly foreign-owned firms that have entered the market in the aftermath of the WTO agreement. Indeed, although some industry executives complained that there have been some exceptions made to the targets, the hotels where targets are allegedly lower are either Omani-owned or substantially Omani-owned.

Likewise, in terms of diversification and development, Oman retains considerable policy space at present. Omani companies continue to play an important role in the tourism sector. Many of the major hotels are Omani-owned, and during the boom of 2008, both large and smaller hotels were thriving. A number of caveats to this assessment are, however, discussed below in the section on longer term implications. In addition, although beyond the scope of this study, there is a question about the longer-term impact on the local economy of this domestic ownership. To maximise impact, the hotel owners would need to re-invest domestically rather than putting their earnings into foreign companies or investments. To the extent that domestic investment

\textsuperscript{698} Official from the Ministry of Tourism (Oman) in phone conversation with author, May 2010. \textsuperscript{699} Armstrong and Read, “The Importance of Being Unimportant,” 81.
occurs, the Omani economy benefits more from the government’s efforts to preserve policy space.

But while hotels have not felt the pinch of foreign competition encouraged by GATS, travel agents are experiencing more competition from Dubai agencies in particular. These agencies have come to Oman in the wake of the GATS agreement. The opening of satellite offices by Dubai agencies and, in some cases, the requirement that customers book their Oman travel through those offices is the clearest indication of the potential detriment of the GATS opening. But even within this sector, the impact is mixed, with some agents reporting that the branches of Dubai offices have had little effect on their business. From the comments made by those in the industry, the impact appears to depend on the type of clientele that the agency cultivates, suggesting that in particular niches some firms may now have more trouble competing.700

Finally, Oman appears to be managing to preserve much of its culture and environment despite the growth in tourism. At least so far, government policy seems to have struck a reasonable balance between development of tourism and respect for local sensitivities. Interlocutors indicate that Omanis are generally happy with the development of the sector.701 One official suggested that people thought that the approach brought the right people and the “right tourism.”702 But some also cautioned that while young Omanis welcomed the development, older ones were less convinced that tourism development was universally good.703 For some more conservative members of society, acceptance of tourism would take time, and hotels in particular were still viewed as potentially sinful places.704 Others suggested that there was a rural/urban split over tourism. Omanis in the largely rural interior of the country tended to be more conservative, and acceptance of tourism was therefore more

700 See section on travel agencies above and endnotes included with that analysis.
701 Representative of large travel agency number one (Oman) in discussion with author, October 2008; manager at four-star hotel number one (Oman) in discussion with author, June 2008; and manager at large travel agency number three (Oman) in discussion with author, June 2008.
702 Official from airport administration (Oman) in discussion with author, October 2008.
703 Tara Chandrasekhar (Marketing Communications Manager, Grand Hyatt Muscat) in discussion with author, May 2008.
704 Renzo Cavagliotti (General Manager, Intercontinental Muscat) in discussion with author, June 2008.
controversial, while in the capital, tourism has commercial appeal. Within the capital, however, there were some concerns that the government might be giving away too much beach space to private hotels, limiting the facilities available to local people. Nonetheless, the overall assessment of interlocutors was that tourism had not impinged sufficiently on local culture or sensitivities to cause large-scale disquiet at the development of the industry.

In part, the acceptance of tourism reflected the need for jobs. One interlocutor suggested that tourism is acting as a spur to small business openings, and that young people in particular saw its development as positive given the creation of jobs. The themes of job creation and business opportunities were echoed by other interlocutors.

But even with job creation, there is a need to develop tourism in a way which does not offend local values. To do this, the government appears to be using many tools which have not been affected by its decision to enter into a GATS agreement. Oman is able to use its ability to take a stake in these major ventures to ensure at both the negotiation and implementation stage that the government has maintained some influence over the direction that the ventures take. Likewise, the government uses existing regulations to steer the development of the sector in ways that it believes are important—those involved in the industry pointed, for example, to the ability of the government to enforce its architectural standards on foreign investors.

The country's marketing strategy is another plank of its efforts to minimise the impact of tourism on the country's culture. Oman has opted to woo the middle and upper end of the market, rather than seeking to become a mass-market destination. This strategy helps to limit numbers, and probably also makes it

705 Manager at large travel agency number two (Oman) in discussion with author, October 2008.
706 Owner of small travel agency number two (Oman) in discussion with author, June 2008.
707 Official from airport administration (Oman) in discussion with author, October 2008.
708 Representative of large travel agency number one (Oman) in discussion with author, October 2008; Tara Chandrasekhar (Marketing Communications Manager, Grand Hyatt Muscat) in discussion with author, May 2008; and manager at four-star hotel number two (Oman) in discussion with author, June 2008.
709 This assessment was confirmed by statements made by HE Mohammed Hamood al-Tobi (undersecretary of tourism) in discussion with author, October 2008.
710 Representative of large travel agency number one (Oman) in discussion with author, October 2008.
more likely that its efforts to encourage hotel managers to promote local dress standards are possible. Similarly, those involved in the industry point out the effectiveness of visa policy in keeping potentially undesirable visitors out of the country. Like the other tools listed, this area is not covered by the GATS agreement, and thus provides a way for Oman to enforce its policy decisions.

In addition, Oman restricts land ownership for foreign firms. Land ownership is an area that is covered by the WTO for services companies, but Oman managed to negotiate a deal which allowed it to keep restrictions in place. The tool might have some minor ability to encourage foreign-owned firms to behave in ways that preserve the environment or culture, but in reality the long term of leases available suggests that the deterrent might not be as effective as other tools available to the government. Finally, the government sometimes uses other minor tools—in some instances, limiting road access is an effective way of reducing tourist traffic to potentially sensitive and fragile sites.

4.13 Longer term issues

Oman has been a member of GATS for about a decade, and the evidence collected indicates that, at present, Oman has the policy space necessary to develop its tourism sector the way that it wants. Indeed, Oman’s use of a variety of tools to achieve its goals may provide lessons for other small states seeking to ensure policy space within the context of GATS agreements. But there are longer term issues for the Omanis to tackle, which provide insight into the issues that other small states may also confront. Because development and investment priorities change, the implications of GATS commitments are dynamic. These potentially looming issues are longer-term issues make the point that all states, including small states, must remain flexible in their approach and aware of the possible GATS implications of their development efforts.

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711 See section on working with hotels and endnotes there.
712 Manager at large travel agency number two (Oman) in discussion with author, October 2008.
713 HE Mohammed Hamood al-Tobi (undersecretary of tourism) in discussion with author, October 2008.
Additional competition resulting at least in part from the greater openness allowed by GATS is an issue. At present, most of the major hotels with majority foreign ownership have not yet opened. But the sector is changing, and these new five-star hotels will mean that over the medium term hoteliers will have to cope with increased foreign competition as current projects open for business. The impact might be particularly severe depending on the length of the global economic slowdown if all hoteliers are competing for business in a much smaller market.

The number of hotels planned has, moreover, led to concerns about market saturation in the capital area.\(^{714}\) The Omani government's inability under the country's GATS commitments to limit the number of hotels in the capital area suggests that price competition could become quite intense if interest in the sector does not slow.\(^{715}\) This may signal problems for smaller hotels in particular as they find that they no longer benefit as much from spill-over,\(^{716}\) and there may be more price competition for the existing bigger hotels. Heightened competition from foreign firms may impact adversely the benefit that the local economy derives from tourism and thus reduce the sector's contribution to meeting government targets of development and diversification.

Alternatively, rather than having hotel rooms empty, the Omani government may find itself under pressure to increase the number of visitors that it encourages. One manager, when asked if the government has managed to keep control of the process of building the tourism industry, said that so far it has tried to keep the character of Oman intact. But whether they can manage it over the longer term, he said, will have to be seen. With the "euphoria of growth", it may be difficult to stand by and keep things going slowly instead of giving way to the pressure. He suggested that, particularly after the initial growth, there may be pressure to continue expansion.\(^{717}\) As a consequence,

\(^{714}\) HE Mohammed Hamood al-Tobi (undersecretary of tourism) in discussion with author, October 2008--see section above on quantitative restrictions

\(^{715}\) See section on quantitative restrictions.

\(^{716}\) Tara Chandrasekhar (Marketing Communications Manager, Grand Hyatt Muscat) in discussion with author, May 2008, and manager at five-star hotel (Oman) in discussion with author, June 2008.

\(^{717}\) Renzo Cavagliotti (General Manager, Intercontinental Muscat) in discussion with author, June 2008.
Oman's current targeting of particular markets may come under pressure as the number of hotels expands, and the profile of visitors may change. At present, in addition to niche markets like MICE, Oman is targeting the upper end of the market, aiming for wealthy and upper middle class visitors. Policymakers would like to see higher spending per visitor rather than a larger number of visitors in order to generate the same amount of return. But as the number of hotels increases, prices may fall and competition may bring in less well-heeled tourists. If the numbers do not increase with such changes, then the contribution of tourism to diversification and development will decline.

This scenario also has implications for the longer term question of the impact of the sector on culture and the environment. For example, the government may not use the tools that it has available--like avoiding tarmac roads to fragile areas--if there is pressure to offer more exotic experiences to attract more tourists. Such changes might mean that Oman becomes less attractive to those individuals seeking an “eco-tourism” experience. This change will further impact the mix of tourists that Omani is currently targeting in the development of its industry.

Likewise, visa policy is currently used, but whether the use of this tool could be expanded is questionable. While such measures are not included in the WTO accords and thus would be a potential avenue to slow the development of the sector, the government is likely to come under pressure not to use this tool. In particular, business people who have already established their hotels or other facilities would not welcome a sudden drop in visitor numbers.

The issue will not be directly related to GATS commitments, which does not cover government marketing or visa or road building decisions. But the dynamic here is complex--GATS would be at least in part responsible for the pressure to change tact, as the agreement would be in part responsible for the expansion of the hotel sector. In making these decisions, moreover, Omani policymakers would be making decisions which impact not just foreign investors brought in by GATS, but also local ones.

Additionally, the scope for expansion of domestic regulations is probably limited.
Oman would have to notify GATS about any new domestic regulations which impacted the tourism sector, and new severe restrictions might open it to charges that they were trade restrictive.\textsuperscript{718} There might be scope for changes in zoning law, on environmental grounds,\textsuperscript{719} but there would also be scope for challenge to these restrictions. Environmental restrictions done strictly for environmental reasons should be acceptable under WTO rules.\textsuperscript{720} But challenges could be made if there were the perception that the reasoning was trade restrictive rather than environmental or if an exception was made to allow another local operator access that was denied a foreign operator.\textsuperscript{721}

While Oman will face different challenges as the industry grows and matures, the rules of the game will also change for foreign investors. Once the hotel and resort developments are completed, the foreign owners have a large-scale fixed investment which means that they have an interest in ensuring good relations with the host country. This sort of change in the dynamic admittedly exists wherever there is foreign investment in buildings and fixtures. Oman, with its equity investment in major projects, may be in a stronger position than most developing countries to ensure that it is able to use this change in dynamic to ensure that it retains some control over the direction of tourism.

The dynamic may be particularly effective for eco-tourism projects in Oman and more generally. The Omani government's position is that it wants to maintain fragile environments, and its interests may coincide with those of the large foreign investor. Already, there are examples of this dynamic. According to the ministry of environment official, Qatari Diar, which is partner in the development near the turtle nesting beach at Ras Al-Hadd, want to make sure that the turtles are a year-round attraction because of the large investment that they are making. It is therefore in their interest to ensure that the resort's main attraction, the turtles, stay, so the company has a real interest in corporate social responsibility and environmental protection. In fact, their work has gone further

\textsuperscript{718} World Trade Organisation, \textit{General Agreement on Trade in Services}, Article VI.

\textsuperscript{719} World Trade Organisation, \textit{General Agreement on Trade in Services}, Article XIV.

\textsuperscript{720} Dale Honeck (WTO Official speaking in personal capacity) in discussion with author, February 2010.

\textsuperscript{721} Dale Honeck (WTO Official speaking in personal capacity) in discussion with author, February 2010.
than their own property--they are also working with the local people to try to ensure that the village does what it can to preserve the turtles' habitat.  

4.14 Pressure for change: What does the future hold?

This analysis suggests that a maturing market will bring new issues for Omani policymakers that are dealing with the impact of GATS on the tourism sector. But the market changes are unlikely to happen within the context of static commitments to the international economy. The dynamic nature of commitments has implications for other small states as they seek to develop their tourism industries.

Rather, some of the goal posts look set to change eventually. According to the ministry of commerce and industry, the text of Oman's free trade agreement with the US allows US companies to have 100% ownership in hotels in Oman. In addition, in its proposed free trade agreement with the EU, Oman has agreed to allow 100% EU ownership for 4-star and 5-star establishments only. Moreover, for restaurants, the US FTA now allows 70% foreign ownership. These changes do not become part of the country's WTO commitments, but would allow many major WTO countries enhanced access to the Omani market. Asked about why the changes had been made in these agreements, Dr al-Riyami said that the Omani government now felt that the "local market is competitive" and that you "can't protect them (local companies) forever." On this basis, officials had agreed to the change in ownership rates for these two FTAs compared with the WTO concessions.

Such openings will mean more competition for local companies and potentially less economic return to the Omani economy. Moreover, the terms of these agreements take away the obligation for foreign companies to have an Omani partner, one of the important tools that Oman has to control the sector. Although Oman has other tools at its disposal, these new terms will nonetheless potentially make it more difficult to ensure that the country's cultural and

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722 Official from the ministry of environment (Oman) in discussion with author, October 2008.  
723 Dr. Said al-Riyami (member of Oman's GATS negotiating team, and Economic Expert in the Ministry of Commerce and Industry) in discussion with author, October 2008.
environmental concerns are respected. For Oman, the moves represent a substantial increase in openness, and potentially loss of control. Until now, the major foreign investors in the tourism sector have been regional companies rather than international firms. At a minimum, the move will probably mean less comfort as the current pattern of investment involves companies from similar cultures and probably reduces the likelihood of misunderstandings. But with a promising sector like tourism, pressure was probably considerable to allow the increased foreign ownership component to US and EU firms.

Despite the concessions on ownership, it appears that Oman hopes that it will lose little in terms of achieving its policy goal of targeting high-end tourism. The decision to limit 100% EU hotel ownership to 4-star and 5-star facilities was the result of negotiations by the ministry of commerce and industry. With regard to the EU accord, an official there noted that the government was concerned that allowing 100% foreign ownership in lower rated facilities might attract investment in less smart, smaller hotels. With the continuing restrictions on ownership in lower rated hotels, the Omanis hoped to maintain the policy objective of attracting quality tourism.

In addition, jobs look set to remain at the top of the policy agenda. Thus, preserving the tour guide sector for Omani was also a "red line" in the more recent negotiations for the FTAs, according to the Omani government's chief services agreement negotiator. He said that there had been requests that the restrictions be eased to allow foreign involvement in this sector, but the Omanis held firm on this issue. He argued that Omanis needed jobs, and this was an area where jobs could exist.

In the longer run as well, Omani goals could change. At present, taxation of this industry does not appear to be at the top of the policy agenda. But in the future,

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724 Dr. Said al-Riyami (member of Oman's GATS negotiating team, and Economic Expert in the Ministry of Commerce and Industry) in discussion with author, October 2008.

725 Dr. Said al-Riyami (member of Oman's GATS negotiating team, and Economic Expert in the Ministry of Commerce and Industry) in discussion with author, October 2008. Oman is allowing 100% American ownership in all levels, but the Omanis did not think that US investors would be interested in investing in lower rated hotels.

726 Dr. Said al-Riyami (member of Oman's GATS negotiating team, and Economic Expert in the Ministry of Commerce and Industry) in discussion with author, October 2008.
the Omani government might, for example, look to increase its income from the sector, and policy goals may change or expand. Tax income is a goal for many governments seeking to develop their tourism sectors, and as long as national treatment rules are adhered to, Oman should not face difficulties in such moves.

Looking forward as well, while the FTA agreements would apply to a substantial number of the bigger WTO members, Oman is not likely to extend its WTO commitments to include these concessions for all WTO members. Asked whether Oman would consider changing the level of commitment to the WTO in areas where it had relaxed for its FTAs, he said that Oman "won't give much at the moment." He said that Oman thought that it had made lots of commitments in order to join the WTO--many more than others had. He noted that Oman had committed in 10 of the 12 major areas and 90 out of 160 sub-sections. He said that because of this high level of commitment Oman was not interested in making more concessions during the Doha Development Agenda.727

Reflecting its perspective on the level of commitments that it has made, Oman is a member of the recently acceded members (RAM) group in the WTO. Other members of the RAM group include China, Jordan, and Saudi Arabia. The RAM group contends that its members have made substantial concessions when they joined and, until other countries catch up in terms of commitments, they have little interest in making further openings.728 Although they may still be pressured for further concessions, the level of their current commitments compared with those of other states leaves them in a relatively strong position to withstand such pressure.729 But even without the extension of these commitments to the full WTO membership, the already freer trade in services is likely to accentuate the longer-term issues discussed above. The openings will encourage more competition, which will potentially impact the country economically, culturally and environmentally.

729 Dr. Fadi Makki (Principal Booz and Company) in interviews and email with author November 24-26, 2009. Also Dale Honeck (WTO official speaking in a private capacity) in discussion with author February 2010.
The dynamic nature of policymaking, development decisions and GATS commitments suggests that Oman (and other states) should use the time and policy space that they have to create a more resilient system. Forward-thinking policy is necessary, and as the Oman case study suggests, it should focus not just on global but also on domestic issues which influence the ability of the country to achieve policy goals.
Chapter five: Qatar and policy space

Qatar’s hydrocarbons resources make it a rich country by global standards. But the government appears committed to developing its tourism industry. Is there policy space within the context of the country’s GATS agreement to develop the sector as the country’s policymakers envision? As with Oman, a number of other basic questions must be answered in order to gain an understanding of the impact of GATS on tourism development in Qatar. In the first instance, it is necessary to ask what the policy goals are. Beyond that, an examination of the question requires that we understand whether Qatar is making progress toward achieving those goals and if not, whether the impediments to progress are a result of international or domestic pressures. As with Oman, such questions have implications beyond Qatar to other small states seeking to develop their tourism industries in the context of GATS commitments.

5.1 Development of tourism in Qatar

Tourism is a relatively new industry in Qatar. Although the country’s oil income increased in the 1970s, giving it more resources to develop the economy, tourism was not an important plank of economic planning. The country’s conservative values were combined with few attractions for tourists during the 1970s and 1980s as the government sought to develop the country from a relatively poor pearling backwater into a modern state. Economic diversification made progress in the 1980s and 1990s as the government pursued gas-based industry and liquefied natural gas projects. But while there was inbound business travel related to the oil and gas developments, the government showed little interest in developing tourism as a separate sector of

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730 Diversification focussed on heavy industry during the 1970s and 1980s. Government energy was also focussed on development of basic infrastructure over that period. Metz, *Persian Gulf States*, Qatar Industry chapter, 1.

731 Metz, *Persian Gulf States*, Qatar Historical Background chapter, 1.

732 Metz, *Persian Gulf States*, Qatar Industry chapter and Qatar Natural Gas chapter.
the economy.\textsuperscript{733} Exhibitions, a mainstay of current tourism development, existed, but were focussed on the local consumer market rather than on attracting visitors from outside.\textsuperscript{734} In 1980, the country had a total of 15 hotels, of which three, including the local Ramada, were classified locally as “luxury” facilities.\textsuperscript{735} The number of “luxury” facilities grew to four in 1983, with the addition of a Sheraton.\textsuperscript{736} But the sector saw hotels close in the early 1990s, with the total dropping to just a dozen in 1993.\textsuperscript{737} Indeed, the total number of hotels did not recover to the 1980s level until 1999, when it surged to 19.\textsuperscript{738}

The start of the decade saw, however, increased interest in development of the sector. In 2000, the Qatar Tourism Authority was established,\textsuperscript{739} and in 2002, the government entered into a public sector reform project, looking at development goals for all sectors including tourism.\textsuperscript{740} In 2004, the country issued a tourism master plan which called for investment of some $15bn in infrastructure to support the development of the tourism industry. Included on the list of projects were luxury mixed-use developments, beach resorts, a number of high-end hotels, new sporting facilities and a new airport.\textsuperscript{741} The plan was based on the government’s vision of the direction that it wanted to see tourism take in Qatar, with the head of the tourism authority at the time saying that the plan aimed to “position Qatar as a leading high-quality tourism destination.”\textsuperscript{742}

\begin{thebibliography}{9}
\bibitem{733} Economic Expert (Economic and Trade Organisations Department, Ministry of Business and Trade, Qatar) in interview with author, May 5, 2009.
\bibitem{734} The first exhibition was organised in Doha in 1993. Early events were generally consumer events, oil and gas events, and cars. These events were geared largely at the local market, rather than as a way of bringing large numbers of visitors to the country. Georges Saliba (Projects Department Manager, Qatar Expo Event Management), in interview with author on May 4, 2009.
\bibitem{736} Central Statistical Organisation, \textit{Annual Statistical Abstract, No. 4, July 1984}, tables 104 and 141.
\bibitem{738} General Secretariat, \textit{Annual Statistical Abstract, Volume 20, October 2000}, table 141.
\bibitem{740} Official at the General Secretariat for Development Planning (Qatar) in interview with author on May 3, 2009.
\bibitem{741} Hotel Online, “Qatar Tourism Masterplan includes $15bn investment....”
\bibitem{742} Hotel Online, “Qatar Tourism Masterplan includes $15bn investment....”
\end{thebibliography}
Tourism development timeline: Qatar

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>Country had 15 hotels with three classed as “luxury,” including the local Ramada</td>
</tr>
<tr>
<td>1983</td>
<td>Sheraton Hotel with conference facilities added</td>
</tr>
<tr>
<td>1993</td>
<td>Total number of hotels listed as 12, indicating a decline since 1980</td>
</tr>
<tr>
<td>1997</td>
<td>Qatar Airways re-launched, with four aircraft</td>
</tr>
<tr>
<td>1999</td>
<td>Total number of hotels increases to 19</td>
</tr>
<tr>
<td>2000</td>
<td>Qatar Tourism Authority established</td>
</tr>
<tr>
<td>2004</td>
<td>Tourism master plan launched, with $15bn in infrastructure planned to support tourism sector</td>
</tr>
<tr>
<td>2007</td>
<td>Total number of hotels reaches 43, with 7,500 luxury rooms available</td>
</tr>
<tr>
<td>2010</td>
<td>Qatar Airways fleet comprised of 84 aircraft flying to 92 destinations.</td>
</tr>
</tbody>
</table>


Tourism policy continues to develop alongside growth in numbers and infrastructure. The Qatar Tourism Authority merged in 2007 with the Qatar International Exhibitions Centre, and is now called the Qatar Tourism and Exhibitions Authority. That Authority is responsible for the formation of government policy toward the sector as well as the issuance of hotel licenses. Present policy involves a focus on the high-end of the tourism market. Business tourism is central to the country’s tourism sector, with one key

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743 Arabian Business, “Tour de force.”
element the development of the country’s meetings, exhibitions, conferences and incentives (MICE) sector. Sports tourism is another focus.

Recognising the need for additional attractions if it is to succeed in developing tourism, the government is moving to provide a range of cultural attractions. Included on this list are the recently opened Islamic art museum and the recently renovated souk. At least some hoteliers are also of the view that cultural tourism has considerable potential, suggesting that there could be a wide range of attractions. The government is also encouraging other, more traditional forms of entertainment, including Qatar Entertainment City, a mixed use development which will offer cinemas, and other entertainment for families.

The pace of infrastructure development supports the government’s emphasis on development of tourism. In 2007, the government reported that there were 43 hotels operating in Qatar, making the total number of hotels more than double the 1999 figure of 19. Qatar as a destination now has 7,500 luxury hotel rooms, but by 2012 there will be over 20,000 rooms with all the new hotels that are being built.

With adequate transportation links an important backbone service necessary for the success of the tourism industry, the government is investing heavily in air transport. The development of the country’s national carrier, Qatar Airways, has benefited the nascent tourism sector. The airline was re-launched in 1997, and at the time had just four aircraft. From that base, it has grown rapidly, and at

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746 Official number two involved in promotion of sports tourism (Qatar) in interview with author on May 3, 2009.
747 Manager at three-star hotel number one (Qatar), in interview with author on October 12, 2008.
748 Qatar News Agency, “Qatar Entertainment City to be built at QR1.5 bn.”
749 Qatar Statistics Authority, Annual Abstract 2008, table 141.
750 Ferry Lee (Corporate Marketing Manager, Qatar MICE Development Institute) in interview with author on May 3, 2009. Growth to 23,000 confirmed by Sue Hooking (Director of Sales, Qatar National Convention Centre), in interview with author on May 3, 2009. Government figures show that plans for some 115 hotels have been approved which will create 13,629 rooms. See Qatar Tourism and Exhibitions Authority, “Doha Hotels – Under Construction.”
present, Qatar Airways travels to 92 destinations with 84 aircraft in the fleet.\textsuperscript{752} The company has five A380s on order and plans to take delivery of these aircraft when the new airport is completed.\textsuperscript{753} Plans also call for a further expansion of the fleet--the airline has 200 new aircraft on order for delivery over the next decade.\textsuperscript{754} While some of these planes will replace older models, the order also represents some additions to the total number, and the fleet is expected to reach 110 aircraft by 2013.\textsuperscript{755} Qatar Airways is a joint venture between the Qatari government (50\% of shares), and private sector shareholders (50\%).\textsuperscript{756}

Qatar Airways is also the driving force behind airport expansion plans.\textsuperscript{757} At present, the country is served by the Doha International Airport. That airport has been expanded as visitor numbers have increased, including the doubling of the business class capacity there.\textsuperscript{758} But authorities recognise that expansion plans for the airline mean that even in its expanded version the existing airport will not be large enough. A new airport was first mooted in about 2000, and the design plans have emerged gradually, with the current version influenced by the Qatar Airways decision to purchase the A380.\textsuperscript{759} The new facility, with passenger capacity of 50m annually, will be able to take up to four A380s at once.\textsuperscript{760}

Other infrastructure is also under construction to support further development of the tourism sector. At present, hotels have some conference facilities to support MICE tourism, but the main facility is the Doha Exhibitions Centre, which is operated by the Qatar Tourism and Exhibitions Authority. The Authority has

\textsuperscript{752} Qatar Airways, “Qatar Airways' New Tokyo Route Sets off Large Expansion Drive in Asia.”
\textsuperscript{753} Representative of Qatar Airways in interview with author on May 4, 2009 and Qatar Airways, “The Qatar Airways Story,” 3.
\textsuperscript{754} Representative of Qatar Airways in interview with author on May 4, 2009.
\textsuperscript{755} Representative of Qatar Airways in interview with author on May 4, 2009, and Qatar Airways, “The Qatar Airways Story,” 1.
\textsuperscript{756} Qatar Airways, “The Qatar Airways Story,” 2.
\textsuperscript{757} Representative of Qatar Airways in interview with author on May 4, 2009.
\textsuperscript{758} Representative of Qatar Airways in interview with author on May 4, 2009.
\textsuperscript{759} The new airport was originally designed to be built in three phases. But that has changed as the situation has evolved. There is, for example, a monorail system now that was not in the original design. Phases one and two have been combined and are now due to be completed in 2011/2012. That combined phase will enable the airport to handle 24m passengers annually, with the Qatar Airways official expressing confidence that passenger demand would exist. Representative of Qatar Airways in interview with author on May 4, 2009.
\textsuperscript{760} Representative of Qatar Airways in interview with author on May 4, 2009; Qatar National Bank, Qatar Economic Review: December 2005, 26; and Qatar Airways, “Fact Sheet,” 1.
announced plans for a new Doha Convention Centre, and the Qatar Foundation, a non-governmental organisation launched by the ruler of Qatar and headed by his wife, is building the Qatar National Convention Centre.\footnote{Arabian Business, “Pearl of the Gulf.”\textsuperscript{761}} The latter facility will cover some 40,000 square meters and have about 50 meeting rooms.\footnote{Sue Hooking (Director of Sales, Qatar National Convention Centre), in interview with author on May 3, 2009.\textsuperscript{762}} Sports tourism is also being supported by infrastructure development. The country has developed the Academy for Sports Excellence (Aspire) which has facilities for development of athletes and hosting competitions.\footnote{Academy for Sports Excellence, \textit{There is a place for those who dare to dream}, 2 and 12.\textsuperscript{763}} Its domed sports centre has space to seat an audience of 15,000, and, of its type, it is the largest such facility in the world.\footnote{Academy for Sports Excellence, \textit{There is a place for those who dare to dream}, 10.\textsuperscript{764}} The Centre is marketed as a “must see destination for visitors to Qatar.”\footnote{Academy for Sports Excellence, \textit{There is a place for those who dare to dream}, 1.\textsuperscript{765}}

\section*{5.2 Policy goals for tourism}

What is Qatar’s motivation for developing its tourism sector? Income from hydrocarbons and their products has already made the country wealthy—International Monetary Fund figures put per capita income for 2008 at over $93,000.\footnote{International Monetary Fund, \textit{World Economic Outlook Database}, table on per capita GDP (current prices) quoted in US$.\textsuperscript{766}} By this measure, only Luxembourg and Norway are wealthier.\footnote{International Monetary Fund. \textit{World Economic Outlook Database}, table on per capita GDP (current prices) quoted in US$.\textsuperscript{767}} Indeed, other oil exporting Gulf countries fall significantly behind Qatar, with the Fund estimating Saudi per capita income the lowest at just under $19,000 for the same year, with Oman only slightly higher at about $21,600.\footnote{International Monetary Fund. \textit{World Economic Outlook Database}, table on per capita GDP (current prices) quoted in US$. The Fund figures also showed that per capita income levels for other members of the Gulf Co-operation Council—Kuwait (about $46,000), the UAE (about $55,000) and Bahrain (about $27,000)—fell below the level recorded for Qatar.\textsuperscript{768}} In this context of relative wealth, the development of tourism is spurred less by economic necessity than in many other places.\footnote{This view was echoed by some of the author’s interlocutors, including the manager at five-star hotel number three (Qatar), in interview with author on October 14, 2008. He compared Qatar’s situation with that of Dubai, where oil resources are running out, and the emirate has no option but to move ahead with development of tourism.\textsuperscript{769}} The wealth of the state also
means that the taxes that could potentially be raised through tourism are not a motivating factor.\textsuperscript{770}

Likewise, concerns about job creation do not appear to be driving the development of tourism in Qatar, and the industry does not appear to be an important source of jobs for nationals. There are no quotas or requirements for the employment of Qataris, and most hoteliers and travel agencies report that few Qataris hold positions within their companies.\textsuperscript{771} Qatar Airways also reports few local staff, and Qataris do not generally work in the events/conferences sector.\textsuperscript{772}

But while the sector may not be the most important to the local economy, Qatari officials are clear that they want to see it develop and they want to control its direction. While the Qatari situation may differ from that of many small states seeking to develop tourism, the desire to control the direction of development is arguably reasonably common for states, and the Qatari tourism example thus has wider application. The head of the Qatar Tourism and Exhibition Authority says that Qatar wants to develop tourism in its own way and with its own vision.\textsuperscript{773} Qatar’s strategy involves marketing to the upper end of the market, targeting particular niches.\textsuperscript{774} This strategy aims at furthering Qatar’s goals of name recognition and diversification and economic development while reducing the potentially deleterious impact of tourism on the country’s culture.

\textsuperscript{770} The literature lists tax revenue is one of several reasons for why countries commonly develop tourism. See Appendix one, Tourism.

\textsuperscript{771} The lack of Qataris working in the sector was noted by most managers interviewed. The manager at one five-star hotel indicated that he had only about a dozen Qataris working on a staff of more than 400 (manager of five-star hotel number one (Qatar) in interview with author on October 12, 2008). At another hotel, the manager reported that no Qataris worked at the establishment (manager at two-star hotel number one (Qatar) in interview with author on October 11, 2008). At a third hotel, the only Qatari was a manager (manager at three-star hotel number one (Qatar) in interview with author October 12, 2008). Travel agents also reported a low level of employment of Qatar nationals. Representative of large travel agency number one (Qatar) in discussion with author on October 11, 2008.

\textsuperscript{772} Representative of Qatar Airways in interview with author on May 4, 2009; and Georges Saliba (Projects Department Manager, Qatar Expo Event Management), in interview with author on May 4, 2009.

\textsuperscript{773} HE Ahmed Abdullah al-Nuaimi (Chairman, Qatar Tourism and Exhibitions Authority) in interview with author on May 4, 2009.

\textsuperscript{774} Manager at four-star hotel number one (Qatar) in interview with author on October 12, 2008.
5.2.1 Goals: Name recognition

Qatar’s efforts to develop tourism are motivated in part by an interest in furthering the name recognition of the country. Private sector representatives acknowledge that the desire for name recognition is an important factor in Qatar’s pursuit of tourism. One manager suggested that Qatar wanted to attract the attention of the world,\(^{775}\) while another indicated that Qatars were quite happy to invest in order to attract tourists and make their country better known.\(^{776}\) Similarly, a Qatar Airways official said that name recognition was “definitely” one of the forces behind the decision to move ahead with tourism. He told what might have been an apocryphal story about the Emir who, as a young man travelling abroad, had found it frustrating that no one had heard of Qatar. He opined that such an experience would certainly have an impact on strategic thinking for a leader.\(^{777}\)

The opinions of private sector representatives are verified by government officials. The head of the Qatar Tourism and Exhibitions Authority confirmed that name recognition is an important outcome for tourism and was upbeat about the prospects for success.\(^{778}\) Other government representatives also acknowledge that name recognition is an important motivating factor for the development of tourism. An official from the General Secretariat for Development Planning indicated that the interest in name recognition had pushed the government to develop a range of tourism opportunities.\(^{779}\) He included on this list cultural, recreational, educational and what he termed “political” tourism.\(^{780}\)

\(^{775}\) Manager at five-star hotel number one (Qatar) in interview with author on October 12, 2008.
\(^{776}\) Manager at four-star hotel number two (Qatar) in interview with author on October 14, 2008.
\(^{777}\) Representative of Qatar Airways in interview with author on May 4, 2009.
\(^{778}\) HE Ahmed Abdullah al-Nuaimi (Chairman, Qatar Tourism and Exhibitions Authority), in interview with author on May 4, 2009.
\(^{779}\) Official at the General Secretariat for Development Planning (Qatar) in interview with author on May 3, 2009.
\(^{780}\) Official at the General Secretariat for Development Planning (Qatar) in interview with author on May 3, 2009.
Like other aspects of Qatar’s tourism, “political” tourism appears to be motivated by a desire to be both better known and acknowledged as an increasingly important centre. As in other aspects of tourism, Qatar seems to be trying to carve out a particular niche for itself. The official at the General Secretariat indicated that by “political” tourism he meant events through which the government was seeking strong ties with international organisations and other civil society organisations.  

He added that, for events which have a “political” tourism angle, the government frequently pays all costs.

The head of the QTEA also acknowledged the role of the tourism sector in advancing Qatar’s political agenda. He suggested that Qatar is looking at areas like UN conferences to ensure that people know what Qatar is about, indicating that Qatar is using these conferences as a foreign policy tool. As another interlocutor termed it, Qatar wants to become the “new Geneva.” These views are confirmed by policy statements made in the country’s development framework, Qatar National Vision 2030. That document suggests that a greater role on the international stage is part of the country’s policy agenda. It indicates that Qatar is seeking to expand its cultural ties with other Arab states and other nations more generally and is also hoping to play “an increased regional role economically, politically and culturally....”

This latter type of tourism in particular makes clear that Qatar’s ambitions with name recognition go beyond simple recall. The country is also interested in building an image for itself, as an important player within the international community. MICE tourism will bring businessmen and private sector decision-makers, and the “political” tourism will bring policy-makers. For Qatar, then, the goal is not just publicity and recognition, but the sort of branding or image which brings international respect, recognition and perhaps increased political influence. This desire may stem from a variety of perceived needs—Qatari

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782 Official at the General Secretariat for Development Planning (Qatar) in interview with author on May 3, 2009.
783 HE Ahmed Abdullah al-Nuaimi (Chairman, Qatar Tourism and Exhibitions Authority), in interview with author on May 4, 2009.
784 Denis Sorin (Chief Operating Officer, Qatar National Hotels Company) in interview with author May 4, 2009.
policymakers may be motivated by the desire to differentiate themselves from Saudi Arabia, which has considerably more international name recognition. Name recognition can be used for redevelopment of images, and the same tools should be viable for differentiating states where regional distinctions have blurred.\textsuperscript{786} Qatar may also believe that greater name recognition provides a layer of security—if it has problems with neighbours, other states might be more willing to intervene.\textsuperscript{787}

5.2.2 Goals: Diversification and economic development

Qatar has the third largest natural gas reserves in the world, and at current rates of usage, those reserves are expected to last for at least 100 years.\textsuperscript{788} The country is also an oil exporter, producing nearly 1.4m barrels/day of crude in 2008.\textsuperscript{789} This level of output made it the world’s 20\textsuperscript{th} largest producer in 2008.\textsuperscript{790} At that rate of output, reserves are expected to last for more than 50 years.\textsuperscript{791}

With few other natural resources, Qatar is highly dependent on these hydrocarbons. The International Monetary Fund estimates that the oil and gas sector accounted directly for 57\% of the country’s GDP in 2007, and some 60\% of government revenue for the 2007/08 fiscal year was generated by the oil and gas sector.\textsuperscript{792}

The level of dependence is high, and, as discussed above, these resources have made the country wealthy both in regional and global terms. The country’s wealth means that it has no immediate need to increase tax revenue through tourism. But while Qatar’s economic situation is significantly better than that of

\textsuperscript{786} See Appendix one, Tourism. Shaw and Williams, Critical Issues in Tourism, 14.
\textsuperscript{787} See Peterson, “Qatar and the World,” 735 and 745-48. Peterson suggests that Qatar’s efforts at name recognition, or “branding” as he characterises it, may result in part from its interests in ensuring its survival within the context of a reasonably tough regional neighbourhood.
\textsuperscript{788} BP, BP Statistical Review of World Energy, 22.
\textsuperscript{789} BP, BP Statistical Review of World Energy, 8.
\textsuperscript{790} BP, BP Statistical Review of World Energy, 8.
\textsuperscript{791} BP, BP Statistical Review of World Energy, 6.
\textsuperscript{792} International Monetary Fund, “Qatar: Statistical Appendix,” 4 and 10.
many of its neighbours, the leadership of the country is nonetheless, like that of many other states⁷⁹³, interested in diversifying the economy.

The Qatar National Vision 2030 indicates that diversification is one of the country’s long-term aims. Under the heading “suitable economic diversification,” it states that Qatar is seeking to develop “a diversified economy that gradually reduces its dependence on hydrocarbon industries, enhances the role of the private sector and maintains its competitiveness.”⁷⁹⁴ The National Vision does not mention tourism or other industries specifically, but does suggest that services more generally will be targeted for development.⁷⁹⁵ Moreover, government policymakers suggest that tourism is an area which has been targeted as having considerable potential within the services sector.⁷⁹⁶ Qatar is also pursuing financial services, but with a small population and relatively few natural resources beyond oil and gas, its diversification options are limited.

Within the context of economic development, the more general notion that the government is interested in private sector development is also suggested in Qatar National Vision 2030. There, policymakers indicate that for the country, “(t)he first challenge is to enable the private sector to play an essential role in achieving sustainable development.”⁷⁹⁷ Expanding the role of the Qatari private sector is not a goal that is emphasised for tourism sector development, but appears occasionally. The governor of the central bank pointed out that the efforts to develop sports events and energy-related events were part of a plan to prepare the “foundation for significant private sector investments in the tourism industry.”⁷⁹⁸ As with diversification, however, the lack of short-term or even longer-term necessity means that an expansion of the private sector is not an urgent issue for policymakers. Such investment, in any case, might benefit the immediate Qatari investors, but the lack of interest by Qataris in

⁷⁹³ See Appendix one, Tourism. The literature lists diversification as one of several reasons for states to develop their tourism industries.
⁷⁹⁴ General Secretariat for Planning, Qatar National Vision 2030, 29.
⁷⁹⁵ General Secretariat for Planning, Qatar National Vision 2030, 24 and 29.
⁷⁹⁶ General Secretariat for Planning, Qatar National Vision 2030, 29 and official at the General Secretariat for Development Planning (Qatar) in interview with author on May 3, 2009.
⁷⁹⁷ General Secretariat for Development Planning, Qatar National Vision 2030, 24.
⁷⁹⁸ Qatar Central Bank, “Discussion points for an interview with H.E. Sheikh Abdullah Bin Saud Governor of the Qatar Central Bank.”
employment in the tourism sector suggests that the returns to the local economy would be more limited than they might be in other countries.

5.2.3 Goals: Manage possible downsides of tourism development

Beyond these two objectives for the development of tourism, the government aims to retain control over the direction of the sector. The interest in controlling the sector reflects in part government interest in ensuring that the sector achieves the goals of diversification and name recognition. But efforts to retain control over the direction of the sector also reflect a desire to avoid negative consequences sometimes associated with the tourism sector. The experience of Qatar may provide insights into the policy space available for such state action for other small states engaged in a similar balancing act.  

For Qatar, development of tourism must take place within the context of a relatively conservative local society. Qatari nationals are adherents to the conservative sect of Islam colloquially known as Wahhabism, which originated in Saudi Arabia. Qatari women wear abayas along with head scarves in public and some cover their faces as well. Unlike Saudi Arabia, however, the dress code does not extend to female foreign nationals who are merely encouraged to dress in a modest fashion. Likewise, alcohol is legally available in Qatar, although Wahhabist Islam forbids its consumption.

While attitudes may be lenient in comparison to other places within the Gulf, conservative social mores still set the parameters within which Qatari authorities must operate. Cultural norms put limits on the shape that the tourism industry is taking. A wholesale disregard for Qatari culture and traditions by those

799 See literature review. A number of scholars—including Hoad, Jules, and George and Salgoenkar—argue that GATS leaves little ability to avoid detrimental aspects of tourism development. See Hoad, "The General Agreement on Trade in Services," 221; George and Salgoenkar, "Tourism in the Context of GATS," 297; and Jules, Sustainable Tourism in St. Lucia: A Sustainability Assessment of Trade and Liberalisation in Tourism services, 27 and see also 15.

800 Manager at three-star hotel number one (Qatar) in interview with author on October 12, 2008. Also, Sue Hooking (Director of Sales, Qatar National Convention Centre), in interview with author on May 3, 2009. In addition, Georges Saliba (Projects Department Manager, Qatar Expo Event Management), in interview with author on May 4, 2009, argued that freedom in Doha had to be combined with respect and sometimes people needed to be reminded of this basic tenet.
marketing the tourism sector would not be acceptable to either the authorities or the local population.\textsuperscript{801}

The importance of these norms in guiding policy is set out in the “Qatar National Vision 2030.” Planners state that “(t)he National Vision defines broad future trends and reflects the aspirations, objectives and culture of the Qatari people.”\textsuperscript{802} Qatar National Vision 2030 also suggested that development of the economy must be within the context of “preservation of traditions” and avoiding “uncontrolled expansion.”\textsuperscript{803}

The concern about creating a balance between the desire for tourism and the desire to avoid some of its less palatable side effects appears to have been encouraged by Qatar’s vantage point over Dubai’s tourism development. Qatar seems to have concluded that Dubai is “too open compared to the culture” of the region, and fear that if Qatar goes too far too fast there might be a “backlash.”\textsuperscript{804} The concern is that Dubai has been far too open to foreign culture through both tourism and its expatriate population. The emirate has consequently lost a considerable amount of its own identity and culture. The situation there is not viewed favourably in Qatar, and the idea of avoiding its replication is a constant theme.

Government officials are aware of the balancing act that tourism development demands. The head of the Qatar Tourism and Exhibitions Authority acknowledged that the need for further education of the population to encourage support of tourism remained. The population was wary of the sector, and he argued that the idea of hotels and tourism business was new to the country, meaning that it was still difficult for many Qataris to get used to the idea

\textsuperscript{801} Representative of large travel agency number one (Qatar) in interview with author on October 11, 2008. His assessment was that Qataris generally wanted tourism, but they wanted it coupled with respect for their culture and traditions. He said that this attitude governed some of the marketing that could go ahead, along with visa policy.

\textsuperscript{802} General Secretariat for Development Planning, \textit{Qatar National Vision 2030}, 2.

\textsuperscript{803} General Secretariat for Development Planning, \textit{Qatar National Vision 2030}, 3.

\textsuperscript{804} Manager at five-star hotel number one (Qatar) in interview with author on October 12, 2008. Other hoteliers put it more succinctly—they said that Doha did not want to become Dubai. Manager at five-star hotel number two (Qatar) in interview with author on October 13, 2008 and manager at three-star hotel number one (Qatar) in interview with author on October 12, 2008.
of hotels and hotel business.\textsuperscript{805} As elsewhere in the Gulf, hotels are viewed by some sectors of society with suspicion. Although frequently without foundation, concerns focus on issues like prostitution, with hotels seen as a focal point for vice. Conservative members of society also condemn the service of alcohol at hotels.

As elsewhere, these cultural concerns pose challenges for governments interested in developing their tourism sectors, and scholars suggest that the social impact—ranging from changing behaviour patterns to crime—can be substantial.\textsuperscript{806} The Qatari government appears to want to manage these issues, but within the context of a growing tourism sector. They are conscious that the tourism sector offers the opportunity to achieve other policy goals—in this case, name recognition, diversification and economic development. The interest in achieving these latter goals, while avoiding too much cultural damage, is a challenge that would exist whether or not Qatar had joined the WTO. But further exploration is necessary to see whether the country’s commitments to the GATS have limited its ability to address this challenge.

5.3 Qatar and GATS negotiations

Qatar joined the WTO in 1996. At that time, development of tourism was not a policy priority for the government.\textsuperscript{807} Officials working for the Qatari government suggest that the government did not focus on the type of agreement that it was reaching for the sector;\textsuperscript{808} instead, the agreement largely reflects the rules and practices that existed in Qatar at the time of the negotiations.\textsuperscript{809} Indeed, in at

\textsuperscript{805} HE Ahmed Abdullah al-Nuaimi (Chairman, Qatar Tourism and Exhibitions Authority), in interview with author on May 4, 2009.

\textsuperscript{806} See Appendix one, Tourism for discussion of various social impacts of tourism. See in particular C. Michael Hall and Alan A. Lew, \textit{Understanding and Managing Tourism Impacts}, 177, and Shaw and Williams, \textit{Critical Issues in Tourism}, 97 and 102.

\textsuperscript{807} Mansour al-Haidar (Head of WTO Affairs, Ministry of Business and Trade), in interview with author on November 9, 2009, and Economic Expert (Economic and Trade Organisations Department, Ministry of Business and Trade, Qatar), in interview with author on May 5, 2009.

\textsuperscript{808} This situation suggests that Michalopoulos has a point—many (small) states do not have the resources to devote to all the areas under negotiation with the WTO. See chapter 1, Literature review, How do small states fare in WTO negotiations?. In this case, Qatar reached an agreement on access to tourism services apparently with very little research on or understanding of the potential future implications.

\textsuperscript{809} Mansour al-Haidar (Head of WTO Affairs, Ministry of Business and Trade), in interview with author on November 9, 2009.
least some instances, the Qatari accord saw the country’s commitments bound at levels of liberalisation that were lower than in fact existed at the time.\textsuperscript{810}

In this, Qatar had an advantage over other later entrants to the WTO, as it avoided pressures to change its policies significantly in exchange for membership. One official called Qatar’s accession to the WTO “very easy,” saying that the timing of accession meant that the country “didn’t have to give a lot of commitments.”\textsuperscript{811} Qatar’s experience thus mirrors that of many countries that joined at or soon after formation of the organisation, as Grynberg, Dugal and Razzaque point out.\textsuperscript{812} The official went on to acknowledge the country’s good fortune, contrasting its experience with Saudi Arabia, which joined much later and was obliged to make substantial concessions in return for membership.\textsuperscript{813}

In part, the lack of pressure on Qatar reflected the lack of understanding of the GATS in many quarters. Within the developed world, the financial services industry saw GATS as an opportunity to press for the opening of markets, but other service industries were not organised and did not seek to obtain concessions from early members of the organisation in order to enhance their access to new markets.\textsuperscript{814} Indeed, services negotiations with Qatar focussed largely on financial services, which reflected in part the interest of Western financial institutions in the GATS process.\textsuperscript{815} There was little interest in other services industries by Qatar’s negotiating counterparts.\textsuperscript{816}

\textsuperscript{810} Dr. Fadi Makki (Principal Booz and Company) in interviews and email with author November 24-26, 2009.
\textsuperscript{811} Mansour al-Haidar (Head of WTO Affairs, Ministry of Business and Trade), in interview with author on November 9, 2009.
\textsuperscript{812} See Literature Review, chapter 1, How do small states fare in WTO negotiations?. See also Grynberg, Dugal and Razzaque, \textit{An Evaluation of the Terms of Accession to the World Trade Organisation}, 7-11.
\textsuperscript{813} Mansour al-Haidar (Head of WTO Affairs, Ministry of Business and Trade), in interview with author on November 9, 2009.
\textsuperscript{814} Dr. Fadi Makki (Principal Booz and Company) in interviews and email with author November 24-26, 2009.
\textsuperscript{815} Dr. Fadi Makki (Principal Booz and Company) in interviews and email with author November 24-26, 2009.
\textsuperscript{816} Dr. Fadi Makki (Principal Booz and Company) in interviews and email with author November 24-26, 2009.
This lack of external interest reflected the situation in Qatar. The tourism industry there was virtually non-existent at the time that Qatar joined the WTO, and there was consequently no real outside interest in obtaining commitments for access to the industry. Indeed, in the mid-1990s, under the previous emir, the country “looked like Saudi Arabia,” with little openness and little in the way of progressive attitudes toward culture.  

Outside interest in developing the tourism industry was, in the circumstances, limited. At the same time, because of Qatar’s own internal economic focus, policy space in tourism does not appeared to have been an important issue for Qatari negotiators, nor do they appear to have asked about how tourism might develop in future within the context of the rules that were being agreed. Indeed, the only services industry that appears to have been singled out by the Qataris for infant industry protection was telecoms. The resulting rules for tourism were thus less about strategy and more about existing circumstances and overall negotiating dynamics. Although Qatari negotiators did not seek to ring-fence particular areas within tourism for local development, the tourism sector was not a focus of the country’s negotiating counterparts and thus demands for concessions were limited.

Coupled with a lack of government focus on the tourism sector was a lack of local business understanding of the potential implications of the GATS agreement. Local businesspeople involved in tourism did not seek government assurances that particular areas be ring-fenced for local business. There was

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817 Dr. Fadi Makki (Principal Booz and Company) in interviews and email with author November 24-26, 2009.

818 Putnam suggests that domestic politics and so domestic priorities feed into foreign economic policy priorities. See chapter 1, Literature review, How do small states fare in WTO negotiations?, and Putnam, “Diplomacy and Domestic Politics,” 432. The lack of interest in tourism appears to have led to little attention being paid to the sector during negotiations. In this instance, then, the complexity of a two-level game associated with trying to appease a local constituency while seeking to reach an international accord was avoided for this particular issue at that time. But the increased interest in tourism appears to have encouraged greater Qatari government interest in negotiating outcomes for this sector—see Outlook for future WTO concessions later in this chapter. While beyond the scope of this paper, the contrasting approaches to tourism and the consequent increased complexity of negotiating positions might provide an increasing case study of the two-level game over time. For two-level game discussion, see Putnam, “Diplomacy and Domestic Politics.”

819 Dr. Fadi Makki (Principal Booz and Company) in interviews and email with author November 24-26, 2009.

820 Dr. Fadi Makki (Principal Booz and Company) in interviews and email with author November 24-26, 2009.
generally little appreciation of the potential impact of the accords or of the possibilities for lobbying and the pressure that service providers in developed countries were putting on their own governments to ensure access to other markets.\textsuperscript{821}

This situation means that the country’s more recent interest in tourism must be pursued in the context of rules which were not negotiated with the policy goal of tourism development in mind. Against that difficulty is, however, set the relative ease with which Qatar joined the WTO and the lack of concessions demanded of the country in return for membership.

The lack of pressure on Qatar to make extensive commitments made the policy decision to join the organisation easier. Qatar had been a member of GATT, and as a result the country saw the costs of joining the WTO as relatively low.\textsuperscript{822} That assessment appears to have been largely correct—most of the country’s bound commitments to the GATS were at levels lower than actual practice in the country.\textsuperscript{823} Moreover, membership has given it the opportunity to use the WTO to pursue its trade policy agenda. Specifically, Qatar has worked to encourage the liberalisation of trade in natural gas power systems as green products, a move that potentially benefits its own natural gas industry.\textsuperscript{824} Speaking at their Trade Policy Review in 2005, Qatari officials argued that natural gas and products derived from natural gas should be included on a list of “environmental goods.”\textsuperscript{825} Qatar argued that natural gas was relatively environmentally friendly, and suggested that “elimination of tariffs for efficient lower carbon fuels and technologies would help to attain higher energy efficiency and improved air quality.”\textsuperscript{826}

\textsuperscript{821}Dr. Fadi Makki (Principal Booz and Company) in interviews and email with author November 24-26, 2009.
\textsuperscript{822}Dr. Fadi Makki (Principal Booz and Company) in interviews and email with author November 24-26, 2009.
\textsuperscript{823}Dr. Fadi Makki (Principal Booz and Company) in interviews and email with author November 24-26, 2009.
\textsuperscript{826}WTO, “Trade Policy Review Qatar: Minutes of Meeting,” 5.
5.4 How successful has Qatar been?

Qatar’s early accession to the WTO meant that its agreement was largely a standstill arrangement and it did not come under the sort of pressure that later entrants have seen to modify laws and offer improved access to foreign investors. But the lack of interest in the tourism sector at the time that the country negotiated its accession leaves questions about whether policy space for development of tourism is adequate given the more recent interest in developing the sector. The lessons here about the need for forward-thinking policy may have relevance for other small states seeking to join the WTO.

The question of success in development of tourism must be examined within the context of the goals that the country’s policymakers have set for the sector. How successful has Qatar been in achieving these goals? Has it managed to raise international awareness of itself? Has the economic importance of tourism increased? What success has there been in managing the potential downside cultural risks of tourism development? The answers to these overarching questions provide insight into whether the Qataris have retained the policy space necessary to develop their tourism sector in line with their own policy goals. To look at the question of success or failure, several other questions can be asked.

- On name recognition, is there anecdotal evidence which suggests that tourism has raised awareness of Qatar? What are the views of those within the tourism industry—has marketing succeeded in increasing the number of people who recognise where and what Qatar is? Have the country’s efforts at political tourism increased its profile within and beyond the region? Does the government have tools necessary to develop the sector in a way which might help it achieve the sort of name recognition that it wants? Have the country’s GATS commitments affected their ability to use these tools?
On diversification, is there statistical evidence that indicates that tourism is increasing its role in the Qatari economy? Is its contribution to GDP increasing? Are visitor numbers increasing? Have hotels seen improvements in occupancy levels and/or room rates? Are businesspeople positive about the role that the sector is playing within the local economy? Are there more opportunities for investment in tourism for the local private as well as the public sector? What impact have the country’s GATS commitments had on the country’s ability to grow the tourism sector? Have these commitments impacted the role that the Qatari private sector is playing in tourism sector development?

On the impact of tourism on local society, is concern expressed about the role that tourism is playing in society? Or are people reasonably content with the direction that the tourism industry is taking? Does the government have tools that enable it to minimise the impact where tourism development might be detrimental? Has GATS affected its ability to influence the direction of the sector? Who sets the goals for the direction of the sector?

5.5 Pursuing local policy goals: name recognition

Qatar’s efforts to increase name recognition for the country through the development of the tourism sector appear to have achieved some success. Concrete means of measurement are not available, but those involved in the local tourism industry indicate that the level of name recognition has increased. From a broad perspective, the head of the Qatar Tourism and Exhibitions Authority argued that tourism is putting Qatar on the world map. In his view, the country has already created a name greater than its size and it is pushing to maintain that success. Beyond this overarching view of the sector, there is positive feedback from businesspeople involved in the various niches that Qatar is targeting.

827 HE Ahmed Abdullah al-Nuaimi (Chairman, Qatar Tourism and Exhibitions Authority) in interview with author on May 4, 2009.
828 For example, one hotelier said that he had received enquiries from leisure tourists from a range of countries, including Canada, Brazil, the US, Taiwan and Japan. He argued that the interest is not just regional, or even European. Manager at four-star hotel number two (Qatar) in interview with author on October 14, 2008.
Visitor numbers are up significantly—the total number in 2007 was nearly 1m, up from about 376,000 in 2001. The total, as measured by the number of hotel occupants, had not reached above the half million mark during the 1980s and 1990s. This level was first recorded in 2002, as Arab visitors increased by about 80,000 and non-Arab visitors nearly doubled.
# Hotel Occupancy by Nationality in Qatar

<table>
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<tr>
<th>Year</th>
<th>Arab</th>
<th>Arab % of total</th>
<th>Non-Arab</th>
<th>Non-Arab % of total</th>
<th>Total Occupants</th>
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<td>73</td>
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Likewise, the mix of visitors has also shifted over the last several years. Government figures indicate that between 2001-2003 the number of Arab visitors staying in hotels outnumbered the number of visitors of other nationalities. By 2004, however, there was a shift, with other nationalities outnumbering Arab visitors.\textsuperscript{829} The trend has continued, with non-Arab visitors accounted for 63% of total visitors in 2007. The combination of significantly increased numbers and the shift in the nationality mix suggest that efforts at both name recognition and image branding are working.

Qatar’s efforts to publicise its tourism sector and its choice of niches to target provide the country with platforms to increase name recognition. The meetings, incentives, conferences and exhibitions tourism which is a focal point of its overall tourism programme aims to attract businesspeople and policymakers from the international community. Likewise, its sports tourism programme reaches a different, but global, audience. Qatar is also actively developing its national airline into one with global reach, providing it with a further platform to increase name recognition of the country.

5.5.1 MICE tourism and name recognition

The country’s pursuit of meetings, incentives, conferences and events (MICE) tourism is one of the ways that Qatar appears to be achieving further name recognition. Businesspeople involved in the local tourism sector indicate that Qatar’s name recognition has improved since the country started to promote actively the MICE sector.\textsuperscript{830} Government officials also support the notion that name recognition is increasing. One official asserted that, over the last three years, Qatar’s international profile has increased considerably, and the country has become better known to the rest of the world. He indicated that the increase resulted at least in part from the number of conferences held in the country.\textsuperscript{831}

Beyond these general impressions, there are indicators that the sector is generating interest in Doha. The government reports that some 120

\textsuperscript{829} Prior to 2001, this pattern existed, although the totals were significantly less.
\textsuperscript{830} Georges Saliba (Projects Department Manager, Qatar Expo Event Management), in interview with author on May 4, 2009.
\textsuperscript{831} Official at the General Secretariat for Development Planning (Qatar) in interview with author on May 3, 2009.
international conferences and exhibitions were held in Qatar in 2008.\textsuperscript{832} The chief operating officer for Qatar National Hotels Company echoed the view that Doha’s MICE sector is increasingly recognised internationally, suggesting Doha is now taking business away from Sharm el-Sheikh in Egypt.\textsuperscript{833} Others point out high profile events that have decided to use Doha as their venue. Included on this list is the Forbes CEO Middle East Forum, held in 2007, which marked the first time that Forbes had held a conference in the Middle East.\textsuperscript{834} Future prominent events scheduled for Doha include the 2011 World Petroleum Congress, which will meet at the Qatar National Convention Centre.\textsuperscript{835} Such events help improve knowledge of Qatar with decision-makers across a range of industries.

Within the MICE sector, feedback from those involved in the industry is also positive. The marketing manager at Qatar MICE Development Institute indicated that Qatar is actively pursuing development of the sector, and in response to that effort, interest in Qatar is growing. She noted that in QMDI first 18 months of operation interest in Qatar had increased considerably.\textsuperscript{836} Qatar National Convention Centre similarly reports substantial interest in Doha, indicating that it was pursuing dozens of possible customers.\textsuperscript{837} Part of the issue for Qatar has been lack of understanding of the region, and QNCC reports that it has been able to overcome some of the concerns that potential customers have expressed and increase understanding of Qatar.\textsuperscript{838} This educational function which has become part of the promotion of MICE furthers the image building process for Qatar. Where Qatar might not have been considered an appropriate venue by agencies in the past, these efforts aim at achieving an understanding of the differences within the region and of what

\textsuperscript{832} Qatar Tourism and Exhibition Authority, “UNWTO summit to be held in Qatar.”
\textsuperscript{833} Denis Sorin (Chief Operating Officer, Qatar National Hotels Company) in interview with author May 4, 2009.
\textsuperscript{834} Georges Saliba (Projects Department Manager, Qatar Expo Event Management), in interview with author on May 4, 2009. For details of the event, see “Qatar to Host Inaugural Forbes CEO Forum in Middle East.”
\textsuperscript{835} Sue Hooking (Director of Sales, Qatar National Convention Centre), in interview with author on May 3, 2009.
\textsuperscript{836} Ferry Lee (Corporate Marketing Manager, Qatar MICE Development Institute) in interview with author on May 3, 2009.
\textsuperscript{837} Sue Hooking (Director of Sales, Qatar National Convention Centre), in interview with author on May 3, 2009.
\textsuperscript{838} Sue Hooking (Director of Sales, Qatar National Convention Centre), in interview with author on May 3, 2009.
Qatar itself has to offer. Whether or not a conference materialises in the short-term, Qatar’s image and name recognition have benefited.

The MICE sector also appears to be contributing to efforts to raise the country’s international political profile. As a major step toward international name recognition, Qatar hosted the World Trade Organisation’s Doha Development Round in 2001. Among the other events that Qatar has hosted are the annual Democracy, Development and Free Trade Forums, for which the government invites hundreds of international representations, and meets all the costs. Likewise, the government has shown willingness to pick up the costs for conferences like a recent UN World Tourism Organisation meeting held in Qatar in 2009. In addition, the government hosted and funded the UN Ozone meeting in late 2008. The Qatar Foundation, which was founded by the Emir in 1995 as a non-profit organisation, is also active in this sector, and co-organised a conference on Knowledge Parks in 2008 with UNESCO.

The country’s ability to attract the number and range of conferences that it has hosted suggests that it is achieving its ambition of becoming better known within multilateral organisations. There is, of course, an element of cheque-book diplomacy involved in this exercise, and Qatar can afford to spend to raise (and possibly improve) its profile. The government’s willingness to meet expenses for these international meetings makes it an attractive venue for conference organisers who undoubtedly face budgetary pressures. Whether it would attract these events without the financial support that it currently offers is open to question. But its willingness to use its financial resources to attract these conferences indicates the seriousness with which it views an enhanced role in and recognition by these organisations. “Multilateral” tourism is an interesting...

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839 Ironically, the longer the “Doha” Round is in the news, the stronger the name recognition for the country. Perhaps, however, if the talks fail, there might be some backlash to the concept of “Doha.”
841 Ferry Lee (Corporate Marketing Manager, Qatar MICE Development Institute) in interview with author on May 3, 2009.
842 Ferry Lee (Corporate Marketing Manager, Qatar MICE Development Institute) in interview with author on May 3, 2009.
843 Middle East News Wire, “Qatar Foundation and ictQatar and UNESCO co-organise international conference on Knowledge Parks.”
niche, and one that only a few cities (New York, Geneva, the Hague) have been able to develop.

Indeed, government interest in further development of MICE tourism is seen in its active financial support for a range of events. Interlocutors report that government-sponsored conferences make up a large proportion of the events held in Qatar, with the government providing funds to help with the staging. They also note that, at different times of the year, these events tend to provide a large proportion of the guests at local hotels. Likewise, the Qatar Foundation has offered to meet the needs of World Petroleum Congress as it has decided to hold its 2011 meetings in Doha. In response to that organisation’s space issues and Qatar’s own desire to win the competition to host that event, plans for the Qatar National Convention Centre were modified and expanded in order to accommodate the large-scale event. But Qatar appears to be careful about the types of organisations it supports—for example, during the Doha Round, security was tight to ensure the sorts of NGO activists who protested at the Seattle WTO talks in 1999 were not able to disrupt the Doha discussions, and NGOs with agendas not compatible with the Qatari view are unlikely to be welcomed there for state-supported conferences.

That caveat aside, the success thus far is accompanied by optimism that Qatar’s reputation within the MICE sector will continue to grow. New infrastructure to support an expansion of the business is under construction (see Development of Tourism above). The sector has, according to one marketing manager, the potential to create “quite an impact” in terms of the

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844 Manager at five-star hotel number three (Qatar) in interview with author, October 14, 2008, and confirmed by official at the General Secretariat for Development Planning (Qatar) in interview with author on May 3, 2009. The government is, however, somewhat selective in what it supports. One interlocutor noted that whether a conference gets support depends on the sector, noting the government is quite interested in health and science/technology issues right now (Ferry Lee (Corporate Marketing Manager, Qatar MICE Development Institute) in interview with author on May 3, 2009). In contrast, one commercial event organiser indicated that conventions his company organises do not generally get government support (Georges Saliba (Projects Department Manager, Qatar Expo Event Management), in interview with author on May 4, 2009).

845 Manager at five-star hotel number three (Qatar) in interview with author, October 14, 2008. Others also make the point that the promotion of the conferences sector helps the development of the country’s flag carrier, Qatar Airways (manager at five-star hotel number three (Qatar) in interview with author on October 14, 2008).

846 Sue Hooking (Director of Sales, Qatar National Convention Centre), in interview with author on May 3, 2009.
number of people who come to the country. Other managers are also convinced that the MICE sector, with its large numbers of visitors, will continue to grow. One manager indicated that the new convention centre would make Qatar a more attractive destination for travellers, while also providing additional exposure for the country. The potential growth in numbers and exposure will further enhance Qatar’s international name recognition, helping the country to achieve its tourism policy goals. Success depends, however, on continual development of facilities, attractions and publicity. The MICE market is crowded—Doha competes with major European cities like London as well as US and Australian population centres. Regional competitors—like Sharm el-Sheikh and Dubai—also pose challenges to Qatar. The real test of the commercial success of this sector (as opposed to increased name recognition) will come as the level of financial support of major events declines.

5.5.2 Sports tourism and name recognition

In addition to MICE, the Qatari government has targeted sports tourism as another area where the country has the potential to become an important actor. As discussed above (see Development of tourism), Qatar has invested substantial sums of money into its sports industry, with the aim of bringing top athletic events, athletes and spectators to the country. Such events are part of the country’s strategy to build name recognition. The importance of sports to the tourism sector is reflected in official attitudes--one official characterised the country’s sports programme as a “foundation” of Qatar's tourism efforts. Sport is increasingly a lynchpin for the development of tourism, focusing not just on large-scale international events like the Olympics, but also on less famous or smaller scale events.

Government efforts take at least three forms. First, the country hosts a range of annual events. Included on this list are international competitions such as the

847 Ferry Lee (Corporate Marketing Manager, Qatar MICE Development Institute) in interview with author on May 3, 2009.
848 Manager at five-star hotel number one (Qatar) in interview with author on October 12, 2008.
849 Official number two involved in promotion of sports tourism (Qatar) in interview with author on May 3, 2009.
ExxonMobil Open, which is part of the ATP World Tour. The country’s golf competitions include the Qatar Masters which is part of the PGA European Tour. These events both attract large numbers of international visitors. Smaller annual events also play a role in Qatari planning. The country hosts an annual international fencing competition which in 2008 attracted competitors from 35 countries. Likewise, the Qatar Bowling Federation sponsors an annual international bowling competition, and the country hosts the annual Qatar MotoGP race for motorbikes.

In addition to these annual events, Qatar has sought to host major international sporting competitions. The government recognises the importance of sustained involvement, with one official indicating that its aim was to host one large-scale international event annually. Officials suggest that this is part of the broader strategy in which Qatar is positioning itself to show its progress and its intention to be a contender in the sports tourism field. It hosted the 2006 Asian Games which attracted about 12,000 athletes and about 20,000 spectators. In 2010, Qatar hosted the World Indoor Athletic Competition. The country also bid unsuccessfully for the 2016 Olympics, and is now bidding for the 2022 World Cup football finals.

Finally, beyond these headline-grabbing events, there is a steady stream of lower level activity which promotes recognition of Qatar. One of the Qatari government aims of the Aspire Centre (see Development of tourism) is to train...
young Qatiris as athletes. While the individuals clearly benefit from this training, the programme aims to produce benefits for Qatar beyond their individual successes. As an official suggests, the Aspire programme helps to further both the individual and Qatar more broadly as it seeks to make individuals, as Qataris, become champions, a development which will help increase name recognition of the country. Qatar’s efforts do not, however, end with nationals. The country also recruits talent from abroad—and in some instances offers citizenship to potential champions.

In addition to local training, there is an active programme through the Aspire centre of exchanges with teams from other countries. According to one official involved in the programme, the goal is to exchange both experience and culture—the Aspire teams go and play and then invite their counterparts back to Qatar. In this way they hope to promote Qatar and sports in Qatar, with at least part of the aim that the other teams can get to know about Qatar through Aspire. The government’s commitment to this programme is shown through its financial outlays—for teams which it invites to Aspire, it pays all expenses. Official invitations go out to at least 20 teams annually, with the majority of those invited from Europe. Although the total number of visitors reached by this programme numbers probably just in the thousands, Qatar’s ability to attract European players helps it gain recognition within the key individuals in the industry and those who follow developments of their teams.

Sports tourism as it has thus far been implemented in Qatar has attracted some visitors, but the numbers are relatively limited. There is, however, potential for significantly greater numbers, and as scholars point out, name recognition, if

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862 Academy for Sports Excellence, *There is a place for those who dare to dream*, 2 and 4.
863 Official number two involved in promotion of sports tourism (Qatar) in interview with author on May 3, 2009. But the official was quite clear that the programme is not just about promotion—it is focused on ensuring the proper and well-rounded development of young Qatari athletes.
864 For example, Saif Saaeed Shaheen, the world 3000-metre steeplechase champion, was originally from Kenya but took Qatari citizenship. See Associated Press, “Qatar looks to Africa to recruit talent.”
865 Official number one involved in promotion of sports tourism (Qatar) in interview with author on May 3, 2009.
866 Official number two involved in promotion of sports tourism (Qatar) in interview with author on May 3, 2009.
867 Official number two involved in promotion of sports tourism (Qatar) in interview with author on May 3, 2009; and official number one involved in promotion of sports tourism (Qatar) in interview with author on May 3, 2009.
Qatar were to attract an event like the World Cup or the Olympics. Moreover, sports tourism arguably does not require the same sorts of additional attractions that MICE tourism might to attract an event, where event organisers will look at the additional cultural and recreational attractions that might attract attendance. For sports tourism, if the country is member of the requisite sporting oversight body, the facilities are good, and the prizes on offer substantial, the likelihood of attracting an event is high. Thus in this niche—where the requirements are fairly clear and for a wealthy country attainable--Qatar can more quickly build up the basis for successful tourism.

5.5.3 Qatar Airways and name recognition

The rapid development of the country’s airline has also played an important role in development of name recognition for Qatar, as that company’s campaign to become a major player in the aviation industry has raised the profile of Qatar more generally. A representative from the airline suggested that name recognition for the country was part of the reasoning behind the creation of the airline. He called the airline a “brand ambassador for the country.” The growth in numbers has, moreover, been significant--Qatar Airways carried more than 12m passengers in the 2008/09 financial year, up from 3.3m passengers in the 2003/04 financial year.

The views about the role that Qatar Airways has played in the country’s name recognition campaign are held beyond the company. One hotelier opined that the airline’s advertising campaign had put the country onto the worldwide map. Other interlocutors echo this view. But they cautioned that there were limits to the interest that it had generated in actual visits to Qatar, suggesting that the country remained a transit point for the airline rather than a stop-over.

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868 See Appendix one, Tourism. Events such as the Olympics bring in world-wide attention, which would significantly enhance name recognition. Shaw and Williams, Critical issues in tourism, 14.
869 Representative of Qatar Airways in interview with author on May 4, 2009.
870 Representative of Qatar Airways in interview with author on May 4, 2009.
872 Manager at four-star hotel number one (Qatar) in interview with author, in Doha, October 12, 2008.
873 Georges Saliba (Projects Department Manager, Qatar Expo Event Management), in interview with author on May 4, 2009. He credited both Qatar Airways and Al Jazeera Television as important forces in Qatar’s increased name recognition.
destination (see Pursuing local policy goals: diversification and economic development). Indeed, while there has been some success in name recognition, it appears to be more of a reflection of Qatar Airways advertising than of success in developing stop-over tourism.

5.5.4 Name recognition—how much success?

With regard to name recognition, Qatar seems to be achieving its goals. Its active pursuit of MICE business, including efforts to attract multi-lateral organisations, has helped the country raise its profile with businessmen and international officials. Likewise, the international reach of its sports tourism programme, and its interest in high-profile events, has helped raise the country’s profile. Efforts to promote Qatar through these niches are supplemented by the increasingly global reach of the country’s airline, which has invested heavily in equipment and promotion to ensure its success. This promotion and advertising has increased name recognition for Qatar more generally.

Qatar’s ability to achieve these goals has been enhanced substantially by the country’s financial resources. Its hosting of high-profile events like the Asian Games, which involved considerable investment in infrastructure, is a reflection of the country’s substantial wealth. Likewise, the growth of Qatar Airways and of the country’s new airport has involved huge capital outlays and borrowing. (All this raises long-term questions about viability of name recognition efforts if government funds are no longer available.)

Qatar’s ability to pursue name recognition thorough an expansion of its tourism sector has not been affected by the GATS agreement. Name recognition is a different sort of goal than is typically found at the top of policy agendas for countries seeking tourism development—such agendas tend to be more frequently driven by foreign exchange needs or employment creation needs. With the GATS focus on economic and investment issues, the likelihood of a

874 Manager at five-star hotel number three (Qatar) in interview with author on October 14, 2008; and manager at hotel apartment company number one (Qatar) in interview with author October 14, 2008.
conflict is thus lower. The accord does not preclude the sort of marketing that Qatar has undertaken to promote various tourism sectors or its airline. It has also used its substantial financial resources to raise its profile through hosting major sporting events and international conferences, which are again unaffected by GATS commitments. But as name recognition is also about image building for Qatar, the country’s ability to influence the direction of tourism and the possible impact of GATS commitments on that ability over time (discussed below) must also be considered.

5.6 Pursuing local policy goals: diversification and economic development

Qatar’s economy remains hydrocarbons-based, and that sector will continue to be the mainstay of the country’s GDP for decades to come. But the government is nonetheless interested in diversification of the economy, and, although the sector has only recently become a focus of policy attention, tourism has now been targeted in this effort. How successful has Qatar been in diversifying into tourism? Given that the sector was not a policy priority when Qatar joined the WTO, has the country’s GATS agreement impacted on its ability to diversify its economy into tourism?

Although tourism is not presented as a line item in the government’s estimates of the country’s gross domestic product, restaurants and hotels provide an indication of the sector’s small but growing importance. In 2002, this sector accounted for QR478m of GDP, or some 0.7%. By 2006, the amount that hotels and restaurants contributed to GDP had risen to nearly QR1.8bn, nearly four times the 2002 total. As a proportion of GDP, moreover, the restaurants and hotels sector had risen to 0.9%. Further government figures indicate that hotels accounted for about 57% of the sector’s contribution to GDP in 2006.

875 Article XV of the GATS agreement provides for negotiations on a possible agreement relating to the use of subsidies in services. But no agreement has been reached, and it is unlikely to be reached in the near future. An eventual agreement might (but not necessarily) include prohibition on the sorts of funding that Qatar provides to attract conferences to its facilities, but at present there are no restrictions on this sort of activity. For discussion on the state of play on government subsidies and the GATS, see Sauve, “Completing the GATS Framework,” 330-333.


877 Qatar Statistics Authority, Annual Abstract 2007, tables 324 and 326.
Estimates for 2007 suggest that restaurants and hotels sector grew by a further 42% in value compared with 2006. The contribution to GDP in 2007 totalled some QR2.5bn, while as a proportion of GDP the sector accounted for 1%.\(^{878}\)

### Hotels and Restaurants: Contribution to Qatar’s GDP

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Within the context of the non-oil GDP, tourism importance is slightly more significant. As a proportion of non-oil GDP, tourism has increased from a low of 1.3% in 2002 to 2.3% in 2007. But while it has long-surpassed traditional fishing and agriculture in importance, these figures indicate that it nonetheless remains marginal in terms of its overall importance to the Qatari economy.

Other measures also suggest that the impact of the tourism sector on the local economy has been somewhat limited. Most managers suggest that the level of Qatari employed in the sector is low—one manager indicated that the only Qatari working for his organisation was the general manager.\(^{879}\)

By various measures, then, the tourism sector is still small within the context of the Qatari economy. The lack of economic necessity, and the policy time


\(^{879}\) Manager at three-star hotel number one (Qatar) in interview with author, October 12, 2008. Also see above, footnotes on Policy Goals for Tourism, where the question of Qatari employment in the tourism sector is discussed.
consumed by the array of other projects that are underway in Qatar, mean that tourism development is slower than it might otherwise be. As Weiss points out, the availability of local talent has a direct bearing on the ability of states to encourage change and transformation.

While the overall contribution to the economy has been limited, visitor numbers are up, as the table above shows (see Pursuing local policy goals: name recognition). The Qatar Statistics Authority reports that in 2001 there were about 376,000 visitors to the country, and that by 2007 that figure had nearly tripled to about 964,000. There is also strong demand for hotel rooms, and during the peak season many hotels experience very high occupancy rates. Figures from Deloitte suggest that in 2005, 2006 and 2007 occupancy rates averaged around 70%, compared with a Qatari estimate of 55% in 2001. Average room rates were also significantly higher—in 2002, Deloitte put average rates at $62, while in 2007 that figure was $233. The figures make clear that demand for hotel rooms has remained strong despite substantial increases in rates. Such figures suggest a strong interest for visitors in Qatar.

Manager at five-star hotel number three (Qatar) in interview with author on October 14, 2008. The manager suggested that the country’s supply of qualified policymakers is limited, and those individuals are largely engaged in other areas such as gas development.

Weiss, *The Myth of the Powerless State*, xii. See also chapter 1, Literature review, What are the options for states after the deal is done?


Hotel occupancy Doha/Qatar

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<tr>
<th>Year</th>
<th>Occupancy Rate</th>
<th>Revenue per available room</th>
<th>Average room rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008 (1st quarter)</td>
<td>77.3</td>
<td>$212</td>
<td>$274</td>
</tr>
<tr>
<td>2007</td>
<td>69.1</td>
<td>$161</td>
<td>$233</td>
</tr>
<tr>
<td>2006</td>
<td>73.7</td>
<td>$183</td>
<td>$248</td>
</tr>
<tr>
<td>2005</td>
<td>74.9</td>
<td>$149</td>
<td>$199</td>
</tr>
<tr>
<td>2004</td>
<td>77.0</td>
<td>$93</td>
<td>$120</td>
</tr>
<tr>
<td>2003</td>
<td>69.9</td>
<td>$70</td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>62.0</td>
<td>$62</td>
<td></td>
</tr>
</tbody>
</table>


Thus while the overall numbers indicate that the tourism sector is developing only slowly, existing hotels are reasonably full. The result is that at least some businesspeople are satisfied with the pace of developments, with the statistical data echoed in comments by hoteliers. Managers confirm that occupancy levels are high during the peak winter periods,885 with one manager characterising the sector as “booming” as both big and small hotels do well.886 Smaller hotels tend to benefit from the spill-over as bosses travelled with staff and housed them in less prestigious hotels.887 The small hotels also benefit when the larger institutions are fully booked, and businesspeople move down-scale.888

The high occupancy and room rates also suggest that a less-mentioned goal, that of private sector development through the tourism sector,889 is also being achieved. While much of the current hotel stock is government owned, more than 100 new hotels have been licensed, and most of those are in private sector hands.890 Such figures suggest that the growth in the tourism sector means that the local private sector is seeing some return from the country’s economic

885 Manager at five-star hotel number three (Qatar) in interview with author on October 14, 2008.
886 Manager at three-star hotel number one (Qatar) in interview with author in Doha: October 12, 2008.
887 Representative of large travel agency number one (Qatar) in interview with author on October 11, 2008.
888 Manager at four-star hotel number two (Qatar) in interview with author on October 14, 2008.
889 Qatar Central Bank, “Discussion points for an interview with H.E. Sheikh Abdullah Bin Saud Governor of the Qatar Central Bank.”
890 Qatar Tourism and Exhibitions Authority, “Doha Hotels – Under Construction.”
development policies. The country’s commitments under GATS, moreover, make ample space for the Qatari private sector to pursue investment in hotels and restaurants. Foreign ownership is restricted to a minority stake under that commitment.\textsuperscript{891}

For the country’s travel agencies, however, diversification into tourism for the local economy has had a minimal impact. Most work for the agencies remains for outbound programmes rather than inbound plans. A representative from one large local travel agency suggested that inbound leisure travel accounted for only 10\%-20\% of total work, with the focus remaining on outbound leisure trips.\textsuperscript{892}

Indeed, for inbound tourism, the focus on business is overwhelming, with government estimates suggesting that some 95\% of visitors come to the country for business.\textsuperscript{893} Although the dependence on business tourism might at first glance suggest that the sector is reliant on other parts of the economy to generate business, this assumption appears to be only partly true. Business from oil sector executives and other workers may provide a baseline for occupancy,\textsuperscript{894} but niche business travel is an important source of visitors for local hotels.

MICE in particular generates quite a lot of business for the hotel and restaurant sector. For Qatar National Hotels Company, the emphasis on MICE tourism separate from general business tourism is considerable. Asked about what proportion of business tourism came from conferences and what came from other standard business travel, the chief operating officer of that company reckoned that 70\% of QNHC business was from conferences. He noted, however, that it varied from hotel to hotel, and said that the Sheraton was the

\textsuperscript{891} Local law (Law No. 13 of 2000: Qatar’s Investment Law Regulating the Investment of Foreign Capital in Economic Activities) allows for up to 100\% foreign ownership of tourism projects, but that ownership must be approved by the minister of business and trade. Moreover, although the provision for majority foreign ownership exists in domestic law, Qatar has not made it a bound commitment in its WTO obligations.

\textsuperscript{892} Representative of large travel agency number one (Qatar) in interview with author on October 11, 2008.

\textsuperscript{893} Qatar Tourism Authority, “About us: Vision and Strategy.”

\textsuperscript{894} Manager at three-star hotel number one (Qatar) in interview with author on October 12, 2008.
biggest beneficiary of conference business. More generally, MICE accounts for a substantial proportion of the business tourism in the country. As estimated by the head of the Qatar Tourism and Exhibitions Authority, the business tourism at hotels is split about 50-50 between stays for standard business travel and stays for conferences. These figures suggest that, while the tourism sector remains a small part of the Qatari economy, efforts to establish it as a separate sector have met with some success.

This reliance on business visitors, along with those who come for MICE events or sports events, has left some in the hotel industry dissatisfied. They would like to see faster development of more traditional leisure tourism, and are frustrated at the government’s focus on MICE, sports and business. One hotelier argued that, rather than seeking to develop particular niches now, the authorities should look to develop those when leisure tourism was flourishing. From a commercial perspective, he suggested that, at that point, it would be appropriate to seek to control and to cut back where the sector did not match expectations. Others suggested that the authorities had been slow at creating the types of facilities that were needed to support the leisure sector, arguing that there is not sufficient planning to develop leisure tourism.

The arguments that the country needs more attractions to develop tourism further may have some merit. But the frustration of hoteliers must be examined within the context of Qatari government goals for the tourism sector. At present the Qatari government is not targeting development of large-scale leisure tourism and, in any case, the occupancy rates indicated above suggest that in the peak winter season there is very little excess room capacity. The slower summer season, when outdoor temperatures can reach over 40 degrees centigrade, is the period when rooms are available. This suggests that for tourism to contribute more to the economy, either more rooms need to be built and available during the peak winter period or more indoor attractions need to be developed for the summer period.

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895 Denis Sorin (Chief Operating Officer, Qatar National Hotels Company) in interview with author May 4, 2009.
896 HE Ahmed Abdullah al-Nuaimi (Chairman, Qatar Tourism and Exhibitions Authority), in interview with author on May 4, 2009.
897 Manager at five-star hotel number one (Qatar) in interview with author, October 12, 2008.
898 Manager at five-star hotel number three (Qatar) in interview with author, October 14, 2008.
But while the government may not be targeting the mass leisure market, its more modest goals of encouraging short stop-over tourism have not been realised. Anecdotal evidence suggests that the growth in stop-over tourism remains slow—one manager at an event organisation company suggested that most conference delegates still just do their business and go home.\textsuperscript{899} Although he acknowledged that some might stay for an extra day, most do not.\textsuperscript{900} Another hotelier suggested that he thought that businesspeople coming to Qatar still have the "get out" syndrome—they don't add an extra day for leisure at the end of their trip. The country, he suggested, still needs more attractions. It needs also to be promoted more—there is a window to exploit with the business travellers, but that has not yet been done.\textsuperscript{901} Other hoteliers agreed with the assessment that stop-over traffic had yet to develop.\textsuperscript{902}

5.6.1 The record on diversification is mixed

Overall, then, the record on diversification is mixed. As a proportion of GDP, tourism remains a small sector in the Qatari economy. But occupancy rates at hotels suggest that there is very little spare capacity which would allow for a further expansion of the sector at this time, although more is under construction. In the longer term, the success of diversification into tourism may be judged on whether the sector is able to generate business itself or if it relies on general business visitors for its custom. From this perspective, the diversification programme appears to have made some headway. Assessments from those involved in the industry indicate that MICE business tourism now accounts for 50-70\% of total business at hotels.\textsuperscript{903}

\textsuperscript{899} Georges Saliba (Projects Department Manager, Qatar Expo Event Management), in interview with author on May 4, 2009.
\textsuperscript{900} Georges Saliba (Projects Department Manager, Qatar Expo Event Management), in interview with author on May 4, 2009.
\textsuperscript{901} Manager at three-star hotel number one (Qatar) in interview with author on October 12, 2008.
\textsuperscript{902} Denis Sorin (Chief Operating Officer, Qatar National Hotels Company) in interview with author May 4, 2009.
\textsuperscript{903} Denis Sorin (Chief Operating Officer, Qatar National Hotels Company) in interview with author May 4, 2009, and HE Ahmed Abdullah al-Nuaimi (Chairman, Qatar Tourism and Exhibitions Authority), in interview with author on May 4, 2009.
In addition, local business investment in the sector appears reasonably robust, with government figures suggesting that dozens of new private sector hotels are under construction. The country’s GATS commitments, which only allow foreign investors to take a 49% stake in hotels or restaurants, mean that there is ample room for local businesspeople to become involved in the sector. With regard to travel agencies and tour guide services, as Qatar made no undertakings for these sectors in its WTO commitments, local companies have considerable space in which to benefit from an expansion of tourism.

Development of leisure tourism, even on a small scale appears, however, to rely on sorting out local bottlenecks such as the need for additional entertainment and hotel capacity. Qatar has some beaches, but few historical sites. Some investment has gone into the Islamic art museum and also into a make-over of the traditional souk. But while there is some live entertainment, there is not a vibrant cultural life that would independently attract foreign visitors for return visits like capital cities in Europe might. These bottlenecks are not issues which have come about as a result of the country’s GATS commitments, which seems to have left policy space for diversification relatively intact. Indeed, an argument could be made that greater openness to foreign investment under GATS might encourage faster development in hotels. But such investment would potentially hinder the government’s ability to steer the direction of the country’s tourism sector, which would inhibit policymakers’ ability to fulfil other policy goals.

5.7 Local bottlenecks

Although WTO commitments have not thus far hindered Qatar’s ability to develop its tourism sector in the manner that it wants, there remain issues which are slowing the pace of the sector’s development. These issues are, however, local bottlenecks rather than international ones. The apparent inability of the government to address these issues, either alone or in concert with other local groups, reminds us of the insight that not just globalisation but also the

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904 Qatar Tourism and Exhibitions Authority, “Doha Hotels—Under Construction.”
effectiveness of local institutions impacts the ability of states to take advantage of policy space.\textsuperscript{905}

At a basic level, the number of hotel rooms is currently a problem for further development of the industry. The Asian Games in 2006 illustrated this issue—there was not an adequate supply of hotel rooms at that time and the government rented three hotel ships to supplement the local supply.\textsuperscript{906} There has been some growth in the total number of hotels and rooms since that time, particular in four-star and five-star facilities, but shortages still occur.\textsuperscript{907} Managers confirm that occupancy levels are high during peak winter months because there are not enough hotels to meet demand.\textsuperscript{908} The problem for the sector is acknowledged by officials heading government development efforts, with the head of the Qatar Exhibitions and Tourism Authority indicating that the number of hotel rooms remains a bottleneck. He noted however, that the number of rooms was due to grow to about 20,000 over the next three years, more than double the current number.\textsuperscript{909}

In other areas as well, appropriate infrastructure is lacking to support the more rapid development of tourism. Qatar’s new airport is still under construction, and the road system is still being developed. Hotel managers complain about these physical infrastructure issues and their impact on inbound tourism.\textsuperscript{910} Others also complain about the lack of entertainment for potential visitors, an important issue if the country is to develop stop-over tourism.\textsuperscript{911} This issue is tied to the

\textsuperscript{905}Weiss, States in the Global Economy, 15, and Weiss, States in the Global Economy, 314-315. Here, she summarises and agrees with the writing of Doner and Ramsay, “The challenges of economic upgrading in liberalising Thailand." See also Weiss, The Myth of the Powerless State, xii.
\textsuperscript{906}Economist Intelligence Unit. Qatar Country Report: January 2007, 29.
\textsuperscript{907}Georges Saliba (Projects Department Manager, Qatar Expo Event Management), in interview with author on May 4, 2009.
\textsuperscript{908}Manager at five-star hotel number three (Qatar) in interview with author on October 14, 2008.
\textsuperscript{909}HE Ahmed Abdullah al-Nuaimi (Chairman, Qatar Tourism and Exhibitions Authority), in interview with author on May 4, 2009.
\textsuperscript{910}Manager at four-star hotel number one (Qatar) in interview with author on October 12, 2008. Another manager also noted the lack of adequate provision of basic infrastructure, like roads (manager at two-star hotel number one (Qatar) in interview with author on October 11, 2008).
\textsuperscript{911}Representative of Qatar Airways in interview with author on May 4, 2009. Also, Georges Saliba (Projects Department Manager, Qatar Expo Event Management), in interview with author on May 4, 2009, said that the need had been identified by the government to organise a summer festival, and Qatar Expo was bidding to organise the event. Also, the manager at five-star hotel number two (Qatar) in interview with author on October 13, 2008 opined that at present there were not enough attractions for visitors, and suggested that resorts would work well in Qatar, if they were good quality ones.
more general question of whether Qatar has in place the systems needed to
handle tourism at a significant level—while the country is keen on developing
stop-over tourism, it is still developing infrastructure. 912 Others cited labour
issues, and the sector’s dependence on expatriates, with the head of QTEA
indicating that there is not a way to reduce the continuing need for foreign
labour. 913

The lack of rooms, the concerns about adequate entertainment and the need for
more physical infrastructure development are all local problems rather than
ones created by Qatar’s WTO agreement. These local bottlenecks affect the
pace of development of tourism in the areas that the government has prioritised,
including MICE tourism, sports tourism and leisure stop-over tourism. An
argument could be made that at least some of the bottlenecks could be
overcome faster if the country’s WTO services agreement on tourism was more
open to foreign investment. In particular, it might be possible to attract more
investment in the hotel sector if majority foreign ownership were possible;
Thakur, for example, sees GATS as a vehicle for encouraging foreign
investment in the tourism sector. 914 But Qatar might also find those hotel rooms
marketed to different types of tourists than it wishes to attract, and policymakers
may view the ability to control the sector as more important than accelerating
the pace of tourism development. Indeed, the eventual doubling of the number
of hotel rooms in Qatar may pose future problems for the government as it
seeks to target its marketing to particular niches (see Issues for the future).

Qatar’s small population could also potentially be considered a local bottleneck.
Over the last decade, the country has expanded its gas-based industry
tremendously, a change which has required top-level policy attention. Within a
small population, however, there are limits to the size of the bureaucracy, and
therefore limits to the number of projects which can take top priority. 915 As gas-
based industry matures, there will likely be more policy time for tourism

912 Representative of Qatar Airways in interview with author on May 4, 2009.
913 HE Ahmed Abdullah al-Nuaimi (Chairman, Qatar Tourism and Exhibitions Authority), in
interview with author on May 4, 2009.
914 See chapter 1, Literature review, Tourism and policy space. Thakur, Modern Trends of
Tourism, 18-36.
915 Linda Weiss cautions that state intervention does not necessarily lead to economic
success—states can lack the talent to take programmes forward. Weiss, The Myth of the
Powerless State, xii.
development, but past demands of that expansion have meant that top level policy attention has not always been focussed on tourism development, as key policymakers have focussed on gas. This situation suggests that Weiss’ arguments about domestic capacity apply—the lack of action on the part of states may reflect a lack of transformative capacity rather than global constraints.

Additionally, the government is working to devise more structured plans for its intervention in the economy. The overarching Qatar National Vision 2030 programme is coupled with a more detailed planning document called the Qatar National Development Strategy 2010-2015. The latter is the first of its kind in Qatar, despite heavy government involvement in development of key hydrocarbons industries over the last several years.

The institution of more structured forward planning may help overcome some of the local bottlenecks which have plagued the development of tourism in recent years. How important improvements are depends, of course, on the government’s own vision for future development. If the government is satisfied with some name recognition and a modicum of diversification, then there may be little effort to move beyond the current level of development. Indeed, thus far, no government policy has been articulated which suggests that goals reach beyond this level. The lack of economic necessity means that a push for rapid diversification is unlikely. Additional investment to ensure name recognition is possible, but the appetite for this will probably depend on whether any underlying goals for name recognition (such as possibly greater differentiation from Saudi Arabia in international eyes) are being met.

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916 One interlocutor noted the limits of the size of the bureaucracy--manager at five-star hotel number three (Qatar) in interview with author, October 14, 2008.
917 See Literature Review. Weiss, *The Myth of the Powerless State*, xii, and 27. On this latter page she notes that states that are “struggling” to build states are less able to benefit from the enabling features of globalisation. While neither Oman nor Qatar are struggling, their bureaucracies are still developing and arguably weaker than in many other places. See also Weiss, *States in the Global Economy*, 314-315. Here, she summarises and agrees with the writing of Doner and Ramsay, “The challenges of economic upgrading in liberalising Thailand.”
5.8 Pursuing local policy goals: direction of tourism and cultural impact

The discussion of diversification touched on the differing goals that some businessmen and the government have for the tourism sector. For those businessmen, a thriving leisure sector is a goal, while the government is more interested in business-based tourism with a small leisure sector. The government hopes that the direction that it has targeted for tourism development will help it achieve its goals of name recognition and diversification, while business is probably less focused on these broader concerns and more on an expanding client base and profitability. The differing goals between business and government also importantly reflect the government’s concern about the potential social impact of mass-market leisure tourism and its belief that some of the potential detrimental side-effects can be contained by controlling the direction of tourism development.

Within the context of its GATS commitments, the government has a number of tools that it can use to help control the direction that the tourism sector is taking. The country’s marketing efforts and the government’s own ownership of assets are important elements of its efforts to control the direction of the sector. But ownership rules and licensing also play a role, as do visa regulations. Looking at the number of tools available, and their relative effectiveness, helps to address the question of whether GATS impairs seriously the policy space available to states as they seek to develop tourism as they wish within the context of their WTO obligations.920

5.8.1 Tools: Targeted marketing

Qatar’s tourism development is targeted in a way that seeks to avoid some of the cultural downsides of mass tourism. MICE and sports tourism, which aim at niche markets rather than the mass leisure market, are part of this strategy. Qatar’s efforts to position itself largely as a business destination may help it to

920 See literature review. A number of scholars—including Hoad, Jules, and George and Salgoenkar—argue that GATS leaves little ability to avoid detrimental aspects of tourism development. See Hoad, "The General Agreement on Trade in Services," 221; George and Salgaonkar, "Tourism in the Context of GATS," 297; and Jules, Sustainable Tourism in St. Lucia: A Sustainability Assessment of Trade and Liberalisation in Tourism services, 27 and see also 15.
avoid the offence to local sensibilities that some of the sorts of behaviour that holidaying foreigners have caused recently in Dubai. As one interlocutor suggested, Qatari officials decided not to emulate Dubai’s pursuit of leisure tourism, which has brought with it a clash of cultures, and have instead sought to become a business-oriented destination.

But from an even broader perspective, Qatar is targeting the upper end of the tourism market because it sees this focus as avoiding some of the potential problems associated with large-scale leisure tourism. Officials acknowledge that the country is seeking to attract the upper end of the market, and local travel agents and hoteliers confirm this trend. Speaking about this tactic, the manager at one five-star facility suggested that Qatar did not want to make “the same mistakes” that Dubai had made. Instead, the Qataris were seeking a different market and he contended that developments like The Pearl were more exclusive than anything that was on offer in Dubai. In the view of another hotelier, Qatar would not encourage the "wine and women" segment—he said that the country holds to traditions, and did not want that segment of tourism which looks for those sorts of facilities. The Qataris reckon that avoiding the mass market helps to avoid a number of the cultural issues that have emerged elsewhere.

But even with this focus, there may be longer run issues—as the newness of the market wears off, resorts may find it necessary to broaden their marketing scope to the middle classes in order to maintain occupancy rates. For the short-term, however, Qatar’s focus on the wealthier end of the market is reinforced by the cost of a stay in the country. The limited number of hotel

921 See, for example, Constantine and Landais, “Topless woman at beach sparks “cover up” call.”
922 Denis Sorin (Chief Operating Officer, Qatar National Hotels Company) in interview with author May 4, 2009.
923 For government view, HE Ahmed Abdullah al-Nuaimi (Chairman, Qatar Tourism and Exhibitions Authority), in interview with author on May 4, 2009. For private sector view, representative of large travel agency number one (Qatar) in discussion with author on October 11, 2008; and manager at four-star hotel number one (Qatar) in interview with author on October 12, 2008.
924 Manager at five-star hotel number one (Qatar) in interview with author on October 12, 2008.
925 Manager at three-star hotel number one(Qatar) in interview with author on October 12, 2008.
926 Manager at four-star hotel number one (Qatar) in interview with author on October 12, 2008.
927 See Appendix one, Tourism. Shaw and Williams, Critical Issues in Tourism, 96, term the gradual decline of resorts as the “self-destruct theory of tourism development.
rooms in Doha at present means that hotel rooms are at a premium during the peak winter months. Deloitte figures show that for the first quarter of 2008, the average room rate in Doha was $274/night, compared with Cairo, where the average was less than half that rate at $125/night.\footnote{Deloitte, "The Middle East is home to the world’s top performing hotels."}

Moreover, the government’s own marketing is only part of the strategy. Although not spelled out for companies, there appear to be tacit limits on the types of marketing which individual hotels or travel agents can undertake in their efforts to attract inbound tourists. One representative of a large travel agency reckoned that there were some limits on the type of marketing that could go ahead because of concern that local culture and traditions be respected by tourists.\footnote{Representative of large travel agency number one (Qatar) in interview with author on October 11, 2008.} Another hotelier agreed, suggesting that despite the gradual opening of the country to tourism, there remained some clear, if unspoken, limits on marketing.\footnote{Manager at three-star hotel number one (Qatar) in interview with author on October 12, 2008.}

The government’s WTO commitments do not control its marketing efforts for the tourism sector, leaving this tool readily available for the government. Marketing provides a basis for efforts to control the direction that tourism is taking and is used in conjunction with a number of other tools.\footnote{Evidence from other cases suggests that marketing can influence the direction the type of tourist that is attracted. See, as examples, Hall and Lew, \textit{Understanding and Managing Tourism Impacts}, 247-48 and Knowles, Diamantis and El Mourhabi, \textit{The Globalisation of Tourism and Hospitality}, 41-66.}

\subsection*{5.8.2 Tools: Government investment}

These efforts to attract high-end tourists are supported by government investment in the sector. The state-owned Qatar National Hotel Company, which is the lead player in the local hotel industry, has traditionally concentrated on four-star and five-star facilities. It currently owns key properties in Doha including the Ritz-Carlton and the Sheraton Doha Resort and Convention Centre. It also owns the upper end Sharq Village and Spa, which is managed by Ritz-Carlton, the Doha Marriott Hotel, the Movenpick Hotel Doha and the
Sealine Beach Resort outside of Doha. In addition, the company is building a Grand Merweb and a Merweb Hotel, both of which will be managed by QNH’s own hotel management company. Qatar is also investing in large-scale residential, commercial and resort developments that include a number of hotels. Qatar Diar, owned by the government’s Qatar Investment Authority, is building one such facility called Lusail. Plans call for the coastal development to feature a number of five-star and boutique hotels.

The government’s decision to invest in four- and five-star hotels reflects at least in part its concerns about the cultural impact of tourism on the country and its consequent desire to target the upper end of the market. This use of government money to achieve policy goals within the tourism sector is a tool which is not restricted by the country’s WTO commitments. Qatar’s relative wealth is, however, unusual among countries developing their tourism industries, and so it has an advantage over most other developing countries that are seeking to expand their tourism sectors. The role of the country’s financial resources is highlighted elsewhere in the tourism sector. Sports tourism is one such case. Commenting on this situation, one official argued that money made a “huge difference” in Qatar’s ability to develop as it wanted, and that the money was being used to support the country’s planning goals.

5.8.3 Tools: Ownership rules

Other tools available to the government help to ensure that the private sector moves more or less in concert with government policy in the development of tourism. Restrictions over ownership in the hotel sector are one avenue of control over the direction of the sector. While all Qataris can invest in the sector,

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932 Denis Sorin (Chief Operating Officer, Qatar National Hotels Company) in interview with author May 4, 2009 discussed the Merweb brand. The Grand Merweb is a four-star brand, while the Merweb is itself a three-star brand. Qatar National Hotels hopes to introduce these brands in other GCC countries. The Grand Merweb aims to attract businesspeople as well as leisure clients. The government’s decision through QNHC to invest in three-star facilities suggests that its strategy is more nuanced than just looking at the top-end of the market. That said, the three-star segment remains a relatively small proportion of the market. Only a dozen of the hotels that the government lists as under construction were standard or three star—the remaining 67 for which a rating was available were listed as four-star, five-star or deluxe. Qatar Tourism and Exhibitions Authority, “Doha Hotels—Under Construction.”

933 Official number two involved in promotion of sports tourism (Qatar) in interview with author on May 3, 2009.
the number of Qatari nationals is small and the desire to step out of line with government policy would be tempered by recognition of the importance of government backing to success in the business sector there. Beyond government pressures, Qatari might also be more sensitive to local social pressures and therefore less likely to market their facilities in a way which would offend local sensibilities or to tolerate behaviour which would have that effect.

Such concerns would be less pressing for foreign investors, and perhaps at least in part for this reason, full or even majority ownership of hotels by foreign investors is difficult to achieve. Qatar’s agreement with the WTO gives the country the ability to restrict foreign ownership of hotels and restaurants. The Investment Law of 2000 allows for full foreign ownership of hotels, but all exceptions to the requirement that Qatari own a stake of at least 51% must be approved by the minister of business and trade.\textsuperscript{934} The norm thus remains majority or full Qatari ownership, with an official from the tourism authority explaining that foreign investors should have someone with Qatari nationality to work with them on hotels.\textsuperscript{935} Similarly, an official from the ministry of business and trade argued that ownership of tourism establishments is effectively restricted to 49% foreign and 51% Qatari.\textsuperscript{936}

This large-scale investment would, moreover, have to be made on land which was leased rather than owned. Foreigners are not allowed to own land in Qatar, making leases the only option. For investors in projects, these leases are available for periods of up to 50 years, with the possibility of renewal.\textsuperscript{937} While the length of leases is reasonable, the restriction on ownership is a further issue that potential foreign investors would need to tackle, and in combination with the other issues acts as a further deterrent.\textsuperscript{938}

\textsuperscript{934} Law No. 13 of 2000: Qatar’s Investment Law Regulating the Investment of Foreign Capital in Economic Activities, article 2, paragraphs 1 and 2.

\textsuperscript{935} Tourism Authority official (Qatar Tourism and Exhibitions Authority) in interview with author on May 4, 2009.

\textsuperscript{936} Government official (Ministry of Business and Trade, Qatar) in interview with author on May 5, 2005.

\textsuperscript{937} Law No. 13 of 2000: Qatar’s Investment Law Regulating the Investment of Foreign Capital in Economic Activities, article 5. For individuals buying properties in selected developments, leases are available for 99 years. See Law No. 17 of 2004 Regulating the Ownership and Usufruct of Real Estate and Residential Units by non-Qatars, articles 3 and 4.

\textsuperscript{938} As in the case of Oman, the EU apparently sees that this is at least a potential problem for its businesspeople, and has asked that the restriction be removed. “GATS 2000: Request from the
These things said, Qatar is not without foreign investors in the real estate sector, where major new projects tend to include upmarket hotels. The company which is responsible for the Al Khor development—Barwa Al Khor—is a joint venture between the local Barwa Real Estate Company and the Kuwait-based Al Imtiaz Investment Company. Indeed, Al Imtiaz holds a 60% stake in the company. This development, like government policy, targets the upper end of the market, both local and expatriate. It will include both residential and entertainment facilities as well as a large-scale five-star hotel and another large-scale four-star hotel.

5.8.4 Tools: Licenses

Another tool available to the Qatari government is control over various types of licenses. One of the most important of these is liquor licenses, and Qatari authorities appear to maintain relatively tight control over this type of licensing. This control reflects the government’s desire to limit the amount of less desirable behaviour which might come in the wake of consumption of alcohol. The licensing system appears to operate loosely on the basis of the number of stars that a particular establishment has achieved. Generally, three-star and two-star facilities could not get liquor licenses, although there might be exceptions for some three-star hotels. One hotelier suggested that the use of the star system reflected government attitudes that people who were staying in

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939 Zawya, “Barwa Al Khor company.”
940 Barwa, “Project at glance.” The ownership issues are not, however, as clear as they might be. Barwa Real Estate itself holds a 24.5% stake in Imtiaz. In addition, Barwa is not a wholly private company—the Qatari government, through Qatari Diar, holds a 45% stake in Barwa. See Gulf Daily News, “Barwa Raises Capital,” August 26, 2009 and see Barwa, “Investor Relations: FAQ.”
941 Barwa, “Project at glance.”
942 Manager at four-star hotel number two (Qatar) in interview with author on October 14, 2008 and manager at three-star hotel number one (Qatar) in interview with author on October 12, 2008.
943 Manager at three-star hotel number one (Qatar) in interview with author on October 12, 2008 and manager at four-star hotel number two (Qatar) in interview with author on October 14, 2008.
944 Manager at four-star hotel number two (Qatar) in interview with author on October 14, 2008.
better hotels might be less likely to overdo it as they were more used to access to alcohol.\textsuperscript{945}

Government officials confirm industry experience. An official at the Qatar Tourism and Exhibitions Authority said that, for alcohol service, the country gives licenses for four-star and five-star facilities. It does not give licenses for one-star, two-star and three-star facilities. The licensing procedures mean that the authority has “more control over hotels.”\textsuperscript{946}

The government also seeks to control the sector through the requirement that all individuals or companies interested in building a hotel obtain a license. These licenses are, according to one manager at a five-star facility, controlled, with the authorities focussed on the quality of the facilities and the type of hotel that is envisioned.\textsuperscript{947} An official from the Qatar Tourism and Exhibitions Authority suggested, however, that licenses were not difficult to obtain.\textsuperscript{948} But it was clear that, despite legal provisions in domestic law for foreign ownership of hotels, the government’s preference is for at least part Qatari ownership.\textsuperscript{949}

Competition within the travel agency sector is also regulated by the need to obtain licenses. The representative of one large travel agency said that it was difficult to obtain a new license, and suggested that he thought that the government put limitations on the number of licenses issued.\textsuperscript{950}

Licensing issues potentially fall under the purview of the country’s WTO commitments. But there appears to be a quality related criteria in Qatar for the hotel licenses, rather than one which might fall foul of national treatment or market access obligations. Both Qatari and foreign owners are required to

\textsuperscript{945} Manager at three-star hotel number one (Qatar) in interview with author on October 12, 2008.
\textsuperscript{946} Tourism Authority official (Qatar Tourism and Exhibitions Authority) in interview with author on May 4, 2009.
\textsuperscript{947} Manager at three-star hotel number one (Qatar) in interview with author on October 12, 2008.
\textsuperscript{948} Tourism Authority official (Qatar Tourism and Exhibitions Authority) in interview with author on May 4, 2009.
\textsuperscript{949} Tourism Authority official (Qatar Tourism and Exhibitions Authority) in interview with author on May 4, 2009.
\textsuperscript{950} Representative of large travel agency number one (Qatar) in interview with author on October 11, 2008.
obtain the hotel licenses, meaning that Qatar is adhering to the principle of national treatment. In addition, the licenses are not being used to restrict the number of operators within the sector—so they are not used as a control over market access. Rather, they are being used to control the quality of establishments rather than the quantity.\footnote{World Trade Organisation, \textit{General Agreement on Trade in Services}, Article VI. This article related to the requirements for domestic regulations, and indicates that licensing requirements must not "constitute unnecessary barriers to trade in services," and that they must be "based on objective and transparent criteria," not be "more burdensome than necessary," and "not in themselves (be) a restriction on the supply of the service." See chapter 3, General background on the GATS, Domestic regulations and subsidies.}

Likewise, the country’s liquor licenses as currently used appear to fit into the framework of what is allowed by the country’s GATS commitments. They are not being used to restrict the number of facilities that are available, but to maintain standards for the facilities with criteria for issuance. Such rules, moreover, are not based on nationality of ownership, which would fall foul of the national treatment requirements in the GATS. Qatar could probably argue that its strict licensing of establishments which serve alcohol falls under GATS Article XIV which states that “nothing in this Agreement shall be construed to prevent the adoption or enforcement by any Member of measures necessary to protect public morals or to maintain public order....”\footnote{World Trade Organisation, \textit{General Agreement on Trade in Services}, Article XIV. The text of the agreement adds that “(t)he public order exception may be invoked only where a genuine and sufficiently serious threat is posed to one of the fundamental interests of society.”}

Limitations on the number of licenses for travel agents are compatible with the country’s WTO commitments. Qatar made no undertaking to open its travel agency businesses under the GATS, and thus does not have to offer additional licenses or licenses to foreign operators.

For Qatar, however, the WTO commitments that it has made with regard to licensing hotels could potentially have an impact on its ability to achieve the type of tourism that it develops. Under its agreement, Qatar has undertaken to avoid restricting the number of hotels that it licenses. This agreement means that even if officials feel that the market is saturated qualified applicants for new hotels must be granted a license. A saturated market could encourage hoteliers to move downmarket in their clientele, which might eventually have a
detrimental impact on the local culture or the local acceptance of the sector. The question of whether market forces are a better regulator of the number of hotels than government licensing is beyond the scope of this paper, but the restriction on the government’s ability to use this policy tool does mean that WTO commitments may in future limit the government’s ability to develop the sector as it chooses. This issue of unrestricted licensing is also one of considerable concern to existing hoteliers (see Issues for the future), although their concern stems mainly from worries about the economic impact of additional competition.

5.8.5 Tools: Visa policy

In addition to the tools already mentioned, Qatari policymakers can use visa policy to help control the direction that development of the tourism sector takes. Visitor visa policy is not part of WTO agreements, and like other countries, Qatar can use its visa policy as a way of controlling developments within its tourism sector. Qatar’s interest in developing the tourism sector is reflected in its relatively relaxed approach to visa issuance. For many classes of visitors, the visa system is straightforward. Visitors from 33 countries are able to obtain visit visas valid for two weeks upon entry into Qatar. Included on this list are a number of Western European countries, as well as the US, Brunei, Canada Australia, Japan, New Zealand and Hong Kong.

While these nationalities are able to obtain visas with ease, the government does also appear to use the system to control the direction that the tourism sector takes. One travel agent suggested that the country’s visa policy was governed by government efforts to control development of the tourism sector, and he argued that the returns for the inbound sector would probably improve if there were changes to visa requirements.

953 Manager at three-star hotel number one (Qatar) in interview with author on October 12, 2008. View confirmed by manager at two-star hotel number one in interview with author on October 11, 2008.
954 Embassy of Qatar, London, “Visas upon arrival at any port.”
955 Embassy of Qatar, London, “Visas upon arrival at any port.”
956 Representative of large travel agency number one (Qatar) in interview with author on October 11, 2008.
Certainly, it appears that restrictions on visa issuance are used to try to filter out potentially less desirable types of visitors. From a broader perspective, there is at least the perception in Qatar that tourism can impact crime levels. Many interlocutors point to Dubai, and suggest the relaxed entry requirements there have attracted undesirable elements. A manager at one hotel suggested that this was part of the reason that Qatar was seeking to avoid mass tourism. Another manager suggested that the Qatari were particularly cautious about Russian visitors. He suggested that the experience of Dubai had informed that caution. Russians have, with some reason, been associated with prostitution and other types of crime in the UAE. If this pattern were to be repeated in Qatar and if such problems were publicised, it would damage Qatar’s efforts to attract tourists to the generally wholesome and family-oriented niches that it has identified.

Qatar’s visa policy also indicates that it is shying away from other types of tourism which would bring different sets of problems. One hotelier suggested that the leisure industry could be boosted if the Qatari authorities allowed more leeway on students getting visas and on family visits. He pointed out that family visit rules barred anyone over 60, so the country’s large expatriate population could not bring their parents to visit. While loosening restrictions on these types of visas would probably generate more visitors, it is not clear that such visitors would boost tourism in the areas targeted by the government. Although some family visitors might fall into the high-end tourism category, the status of the majority of workers in Qatar suggests that their families would be unable to afford that sort of holiday. Figures from the government suggest that the average wage of 78% of workers in Qatar is less than $2200/month, which leaves little leeway to pay for relatives to take long holidays in hotels with average room prices in excess of $200/night. Likewise, Qatari officials are

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957 See Appendix one, Tourism. Shaw and Williams, *Critical Issues in Tourism*, 45, cite drug use and prostitution as possible side-effects of increased tourism.
958 Manager at four-star hotel number two (Qatar) in interview with author on October 14, 2008. One manager especially mentioned Qatar’s desire to avoid the problems of prostitution which he said were apparent in Dubai as a result of the upturn in the tourism sector (manager at five-star hotel number two (Qatar) in interview with author on October 13, 2008).
959 Manager at five-star hotel number one (Qatar) in interview with author on October 12, 2008.
961 Manager at two-star hotel number one (Qatar) in interview with author on October 11, 2008.
probably concerned that a laxer policy on visit visas for students might lead to individuals overstaying and seeking jobs rather than contributing to tourism revenues.

But there are potential costs: Qatar’s list of nationals that can get airport visas does not include Indians or Chinese. Although these countries may have a substantial number of low wage workers, they are also home to large numbers of middle and upper class travellers who may forego a visit to Qatar because of the bureaucracy involved in obtaining a visa. 963

5.8.6 Is Qatar able to control the direction of tourism and its local impact?

The discussion above indicates that, within the context of its WTO commitments, the Qatari government and has a number of tools that it can use to try to influence the direction of tourism development within the country. Included on this list are targeted marketing supported by government investment, licensing and ownership policies and visa policy. Other factors have also affected the pace and direction of tourism development. Among the other factors that might be at play is the relatively slow development of the sector (see Pursuing local policy goals: diversification and economic development). In addition, Qatari exposure to the sector and thus potentially awareness of its downsides is reduced by the low levels of employment within hotels. Most hoteliers reported that the number of Qatari on their staffs were very low. 964 The lack of Qataris working in hotels also means that the question of serving alcohol is less critical. 965

The result thus far appears positive. Anecdotal evidence from those involved in the tourism industry suggests that, although there are some concerns about the possible impact of the sector, development of tourism has thus far seemed to have avoided any serious backlash. Most interlocutors from the tourism industry

963 As Chinese and Indian tourism to the Middle East grows along with the affluence of those societies, Qatar may have to modify its policy or miss out on a substantial market.
964 Managers at a number of hotels reported low levels of Qatari employment, including manager at hotel apartment company number one (Qatar) in interview with author October 14, 2008 and manager at five-star hotel number three (Qatar) in interview with author on October 14, 2008.
965 Manager at five-star hotel number three (Qatar) in interview with author on October 14, 2008.
thought that Qataris had a positive attitude toward tourism, although there are also indications that there is a generational element at play. Younger Qataris seem to be more accepting of the introduction of the tourism industry; older Qataris are reportedly less enamoured of the idea.\footnote{Official number two involved in promotion of sports tourism (Qatar) in interview with author on May 3, 2009.}

On a general level, however, feedback was positive. One interlocutor suggested that Qataris “would love to see visitors” in their country, which was a strong reason for seeking to attract those visitors.\footnote{Manager at hotel apartment company number one (Qatar) in interview with author October 14, 2008.} A representative from a travel agency indicated that the desire for visitors resulted from the well-travelled nature of the Qatari population—a large proportion of the population had visited abroad, and therefore wanted foreigners to visit their country.\footnote{Representative of large travel agency number one (Qatar) in interview with author on October 11, 2008.} This characteristic may also help to explain the relatively relaxed attitude about foreign tourists—if a substantial proportion of the population is exposed to foreign cultures abroad, then the increased loss of cultural identity as a result of increased tourism would presumably be lower.

The acceptance of tourism seems in part to reflect the niches that the government has chosen to target. As discussed above, development of MICE tourism is an important element of the country’s tourism policy, and government officials assert that Qataris support the development of the conference trade in Qatar.\footnote{Official at the General Secretariat for Development Planning (Qatar) in interview with author on May 3, 2009.} Asked about evidence of such support, one official mentioned the Volunteers Organisation, which is organised by the ministry of culture, art and heritage. He said that they had about 8,000 volunteers and that these individuals were used to assist with tourism events like conferences.\footnote{Official at the General Secretariat for Development Planning (Qatar) in interview with author on May 3, 2009.} He opined that such conferences gave Qataris the opportunity to show their country and its culture to foreigners.\footnote{Official at the General Secretariat for Development Planning (Qatar) in interview with author on May 3, 2009.}
5.9 GATS commitments and Qatar’s tourism development

Qatar appears to be making some progress toward achieving the policy goals that it has for the tourism sector. But both businessmen and government officials acknowledge that there are stumbling blocks and the sector is still very much developing. Have the country’s World Trade Organisation obligations played a role in either the government’s ability to advance its policy goals or in the stumbling blocks which still plague the sector?

The overall assessment from businesspeople and officials surveyed for this study suggests that the country’s WTO commitments have had little adverse impact on the way that the country’s tourism sector has developed. Tourism was not a priority sector for the government when the accord was negotiated. Nonetheless, Qatar’s decision to join the WTO at an early stage meant that its services agreement was largely a standstill accord, which has given the government considerable leeway in determining the direction of the sector.

From a general perspective, private sector interlocutors have indicated that the country’s commitments under its WTO agreement have had little impact on how their businesses are functioning. Such observations suggest that there is more policy space available within the context of at least some GATS agreements than some scholars concede. The manager at a two-star hotel indicated, for example, that business was largely the same before and after Qatari membership in the WTO. But he added that membership has had a positive impact for the country in that it appears to have encouraged more interest in the hotel sector by foreigners, which supports theoretical assertions that WTO membership reassures potential investors.

972 Mansour al-Haidar (Head of WTO Affairs, Ministry of Business and Trade), in interview with author on November 9, 2009, and Economic Expert (Economic and Trade Organisations Department, Ministry of Business and Trade, Qatar), in interview with author on May 5, 2009.
973 Representative of large travel agency number one (Qatar) in interview with author on October 11, 2008 and manager at five-star hotel number two (Qatar) in interview with author on October 13, 2008. Also manager at four-star hotel number two (Qatar) in interview with author on October 14, 2008 pointed out that while the tourism sector had experienced little direct impact, the effect of the accord could be seen in its impact on intellectual property regulations.
975 The view that WTO
membership has boosted foreign interest in the Qatari market was shared by another manager at a three-star establishment. That manager indicated that he felt the country’s WTO agreement had been very important for international business investor confidence.  

Indeed, other interlocutors were disappointed that the agreement had not resulted in changes within the tourism sector. The focus here was on greater transparency and further competition which might result in a better local business environment. One manager discussed in particular at the lack of impact that the accord had had on local business operations, suggesting that improving the regulatory environment remained difficult. He said that local businessmen still had lots of power and so it is difficult to pass new rules or laws for ways of doing business.

Beyond, then, an intangible increase in confidence in the business environment that Qatar’s WTO membership may have brought, there was little indication that the services accord was having any direct impact on the development of the sector. The government has set out policy goals for the sector—name recognition and diversification while limiting possible detrimental aspects of the sector—and is pursuing those goals using a number of tools. There are longer term issues (discussed below) which may arise from the WTO agreements, but Qatar’s current situation has left it with time to build a more resilient local tourism industry better able to cope with regional or global competition. This dynamic impact of GATS suggests that states more generally must be alert to the need to develop policy and sector in line with existing policy space, as that space may shrink over time.

With regard to name recognition, the country’s ability to pursue its policy goal is unaffected by its WTO commitments. Qatar is pursuing a number of high-profile initiatives within the tourism sector in order to ensure greater international name recognition. As a strategy, it is aiming to base tourism on business visitors and

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976 Manager at three-star hotel number one (Qatar) in interview with author on October 12, 2008.
977 Manager at five-star hotel number two (Qatar) in interview with author on October 13, 2008.
978 Manager at five-star hotel number two (Qatar) in interview with author on October 13, 2008.
targeting niches. Another plank of the country’s name recognition strategy is development of the country’s airline, Qatar Airways, where an increasing number of destinations and passengers have helped to raise Qatar’s international profile. As a goal for the sector, name recognition does not have the same potential to conflict with GATS commitments that other goals—like ring-fencing jobs within the sector--might. Beyond simple name recognition is, however, the issue of image building. Control of the direction of tourism becomes more of an issue for those concerned about the type of image that the name conjures up. Qatar has, however, thus far managed to control the direction that its tourism sector is going, although in the longer run there may be more challenges in this area (see below).

Likewise, the country’s WTO commitments have had little impact on Qatar’s ambition to use tourism as a way of diversifying the economy and strengthening the private sector. Statistics suggest that diversification is proceeding, albeit slowly. But the issues which slow progress do not appear to be related to the country’s WTO commitments, but are instead related to local bottlenecks. Indeed, there is some argument that investment levels might increase if there were greater openness and further foreign investment were allowed thru GATS, which would speed the diversification of the economy toward tourism.

Officials have also said that they would like to see greater private sector involvement in the tourism sector. At present, there is ample policy space within the GATS for private Qataris to be involved in the tourism business. Under the GATS, foreign ownership of hotels is restricted to 49% of the shares. That said, while Qatar is not bound to allow majority foreign ownership in hotels, domestic law is less restrictive than the country’s GATS commitments, allowing for majority or even full foreign ownership. The Barwa Al Khor project is the most prominent example of a tourism-related project which has majority foreign ownership. This project nonetheless has a substantial Qatari minority stake, still allowing for considerable returns to the Qatari private sector.

979 Qatar Central Bank, “Discussion points for an interview with H.E. Sheikh Abdullah Bin Saud Governor of the Qatar Central Bank.”
980 Barwa, “Project at glance.” The Kuwait-based Al Imtiaz Investment holds a 60% stake while the local Barwa Real Estate holds 40%. Although none of the author’s interlocutors indicated that there was a preference for investors from other GCC countries over those from outside the region, cultural and business climate similarities probably contribute to the number of intra-GCC
In addition, for travel agencies and tour guides, Qatar makes no access commitments for foreigners in the GATS, and thus does not have to allow any foreign investment in that sector, leaving it open for domestic businesspeople. Finally, working within the sector is open to Qatari nationals, as Qatar makes no commitments on allowing foreigners to work in any of the tourism subsectors identified by the GATS agreement. Qataris do not now make up a significant proportion of the workforce in tourism, but should the government decide that it is a policy goal to increase the number of Qataris working in the sector, that route would be open to it.

Qatar is also interested in controlling the direction of its tourism development. This interest in controlling the direction of tourism relates in part to concerns about the possible impact that tourism may have on the local culture or the offense that might be caused to local sensibilities by inappropriate tourist behaviour or dress. More rapid diversification or greater economic opportunities for nationals in the sector must be balanced against the concern that local culture might be adversely impacted by large scale developments which bring in large numbers of tourists. At present, Qatar’s WTO agreement appears at present to give the country the policy space necessary to guide the direction of tourism development. The ability to steer the direction that the tourism sector takes also helps to ensure that the country’s other goals for the tourism sector—name recognition (with an eye toward image building) and, to a lesser extent, diversification—are met.

Some of these tools are potentially within the purview of GATS agreements. Included on this list are ownership requirements. But for Qatar, the country’s WTO agreements give it the option of limiting foreign ownership in the hotel sector. Unlike agreements signed by some WTO members, there are no requirements to allow full foreign ownership of either hotels or travel agencies. Likewise, the government has retained control over land ownership rules for investments. As discussed in the Oman chapter, it is also possible that there are some local preferences for control reasons for regional as opposed to international investors (see chapter 4, Oman, Five-star hotels).
foreigners, restricting outside investors to long leases rather than outright ownership.

Other policy tools fall beyond the scope of the WTO agreement and are also available to the Qatari government in its efforts to control the direction of the sector. For Qatar, the tools that it uses include marketing, liquor licenses, visa policies, and its own investment. Marketing of the country to wealthier tourists means more limited numbers, which helps to avoid some of the potential downsides of mass-market leisure tourism. This marketing is done in conjunction with the government’s investment programme in four and five-star hotels, which provide a high level of accommodation for visitors. Government control over the issuance of liquor licenses is another a policy tool which is used to try to ensure that behaviour does not deteriorate in a way that would offend local sensibilities. Likewise, visa policy is geared toward encouraging visitors that Qataris deem desirable while limiting access to those who have (rightly or wrongly) become associated with undesirable or criminal behaviour. There thus appears at present to be ample policy space for the government to proceed to develop the sector in the manner that it sees as best serving its interests.

5.10 Issues for the future

Time frames are also important for looking at the question of tourism development in Qatar. Although Qatar seems to have the policy tools necessary at present to develop its tourism sector as it would like, there are longer-term challenges which may emerge. While a number of these are related to local bottlenecks, at least one major potential future concern—that of overbuilding in the hotel sector—is related to the country’s WTO commitments.

Although occupancy rates in hotels are currently high, private sector interlocutors are concerned about the number of hotel licenses that have been granted and the possible impact that a concerted building campaign would have on the sector. Qatar does not at present limit the number of hotel licenses. Moreover, according to an official at the Qatar Tourism and Exhibitions
Authority, the Authority is not concerned about over-building and believes that there is enough business for the hotels that are licensed.\textsuperscript{981}

Others are, however, already seeing areas where difficulties might arise in the market. Asked whether or not there was overbuilding in the five-star market, the chief operating officer at Qatar National Hotels said that he believed so.\textsuperscript{982} He noted that in a QNHC survey a major oil company had said that after the global recession the company did not intend to go back to the five-star market for hotel rooms for their travelling workers, but would instead remain in the four-star market.\textsuperscript{983} In part, these concerns reflect questions about whether proper business plans and projections are the basis of the building boom that was particularly apparent in the latter part of 2008. As one manager suggested, in Qatar there is a tendency toward “emotional ownership,” with individuals creating buildings for image purposes rather than for a particular business purpose.\textsuperscript{984}

But whether Qatari officials eventually conclude that the market is saturated, the country’s GATS commitments will not allow economic means testing to determine the number of hotels that can be licensed. As Qatar did not list this as a possible exception to market access for hotels in its original GATS schedule, it would have to re-negotiate its agreement in order to obtain the right to limit the number of licenses. Such renegotiation would involve compensation and further concessions.\textsuperscript{985} That said, there is, however, no guarantee that the Qatari government would choose to act even if it had the power to limit numbers—as Weiss points out, government responses to development challenges are conditioned by local norms, historical experience and local

\textsuperscript{981} Tourism Authority official (Qatar Tourism and Exhibitions Authority) in interview with author on May 4, 2009.
\textsuperscript{982} Denis Sorin (Chief Operating Officer, Qatar National Hotels Company) in interview with author May 4, 2009.
\textsuperscript{983} Denis Sorin (Chief Operating Officer, Qatar National Hotels Company) in interview with author May 4, 2009.
\textsuperscript{984} Manager at five-star hotel number three (Qatar) in interview with author on October 14, 2008.
\textsuperscript{985} See chapter 3, General background on the GATS, Market access and national treatment. See also World Trade Organisation, \textit{General Agreement on Trade in Services}, Article XXI.
capacity. These norms, experience and capacity may steer the government to choose differently than some private sector interlocutors would want.

Admittedly, oversaturation would potentially exist whether or not the country has GATS commitments. But the GATS commitments have restricted the government’s ability to use what is a powerful tool to control a potential problem. The alternative is reliance on market forces to encourage businessmen to abandon projects when they become less viable because of the scope of competition. The relative merits of licensing and market forces are beyond the scope of this paper. But it is worth noting that the notion of “emotional ownership" mooted by one interlocutor suggests that the impact of market forces on overbuilding may lag substantially behind the economic impact of too many hotels.

Continued licensing and building in a saturated market could potentially mean pressure for an expansion of the types of tourists targeted. This could in turn impact Qatar's ability to minimise some of the less attractive potential side-effects of tourism, and in particular those associated with mass-market leisure tourism. Shaw and Williams argue that social degradation is a potential side effect of mass-market leisure tourism. Indeed, private sector interlocutors argue that if all of the hotels licensed are in fact developed then new markets would need to be found or existing markets expanded if occupancy rates are to be maintained, with some expressing serious concern about this issue. It is clear that the Qatar government does not want to attract holiday-makers on cheap packages--the country is interested in developing upmarket and business niches. But managers are worried that the expectations of this market may be too high. As the manager of one four-star facility suggested that, in light of

- Manager at five-star hotel number three (Qatar) in interview with author on October 14, 2008.
- Shaw and Williams, Critical Issues in Tourism, 96.
- Manager at five-star hotel number two (Qatar) in interview with author on October 13, 2008. He suggested that the number of upper-end hotels planned for the market was far too large for the market—he described the five-star hotels as “already competing hard.” He asked rhetorically where all the business would come from, and said that he was "scared" that there would not be enough business to go around. He also described himself as sceptical about the prospects for leisure tourism. Separately, the manager at hotel apartment company number one (Qatar) in interview with author on October 14, 2008 commented that the country needed more leisure tourists if the new hotel capacity was to be used.
future capacity issues, "what they (the Qatars) want and what they will achieve may be different." Another suggested that while the hotel was doing well currently, its concerns about overcapacity in the industry in future were driving it to look at an expansion of its leisure segment. The manager of a five-star hotel was even blunter, saying that the sector would not be viable with just exclusive resorts and top-end tourists given the number of hotels currently planned. Whatever market is targeted, the increase in hotel numbers means that more tourists will be needed to maintain occupancy levels.

Such statements suggest that Qatar might in future have less ability to control the direction that its tourism sector is taking. The argument here is not that competition is inherently bad, but it would have implications for the level of control that Qatar has over the development of its tourism sector. This would in turn impact both its control over name recognition (and particularly image building) and over the potential cultural impact that the sector might have.

But over-capacity is not the only issue for Qatari policymakers intent on steering the direction of tourism development. At present, Qatar is a relatively new destination, but as the novelty wears off, it may find attracting tourists more difficult. One interlocutor argued that Qatar needs to lower its expectations, suggesting that Qatar may find it faces problems similar to those in Dubai. In Dubai, he said, the prices are going down as Dubai’s mystic has eroded, and the emirate is now attracting a different market. With that market, they are now having social problems—he suggested that, for example, some tourists were going topless on the beaches there. He suggested that the emirate is now neither exotic nor trendy and the enormous development there (he used the example of the Atlantis with 1600 rooms) are going to attract a different market than Dubai originally sought. The potential for loss of mystic as the destination becomes better known is not a problem caused by WTO
commitments, but might be aggravated by the inability of Qatari officials to control licensing numbers.

Moreover, in the face of serious overcapacity, it is difficult to see that the other tools available to the Qatari government would be sufficient to alleviate difficulties. Further visa restrictions could be put into place, but such moves would almost certainly have a detrimental impact on local hotels, angering both local and foreign investors. Liquor licenses could be restricted, but such moves would probably reduce the number of visitors rather than simply encourage better behaviour. It is also possible that domestic regulations restricting these licenses in the context of efforts to reduce trade in services or discourage operators from opening hotels could be challenged in the WTO.\textsuperscript{995} Likewise, zoning regulations that were perceived as instituted for purposes of restricting trade, even if their ostensible purpose was otherwise, could be subject to challenge on those grounds.\textsuperscript{996} The government’s own targeted marketing could continue, but if discounted stays were available through local hotels such marketing would probably not reach the intended audience. Indeed, the government’s own hotels could potentially be competing for market share. Finally, social pressure on local owners would probably count for less if their investments were seriously under threat.

In addition to the question of market saturation, subsidies are a future issue for Qatari tourism development in the context of its WTO commitments. At present, there are no agreed limitations on subsidies, and negotiations on a code for subsidies have made little progress.\textsuperscript{997} Depending on how subsidies were defined, Qatar’s financial support of international conferences could be subject to WTO regulation. Limitations on the country’s ability to subsidise such events could impact its ability to pursue its political tourism agenda and more generally its name recognition agenda.

\textsuperscript{995} World Trade Organisation, \textit{General Agreement on Trade in Services}, Article VI, para 4, points a-c.
\textsuperscript{996} Dale Honeck (WTO official speaking in personal capacity) in discussion with author, February 2010.
\textsuperscript{997} Dale Honeck (WTO official speaking in personal capacity) in discussion with author, February 2010.
But whether future restrictions would impact policy space significantly is probably open to question. First, as a GATS member, Qatar can participate in negotiations on this issue, and it may be able to gather support from other countries that are wary of additional regulation. Second, even if the GATS eventually takes a position on subsidies which means that Qatar’s use of financial support of conferences is deemed unacceptable, the country will have had time to develop its reputation and standing. As such, the industry may no longer need the additional publicity brought by government-supported conferences.

5.11 Outlook for future WTO concessions

The context in which these issues will possibly arise also has the potential to change. The GATS treaty has a built-in agreement for further liberalisation, and the WTO’s (currently stalled) Doha Development Round involves an ask-offer process on services. 998 Some details of the ask-offer sessions between Qatar and the EU have been leaked. 999 But Qatari officials have indicated that they do not intend to respond positively to at least some of these requests. 1000 Rather, as an economic expert from the ministry of business and trade suggested, the status quo was likely for the tourism sector in terms of openness and foreign ownership. She noted that, for tourism, like all sectors, ownership under the country’s GATS commitments was restricted to 49% for foreigners and 51% for locals. 1001 Another government official confirmed that the country’s initial offer to the WTO in the Doha Development round had held no concessions in tourism. 1002

998 See chapter 3, General Background on the GATS, Future concessions. See also World Trade Organisation, General Agreement on Trade in Services, Article XIX.
999 See chapter 3, General Background on the GATS, Qatar’s specific commitments affecting Travel and Tourism related Services. See also “GATS 2000: Request from the EC… to Qatar.”
1000 WTO, “Trade Policy Review Qatar: Minutes of Meeting Addendum” 27. This document makes clear that Qatar does not intend to change its WTO commitment on full foreign ownership, a point that was reiterated by Economic Expert (Economic and Trade Organisations Department, Ministry of Business and Trade, Qatar), in interview with author on May 5, 2009.
1001 Economic Expert (Economic and Trade Organisations Department, Ministry of Business and Trade, Qatar) in interview with author on May 5, 2009.
1002 Government official (Ministry of Business and Trade, Qatar) in interview with author on May 5, 2005.
Although there has been little movement so far, other officials acknowledge that they may in fact be open to concessions generally in tourism. In this latter vein, Qatari officials confirm that they are in the process of a substantial review of the tourism sector, with an eye to identifying areas where concessions might be made. But this must be set against the warning by other officials that any future concessions will be made in the context of policy goals for the tourism sector. Policy formulation is thus far incomplete, but the statements suggest that the government’s current interest in developing the tourism sector (combined with local private sector investor interest) means that it is likely to consider carefully any future concessions that it makes for the sector.

Nevertheless, there is likely to be pressure on Qatar to make some concessions within the tourism sector. In part, this pressure will reflect the relatively low level of commitments that Qatar made during its accession. This pressure reflects the desire of negotiating partners to see countries like Qatar bring their bound levels up to actual existing practice, rather than leaving a margin for backpedalling. In Qatar’s case, an example would be foreign ownership rules, where the country’s bound commitments are significantly less than those codified in local law.

In addition, negotiations aim to see countries start talking about liberalising beyond existing levels and making bound commitments at new higher levels. For this, Qatar is likely to come under pressure from developed countries, which will be seeking higher levels of access. But at least some developing countries, which were forced in their accession negotiations to make higher levels of concessions, will be pressuring Qatar and other countries like it to make further

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1003 Mansour al-Haidar (Head of WTO Affairs, Ministry of Business and Trade) in interview with author on November 9, 2009 suggested that Qatar might be open to some changes in its tourism schedule.
1004 Mansour al-Haidar (Head of WTO Affairs, Ministry of Business and Trade), in interview with author on November 9, 2009, and Economic Expert (Economic and Trade Organisations Department, Ministry of Business and Trade, Qatar) in interview with author on May 5, 2009.
1005 Economic Expert (Economic and Trade Organisations Department, Ministry of Business and Trade, Qatar), in interview with author on May 5, 2009.
1006 Dr. Fadi Makki (Principal Booz and Company) in interviews and email with author November 24-26, 2009.
1007 Dr. Fadi Makki (Principal Booz and Company) in interviews and email with author November 24-26, 2009.
commitments which will lead to a more level playing field. One such example is energy services. Pressure in this instance will come from countries like Saudi Arabia which joined the WTO later and seek to see early joiners increase the openness of their energy services sectors in line with the concessions extracted from later joiners.

Qatar also presents a separate case for moral pressure to increase its level of commitments. The current round of WTO negotiations was launched during a meeting in Qatar in 2001, with the package of proposals under negotiation known as the Doha Development Agenda. Yet Qatar’s own new commitments thus far have been limited, and some argue that it should agree additional commitments to support the round that holds its name. In addition, as the round is named after the country’s capital city, Qatar may feel some internal pressure to help ensure its success or to at least be associated with initiatives that potentially push the process forward.

It seems clear then, that pressure will increase on Qatar to expand its commitments under the GATS. Depending on the type of commitments that it makes, it may see the policy space that it has to control the development of tourism shrink. While the impact of the current GATS agreement on development of tourism has been minimal, there is no guarantee that GATS will not in future have a greater impact on the policy space available to the Qataris to develop the sector as they seek.

As with Oman, the Qatari experience suggests more broadly for small states that the dynamic nature of GATS means that states must think about sector development over time. They need to think ahead in terms of the direction of their tourism sectors so that the commitments they make do not impede development. Likewise, they need to use existing policy space to ensure

1008 Dr. Fadi Makki (Principal Booz and Company) in interviews and email with author November 24-26, 2009.
1009 Dr. Fadi Makki (Principal Booz and Company) in interviews and email with author November 24-26, 2009.
1010 Dr. Fadi Makki (Principal Booz and Company) in interviews and email with author November 24-26, 2009.
1011 Dr. Fadi Makki (Principal Booz and Company) in interviews and email with author November 24-26, 2009.
resilience and long-term viability in the face of a changing system. Planning and policy development will also need to take into account both domestic and global constraints.
Chapter 6: How much impact has GATS had on tourism development in Oman and Qatar?

Do small states that are members of the WTO have the policy space necessary to develop their tourism industries in the way that they wish? This paper has set out to examine the impact of General Agreement on Trade in Services (GATS) on policy space within the tourism sectors of small states. It has used two case studies—Oman and Qatar—to act as the lenses through which to view this issue. Two broad questions have been examined—does policy space exist within the context of the GATS for development of tourism, and, if so, what is the balance of domestic and global forces in determining the direction of development of tourism? To answer these questions, it has been necessary to look at a number of issues—what policy goals do these two states have for their tourism sectors? Are they achieving those goals? If not, are the difficulties that they face in achieving goals the result of domestic or international issues?

Oman and Qatar are similar in many ways—both are small in a power sense. Economically, both have limited opportunities for diversity and are largely dependent on hydrocarbon wealth. Culturally, both are largely relatively conservative Islamic societies. Many in Oman adhere to the Ibadi branch of Islam while in Qatar, nationals tend to follow a conservative branch of Sunni Islam founded by Muhammad Abd al-Wahhab and colloquially referred to as the Wahhabi branch. Both have only recently begun to develop their tourism sectors in earnest.

While the countries are similar in these and other respects, there are some marked differences relevant to the questions that this paper explores. Qatar joined the WTO as a founding member, acceding to that organisation in 1996. Oman joined four years later, after a much more rigorous negotiation process. Qatar is wealthy by global standards, with one of the highest per capita incomes in the world. Its current wealth is backed by extensive natural gas resources, which promise to continue to generate income for the country for decades to
come. Oman, by contrast, has considerably smaller hydrocarbons resources, a larger population, and more immediate economic problems.

As small states, Oman and Qatar can provide some insight into the impact that the GATS has on similar states in their efforts to find policy space to develop their tourism sectors. They have been studied together as what Ragin calls “instances of the same larger category” in this effort to look at the impact of GATS on policy space in small states. As instances of small states, they together provide some evidence of what can be accomplished within the context of GATS accords. This argument is strengthened when reflecting that despite different goals in some instances and different accession times they are both still able to find space to achieve their policy goals for tourism within the framework of their commitments to the WTO. But their success has not been universal—each government has had difficulty in reaching some policy goals. Is the difficulty a result of GATS commitments or domestic factors? To answer this question, it is necessary to examine what goals each of these states has for its tourism sector and whether the difficulty is a result of domestic or international factors.

6.1 Policy goals

Oman and Qatar are both hydrocarbons producers, although the level of resources available is considerably different. Qatar is wealthy by global standards, while Oman is a middle-income country. Both countries, however, are seeking to diversify their economies through the development of tourism, and in both cases, tourism development is in the context of wider development plans. In Qatar, the main focus of economic development is the country’s natural gas resources and both upstream resources and downstream industries are being developed. The country is also seeking to develop services beyond the tourism sector, with financial and educational services in particular targeted. Tourism is thus a small part of the overall economic development programme there, although it is an important element of plans to meet the particular policy goal of name recognition. This lack of centrality to the overall development plans for the country may have influenced the lack of quantitative goals for this

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1012 Ragin, *Constructing Social Research*, 63.
sector. While measuring against goals is not possible, it is possible to assess overall growth. The Qatar Statistics Authority reports that the total number of visitors tripled between 2001 and 2007, reaching about 964,000.\textsuperscript{1013}

Likewise in Oman, the economic development landscape expands beyond tourism development. The need for diversification there is acute—the country’s more limited hydrocarbons resources are being deleted, and remaining oil in the ground is expensive to produce.\textsuperscript{1014} But while Oman’s hydrocarbons resources are more limited than those in Qatar, there is still a programme to develop downstream gas resources, with liquefied natural gas facilities a key element of that development. Oman also has some light manufacturing, as well as other industrial development focussed largely on the coastal city of Sohar. Policymakers have also targeted services for development, with tourism one of the main planks of the services strategy. From a very low base in the mid-1990s, the government originally hoped that tourism would account for 3% of GDP by 2020, but success has encouraged it to move the goal to 5%.\textsuperscript{1015}

As indicated above, the economic situations of the countries are different, and in these circumstances, it is unsurprising that at least some of their policy goals differ. Qatar, for example, is keen to use the sector to increase name recognition for the country, an ambition that Oman does not share to any significant degree. In large part because of its dwindling oil resources, Oman is concerned that maximum economic benefit from the tourism sector accrue to the local economy. It is focussed on local business participation and local job creation. In contrast, for Qatar, its greater wealth means that its interest in diversification is less urgent, and its concern about local participation is less explicit. Also, unlike in Oman, there are no explicit targets for employment. The labour pool of nationals in Qatar is much smaller, meaning that there is little pressure for private sector jobs, and Qatari nationals are not a significant part of the tourism workforce.

\textsuperscript{1013} Qatar Statistics Authority, \textit{Annual Abstract 2007}, table 157; and Qatar Statistics Authority. \textit{Annual Abstract 2008}, table 159.
\textsuperscript{1014} See Appendix two: Background on the reasoning behind diversification in Oman.
\textsuperscript{1015} Ministry of National Economy, \textit{Long-term Development Strategy (1996-2020)}, Chapter 4, point 4.6-9b. See also Ministry of Tourism, “About us: Objectives.”
In other areas, however, they share concerns. Both Oman and Qatar hope to avoid any local backlash from the development of their tourism sectors. Policymakers in both countries have concerns about the potentially less attractive cultural implications of tourism development, particularly given the relatively conservative local populations in each of these countries. Oman’s policymakers are also looking beyond these issues, seeking to preserve the built environment and the environment as they also push ahead with tourism development. For Qatar, the ability to control the development of tourism helps to ensure that its other goals of name recognition and diversification are also encouraged.

6.2 Is there policy space?

Oman and Qatar are seeking to achieve these tourism policy goals in the context of the commitments that they have made to the World Trade Organisation. Those commitments raise questions about whether there is sufficient policy space available to achieve policy goals. To start to answer this question, it is necessary to look at whether Oman and Qatar are achieving success in meeting their goals for tourism.

Anecdotal evidence suggests that name recognition of Qatar is up, in both business and political circles. Both government officials and local businesspeople argue this point. Their assessment is supported by the increase in visitor numbers and by the stream of relatively high profile international conferences that occur in Doha.\(^\text{1016}\)

Likewise, both Oman and Qatar have both achieved some success in diversifying their economies. In Oman, the success thus far of its tourism programme has encouraged the government to raise targets. The country’s growth plan had originally aimed to increase tourism to 3% of GDP by 2020, but that goal has now been raised to 5%. \(^\text{1017}\)

\(^{1016}\) See chapter 5, Qatar, Pursuing local policy goals: name recognition.
\(^{1017}\) Ministry of National Economy, *Long-term Development Strategy (1996-2020)*, Chapter 4, point 4.6-9b. See discussion below. See also Ministry of Tourism, “About us: Objectives.”.
In Qatar, there has also been some success--tourism’s contribution to the local economy has risen six-fold in absolute terms between 2002 and 2007. Moreover, for Qatar, the focus is on business visitors, with the leisure market accounting for only a small proportion of the total. A substantial proportion of these business visitors are in Qatar for the growing MICE (meetings, incentives, conferences and exhibitions) business, suggesting that the tourism sector is having some success in generating its own clientele rather than relying on businesspeople attracted by the oil and gas sector. But optimism must be tempered as other indicators are examined. As a proportion of the country’s GDP, the increase has been slower, with tourism accounting for 1.0% of GDP in 2007, up only marginally from its 0.5% showing in 2002.\textsuperscript{1018} For Qatar, then, the process of diversification has been slower than in Oman and arguably less successful.

Beyond the question of diversification, local involvement in the tourism sector is an important policy goal for Oman in particular. Oman policymakers are looking at involvement both in ownership and in employment terms. With regard to the former, Omani-owned hotels and travel agencies remain important actors in the sector. With regard to the latter—employment—Oman has defined Omanisation targets for tourism sector actors and these are generally being met in hotels, although there are indications that travel agencies have been less successful in achieving targets.\textsuperscript{1019}

Finally, both states appear to have, thus far, managed to avoid some of the detrimental cultural effects that frequently accompany mass leisure tourism development. In Qatar, Qataris seem to have a positive attitude toward tourists and tourism development. Younger Qataris in particular were said to be happy with development of the sector.\textsuperscript{1020} Likewise, the Omani government appears to be using successfully the various tools available to reduce the impact of tourism development of local culture and environment.\textsuperscript{1021}

\textsuperscript{1019} See chapter 4, Oman, Pursuing local policy goals: Employment of Omanis.
\textsuperscript{1020} See chapter 5, Qatar, Direction of tourism and local culture: the impact so far.
\textsuperscript{1021} See chapter 4, Oman, Pursuing local policy goals: Choosing the direction and protecting culture and the environment.
6.3 The impact of global and local constraints

The materials presented in chapters four and five and the brief summary above indicates that the GATS commitments made by Oman and Qatar have not impeded significantly their ability to achieve their policy goals for their tourism sectors. What tools are being used to meet these goals? Are they ones which are affected by their GATS commitments or do they fall outside of the purview of GATS? The types of tools used give an indication of whether, in future, the ability of these states to meet their policy goals might be impeded by further GATS commitments.

In addition, in some instances, policy goals are only partially met. For Qatar, the pace of diversification is relatively slow, and the tourism sector is still only a small proportion of the local economy. Likewise, in Oman, while parts of the industry are meeting their Omanisation targets, not all have achieved success. Are these situations a result of the encroachment of WTO commitments on local policy or are they the result of domestic issues? Are the tools that these countries can use sufficiently constrained by their international obligations that they are no longer able to achieve their goals? Or are domestic factors at play in constraining the ability of states to achieve policy goals set for the tourism sector?

6.3.1 Name recognition

Understanding the relative importance of GATS and domestic factors on tourism policy space for Oman and Qatar requires an examination of the impact that these factors have had on achievement of particular policy goals. For Qatar, one goal has been name recognition. But has GATS affected the ability of Qatar to achieve this goal? Have local bottlenecks had an impact on achieving this goal?

In its efforts to achieve name recognition, Qatar has used various tools—including marketing to specific niches and promoting the country through
growing its airline. The niches targeted include business tourism, sports tourism, and MICE tourism, and Qatar has experienced success in developing these markets. It has attracted a number of high profile business events—like Forbes CEO Middle East Forum and the upcoming World Petroleum Congress—as well as several international sporting competitions. Similarly, its efforts to promote “political tourism” which aim at increasing the country’s international political profile have met with some success, with the country hosting a number of UN meetings and other international conferences. The country’s WTO commitments have little impact on these efforts.

Name recognition as a goal differs, however, from many of the other types of goals that countries might set for their tourism sector. Those more typical goals would focus on economic returns, and would thus be more likely to come under the purview of GATS commitments, which aim to liberalise economic systems. For name recognition, the tools necessary to achieve this important policy goal largely fall outside the purview of GATS issues, providing Qatar with clear policy space to develop its tourism to serve this need. That said, in future, there may be some restrictions on the use of subsidies in services, which could potentially impact the sort of efforts that the government makes to support this sector (see below Beyond individual agreements).

6.3.2 Diversification and economic development

An examination of the impact of GATS on tourism in Oman and Qatar requires a look at the impact that this accord has had on efforts at diversification and economic development. Have GATS commitments affected the ability of Oman and Qatar to reach their policy goals of diversification and economic development? Have commitments reduced policy space and impeded efforts? Or do domestic issues play more of a role?

The goal of diversification is shared by both the Omanis and the Qatars. Both have targeted growth of the sector as a matter of government policy, and both have supported growth in the sector through investment in particular projects or

\[1022\text{ See chapter 5, Qatar, MICE tourism and name recognition.} \]
hotels. As noted above, both countries have made some progress toward diversification into the tourism sector. But both have faced some difficulties as they have sought to achieve fully their goals for diversification and economic development.

For Qatar, the pace of growth within the tourism sector and thus diversification of the local economy into that sector has lagged somewhat. Is this slower growth the result of domestic or global factors?

Qatar’s tourism is focused on business visitors and the country has used targeted marketing and support for construction of specialised facilities to try to support diversification into tourism. It has completed the temporary Doha Exhibitions Centre, and has announced plans for the new Doha Convention Centre. At the same time, the Qatar Foundation, a non-governmental organisation with close ties to the government, is building the Qatar National Convention Centre. In addition, it has built a state-of-the-art sports facilities and hosts teams that visit that facility. Investment in the country’s airline, Qatar Airways, has also helped in efforts to promote the development of the tourism sector. The government’s use of these tools to encourage diversification has not been challenged under the country’s GATS commitments. But they have not in themselves achieved the level of diversification that is apparently desired. Is this a result of global factors or local bottlenecks?

This study suggests that the constraint on Qatari tourism growth is the result of local rather than global factors. The findings have consistently pointed to problems with infrastructure development, which has lagged behind the country’s ambitious plans. The new airport has taken several years to develop and new hotel stock is coming on-line slowly. Entertainment facilities are also being created slowly—the country’s well-received museum of Islamic art was several years in the making, with the opening date consequently delayed. This lack of facilities inhibits the growth of leisure tourism in particular. This anecdotal evidence is backed up by statistics. For hotels, the figures show that occupancy rates are high in Doha hotels. During the peak season of

1023 Arabian Business, “Pearl of the Gulf.”
conferences and business, hotel occupancy throughout the city is very high, leaving little capacity for leisure tourists or additional business-focused events.\(^{1024}\)

There is also a question of local capacity. Qatar’s development efforts have thus far largely focussed on the natural gas sector. The projects in that sector are huge and the investment levels are high. Qatar’s liquefied natural gas exports are due to reach 76.4m tonnes/year in 2011, up from 44.7m t/y in 2009.\(^{1025}\) Other areas have also seen expansion in recent years---the manufacturing sector is now a diverse amalgam of petrochemicals, petroleum refining and fertilisers.\(^{1026}\) With a small population, Qatar’s pool of talented bureaucrats is necessarily limited in number. The ability to focus fully a range of talent on this additional sector is therefore constricted as it would be in any small population.\(^{1027}\)

These local issues, then, rather than GATS commitments, act as bottlenecks on meeting the local goal of diversification of the Qatari economy into tourism. The development of infrastructure, critically hotel rooms and indoor entertainment facilities, is taking time. The country’s stock of talented bureaucrats and policymakers tend to be more focussed on the developments elsewhere.

Perhaps ironically, strictly in terms of diversification and growth of the sector, supporters of the GATS would argue that Qatar could achieve its goal more quickly by further commitments to GATS, allowing greater foreign investment into the sector. But Qatari policymakers have more than one measure of success for tourism, and unfettered growth runs the risk of impeding achievement of other goals for the sector. In particular, in \textit{name recognition} terms, higher rates of growth in the sector might require Qatar to broaden its target clientele, thus potentially impacting adversely the image that it wants to project. Similarly, Qatar’s interest in maintaining \textit{control of the direction} that

\(^{1024}\) See chapter 4, Qatar, Pursuing local policy goals: diversification and economic development.


\(^{1027}\) See chapter 5, Qatar, Local bottlenecks. Qatar does buy in talent—in the form of expatriate management—but the ability of what is largely technical help in any industry to substitute for local high-level policy figures is somewhat limited.
tourism is developing would potentially be adversely affected by substantially increased foreign investor access.

Also, if Qatar were to allow more foreign investment, it would find it more difficult to ensure local business involvement in the sector. Qatar’s GATS agreement currently gives it substantial leeway in this regard—it has no commitments for allowing foreign investors in travel agencies or tour guides. Moreover, for hotels, it is only committed to allowing foreign partners to hold a minority stake. Additionally, the country made no GATS commitments allowing foreigners to work in the tourism sector, thus leaving potentially as many jobs as Qatars might want available within tourism.

Oman shares with Qatar the goal of further diversification of its economy into tourism. Omani policymakers are also particularly interested in ensuring that local companies have a role in the sector. Moreover, for the Omanis, unlike the Qatars, employment creation for the local population is an important policy goal for the tourism sector. As discussed above, Oman is meeting its broad goals for diversification of the sector. But beyond the general measures of success, the country’s economic development goals need examination in light of domestic and global constraints.

To achieve its employment goals, Oman uses explicit Omanisation targets for businesses to ensure that a high proportion of the local staff is Omani, a policy that falls clearly under the purview of GATS. Government standards require that at least 65% of staff in hotels should be Omani. The same rates of Omanisation are expected of travel agencies. But hotels acknowledge that they are at times struggling to maintain these rates, and the caginess of travel agencies in reporting their Omanisation levels suggests that they too are having difficulties meeting Omanisation requirements. Likewise, Oman is licensing foreigners to work as tour guides despite its goal of 100% Omanisation of this sector.

1028 See chapter 4, Oman, Pursuing local policy goals: Employment of Omanis.
1029 See chapter 4, Oman, Pursuing local policy goals: Employment of Omanis.
1030 See chapter 4, Oman, Tour Guide Services.
Oman is thus not fully achieving its policy goals for Omanisation in the tourism sector. But, rather than a constraint resulting from the country's GATS commitments, local labour market constraints are the reason that more Omanis are not employed by hotels and travel agencies. There is a lack of trained Omani who are willing to work the gruelling hours at the rates of pay available in the industry. Likewise, for tour guides, the failure to reach the goal of 100% Omani employment in this sector reflects local constraints rather than GATS issues--there are simply not enough Omani with the necessary language skills to fill all the positions that are available.\textsuperscript{1031}

Indeed, Omani government targets for employment in the hotel and travel agency fields are actually below the maximum levels set by GATS. During their GATS negotiations, the Omanis managed to retain the right to limit expatriate employment in hotels to 20% of the total. This level thus provides the country with the necessary policy to fulfil its employment goals certainly for the short- and medium-term. With actual employment levels of Omani lower, this commitment allows the Omani government to require hotels to make substantial increases in their Omanisation levels without violation of the GATS accord. Likewise, through tough negotiation, Oman managed to ring-fence employment in its tour guide sector for Omani only. The Omani government can thus require local firms to employ only Omani as tour guides, and remain in compliance with its WTO obligations.

Beyond the question of Omanisation, Omani policymakers are also keen that local business benefit from development of the tourism sector. In terms of meeting this goal, the current situation is substantially positive for the hotel sector. At present, Omani-owned hotels are an important feature of the hotel sector. Most five-star hotels in the capital area are wholly Omani-owned ventures, and Omani own a growing chain of three and four-star hotels.\textsuperscript{1032}

The success comes despite the fact that, for hotels, Oman has made substantial commitments under the GATS to allow foreign competition to enter the sector. Foreign investors may own a stake of up to 70% in local hotels. Lead

\textsuperscript{1031} See chapter 4, Oman, Tour Guide Services.
\textsuperscript{1032} See chapter 4, Oman, Pursuing local policy goals: diversification and development.
times and investment levels are admittedly longer for this part of the sector, meaning that in the short-term the impact on the local industry has been minimal. But Oman’s ability to achieve its policy goal of local involvement in the sector will in the longer run potentially be impacted by its GATS commitments. Already a number of large projects have foreign partners, and over time, there will be more foreign competition as these projects are completed. The long lead times may provide an adequate adjustment period for local businesses to adapt their practices and hone their skills. But the increased competition will almost inevitably mean that Omani businesspeople will have to invest more themselves or market better if they are to maintain their market share.

But for travel agencies, allegedly sharp practices by new foreign competition have cut into their business. The situation with travel agencies results largely from the country’s GATS commitments. Under GATS, Oman has committed to allowing foreign investors to take a stake of up to 70%. For travel agencies, the lead times to establish a business are not substantial, and the required investment is relatively low. As a result, the opening of the sector as required by GATS has already resulted in competition in at least some areas of the industry. Not all businesses have been affected, but it is clear that in at least some instances the GATS openings have resulted in less business going to local ventures.¹⁰³³

But it is important to note that the impact of GATS varies. For Oman and Qatar, their differing levels of commitments to the WTO, reflecting the different times that they joined the organisation,¹⁰³⁴ mean that their ability to achieve their diversification policy goals varies in some cases. For Qatar, the relatively low level of commitment to the GATS resulting from early membership has meant that it has substantial leeway in meeting its diversification policy goals and its GATS commitments have little impact on its ability to meet those goals. Rather, the current difficulty in achieving further diversification is a result of local bottlenecks rather than GATS commitments. The level of commitment required for Qatar’s membership has meant that the price of membership in policy terms has thus far been small.

¹⁰³³ See chapter 4, Oman, Travel agencies.
¹⁰³⁴ See chapter 1, Literature review, How do small states fare in WTO negotiations?
For Oman, its GATS commitments are higher as a result of later membership and more significant concessions. It difficulties achieving its diversification and economic development goals result from both domestic and international causes. Although its GATS commitments cover Omanisation issues, local bottlenecks account for the short- and medium-term difficulties in achieving employment goals. Likewise, Oman is able in the short- and medium-term to achieve its goal of local business involvement in the hotel sector because of the long lead times needed to construct facilities. But for travel agencies, increased liberalisation under the GATS has resulted in additional competition from foreign providers. Arguably such competition is not inherently bad, but it does reduce the returns for the tourism sector that are accruing to the local economy. Oman’s situation shows that GATS commitments in tourism can impact a country’s efforts to pursue a particular policy direction, in this case, maximising returns of tourism to the local economy.\footnote{Alternative goals are possible—competition might maximise price benefits to consumers or might increase innovation in the economy.}

In the longer term, there are also other potential issues around the number of hotels built that could arise as a result of GATS commitments made by Oman and Qatar (see below, Different situations, but potentially similar longer-term problems). In addition, there may be longer-term pressure to increase the level of commitments under GATS, which would alter the policy landscape (see below, Future pressures).

\textit{6.3.3 Control of direction of tourism development}

Understanding the relative impact of GATS and domestic factors on the tourism sectors in Oman and Qatar also requires an examination of the impact that they have on the ability of states to control the direction of the sector. Have GATS commitments constrained the ability of Qatar and Oman to control the direction of their tourism sectors? How important are domestic factors?

As with other policy goals that Oman and Qatar have set for their tourism sectors, the discussion above indicates that both countries have been
reasonably successful in controlling the direction that development of tourism has thus far taken. This control reflects their use of a number of tools as well as current circumstances within their sectors. Although the short-term efforts at control do not suggest any serious shortcoming in these countries’ abilities to meet their goals, it is still useful to look at the ways that they are seeking to control the sector and whether the future effectiveness of these tools will potentially be affected by local or global constraints.

In terms of tools, both countries have used marketing to build inward flows, and are targeting the upper end of the tourism market. For Qatar, the marketing goes beyond the leisure market to target particular niches including business tourism, sports tourism and MICE. Oman has also expressed interest in the MICE sector, although its efforts are not as developed as those of Qatar. With their marketing strategies, both countries hope to maximize earnings in their sectors without encouraging large numbers of visitors and incurring substantial cultural costs. The regional competition for MICE is, however, fierce, and marketing for MICE business may not be successful.

Both countries also support their marketing efforts with investment in upmarket hotel and resort facilities. Oman has taken substantial stakes in a number of large-scale ventures, seeking to ensure that it has some influence over the ventures. Likewise, the Qatari government owns several of the country’s major hotels through the Qatar National Hotels Company.

In addition, both Oman and Qatar are using visa policy to try to ensure that their tourism sectors develop in the way that they deem appropriate. In both instances visa policy aims to encourage Western visitors while discouraging visitors from countries which have, whether or not with justification, earned a

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1036 See also chapter 4, Oman, Pursing local policy goals: choosing the direction and protecting culture and the environment and chapter 5, Qatar, Pursuing local policy goals: direction of tourism and cultural impact.
1037 For fuller discussion of these issues, see chapter 4, Oman, Tools: Targeted marketing and chapter 5, Qatar, Tools: targeted marketing.
1038 This assessment was confirmed by statements made by HE Mohammed Hamood al-Tobi (undersecretary of tourism) in discussion with author, October 2008.
1039 See chapter 5, Qatar, Tools: Government investment.
reputation for criminal or, by the conservative standards of these societies, morally questionable behaviour.

Liquor licensing policy also acts as a method of control for Qatar as it seeks to direct tourism development. Control over these licenses helps to limit the places that alcohol will be consumed, thus enabling more conservative locals to be assured that they can avoid such places. It also helps to limit the potential for behaviour that might offend local sensibilities.

Oman uses regulations of standards for buildings. Architectural standards are applied to foreign investment projects and local projects alike and help to ensure that the country’s built environment does not veer away from policy guidelines.\(^{1040}\)

Ownership requirements also play a role in both countries in their efforts to control development of the tourism sector. The ability to require at least a proportion of national ownership in hotel projects appears to give some control over the direction of projects.\(^{1041}\) Likewise, land ownership restrictions are also in place in both countries, which help to control longer-term foreign investor actions in the sector.\(^{1042}\)

Limitations on access are another simple tool available for preservation of environmentally sensitive areas. In Oman, the ministry of tourism has used limiting road access as an effective way of reducing tourist traffic to potentially sensitive and fragile sites.\(^{1043}\)

\(^{1040}\) Representative of large travel agency number one (Oman), in discussion with author, October 2008.
\(^{1041}\) See chapter 4, Oman, Tools: Equity Investment and chapter 5, Qatar, Tools: government investment.
\(^{1042}\) But these ownership restrictions are probably less effective as tools of control than some other tools available to these states. The availability of long-term leases means that the role of land ownership restrictions as a deterrent is limited. Similarly, while local partners might be more susceptible to influence from the government than foreign nationals, if they were minority partners they would not necessarily be able to sway the direction of a project. Even if they were major stakeholders, government efforts at moral suasion might not succeed if the policy that the government was seeking to sell involved businesses having to forego considerable profits.
\(^{1043}\) HE Mohammed Hamood al-Tobi (undersecretary of tourism) in interview with author, October 2008.
Are these tools potentially under the scope of the GATS? In some instances, the tools that these two states are using are covered by the GATS. Most clearly, ownership issues come under the purview of GATS commitments. Qatar’s commitments are less onerous than those in Oman. As discussed above, Qatar can limit foreign ownership to a minority stake under its GATS commitments, while Oman must allow a stake of up to 70% to foreign owners. Likewise, GATS covers questions of land ownership rights. But both Oman and Qatar managed to negotiate deals which have allowed them to keep these restrictions in place.

Liquor licenses and regulations on building standards could potentially fall under the scope of the GATS, which has some purview over domestic regulations. But the formulation of such standards would be an important determinant of whether they were governed by GATS rules. If restrictions on liquor licenses were made on the basis of social concerns, then, although they could be challenged under the GATS, that challenge could potentially be defended as long as the principles of national treatment and most favoured nation were not violated. But if such restrictions were aimed at reducing interest of hotels in opening new facilities, then they could be viewed as trade restrictive and challenged. Similar arguments can be made about building regulations. Insofar as one of the key aims of both Qatar and Oman is to control the direction of tourism and its impact on their local cultures, the potential scope to widen restrictions on alcohol licenses for social reasons is a potentially important tool.

In addition, other tools are beyond challenge in the GATS framework. Visa policy, which is an important tool used by these two states to control the direction of tourism development, falls outside the regulatory framework of GATS. Likewise, marketing policy is beyond GATS. GATS does not concern itself with explicit control over the direction that a particular tourism sector takes—be that direction business tourism, leisure tourism, or mass tourism. Government investment in the sector is also beyond the scope of the GATS. In addition, Oman’s creative use of road policy to limit access to environmentally

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1044 Dale Honeck (WTO official speaking in a personal capacity) in interview with author, February 2010.
sensitive areas is beyond the scope of GATS, and thus an effective means of limiting environmental damage to an area.

Other factors—which are the result of local conditions rather than global commitments—have probably also worked to the advantage of policymakers in this area. Qatariis are a relatively small proportion of the workforce in the tourism sector, and so the cultural backlash that might occur elsewhere from locals acting as waiters and serving alcohol in hotels is less likely to arise. Given the overall wealth of the Qatari economy, significant change in tourism employment patterns is unlikely—the sector will continue to depend on expatriates to fill most positions.

The experiences of these two countries thus suggest that, despite their WTO commitments, they have a number of tools available which give them substantial control over the direction that their tourism sectors in the short term. The ability to control comes from both tools that fall under the regulatory purview of GATS and those which do not. But the situation is dynamic. Over the longer term, local commercial pressure, exacerbated by the country’s WTO commitments, may mean that there is pressure to change or limit the use of these tools in ways which are detrimental to the country’s efforts to maintain control over the direction of tourism development (see below, Different situations, but potentially similar longer-term problems).

6.4 Different situations, but potentially similar longer-term problems

While both countries seem to have appropriate tools to achieve most of their policy goals in the short- to medium-term, there may be longer term issues which impact their ability to achieve their policy goals. In particular, overbuilding in the hotel sector may affect their ability to control the direction of tourism development. Likewise, as relatively new destinations, both are currently able to command mystique and a premium. But as the newness fades, they may find it more difficult to attract the top end of the market with its premium prices. Other issues—like the impact of regional competition for tourism business—may also make achieving goals more difficult.
With regard to the potential for overbuilding in the hotel sector, GATS commitments are an issue for both countries. Oman and Qatar have both agreed that they will not limit the number of hotels in their countries. These commitments arose out of very different situations. In the case of Qatar, which joined the WTO early, this commitment does not appear to have been the result of any particular pressure, but rather a reflection of existing practice.\footnote{1046 See chapter 5, Qatar, Qatar and GATS negotiations.} Qatar does not appear to have challenged the market access commitment for hotels as policy was not focussed at the time on tourism development. As such, this commitment was included more by default rather than intention. In the case of Oman, however, the country was under pressure to confirm to the market access requirements of the GATS, which include a limitation on the use of quantitative restrictions.\footnote{1047 See chapter 4, Oman, Oman’s strategy in GATS negotiations.} Policymakers decided that they would accept the commitment, but it was made in the context of a much smaller and less vibrant tourism sector.

Since the time of these commitments, both countries have seen substantial increases in the size of their tourism sectors and in business investment interest in those sectors. This interest in investment has, in turn, led to concerns about overbuilding, but GATS commitments restrict the actions that Oman and Qatar can take to counter the possibility of overbuilding. For these two states, then, the particular prohibition on restricting market access is at this time an easily identifiable issue that has arisen as a result of GATS commitments. But depending on the direction of the country’s development in future, other prohibitions may become more important while this one on hotels may become less of an issue. But for now, the current direction of development—currently toward Muscat or Doha-based hotels—makes the particular GATS prohibition an important one.

Some would argue that market forces would act as the best control over the number of hotels. That argument is beyond the scope of this study. But, whether or not a country’s economic philosophy would encourage it to control the number of hotels through licensing or other procedures, Oman and Qatar may not use this tool under their GATS commitments. Likewise, the potential
loss of mystic as a destination grows is not unique to countries which are WTO members. But the GATS commitments on hotel sector expansion may aggravate such problems, or place limits on the potential ways that the problems could be contained.

The level of concern about overbuilding differs. In Qatar, the business community is worried about the number of hotel licenses that have been granted and the small market that the government is currently targeting. Qatari government officials are, however, confident that there will be sufficient business for the hotel industry. In contrast, in Oman, government officials are worried about overbuilding. The ministry of tourism is looking ahead at numbers of potential visitors and the number of hotels planned, and is concerned that demand will not be adequate for potential supply. To address this issue, Omani officials would like to limit the number of hotels licensed. Their WTO obligations do not, however, allow them to follow this course of action.

Without the ability to limit licenses, the hotel sector in both countries may become saturated. This in turn may encourage an expansion of the type of market that the country targets and the prices that it charges as businesses or governments seek to ensure that hotel rooms are filled. This situation would, in turn, potentially affect the achievement of many policy goals. In particular, if the countries or hotels felt it necessary to market to a more mass-market leisure group in order to fill rooms, it would become difficult to minimise the cultural impact of the tourism sector. Likewise, in Oman’s case, minimising the environmental costs would become increasingly difficult.

In addition, in the longer run for Qatar, these circumstances would mean that one of the challenges may be the type of name recognition that evolves. Qatar is seeking to achieve the image of a cosmopolitan upmarket destination. But over time its ability to maintain that image may diminish, as the number of hotels increases and the country needs to find new or bigger markets in order to make the hotels viable.

1048 HE Mohammed Hamood al-Tobi (undersecretary of tourism) in discussion with author, October 2008.
1049 See chapter 4, Oman, Hotels: Quantitative restrictions.
Beyond control of the direction of tourism and the issues of name recognition, a large and saturated hotel market could have a mixed impact on a country’s ability to achieve its economic development and diversification goals. In both countries, a shift downward in the market would probably see a drop in spending per visitor, meaning that growth in arrivals would be essential to ensuring that diversification income and plans stayed on track. Additionally, in Oman where employment is an issue, the number of Omanis employed per visitor when the country is targeting the high end of the market is almost certainly higher than the number employed to provide service to those paying less at the middle or lower end of the market.

Indeed, it is likely that both countries will have to rely on market forces to limit the number of hotels as a saturation point is reached. However, in the case of Qatar particularly, the timeliness of the market’s reaction is open to question. One interlocutor argued that there is quite a lot of “emotional ownership” in the hotel business in Qatar, and decisions to build on this basis are not generally backed by a well-researched business case. In these circumstances, it is unlikely that the market will react quickly enough to avoid oversaturation and (probably painful) adjustment.

The issues associated with the expansion of hotels are considerable for both countries, and the commitments to GATS have taken away the ability of these governments to limit the number of hotels that are built. But do they still retain sufficient tools to meet their policy goals despite the loss of this particular instrument?

A range of tools currently used by governments to steer the direction of tourism are discussed above. But large scale growth in the hotel sector would increase pressure on the governments if private businesspeople felt that they were losing money. For example, the governments could in theory strengthen their visa regimes, which would potentially act as a deterrent to visitors. This tool has the potential to act as a powerful constraint, but its power cannot be judged in

1050 Manager at five-star hotel number three (Qatar) in interview with author on October 14, 2008.
isolation of other circumstances. But tighter visa restrictions would not be a positive contribution to the image of the destination. In addition, there might in fact be local pressure for the opposite—businesspeople might demand that the government be more lenient in criteria in order to increase visitor numbers and fill hotels.

Similarly, targeted marketing of the upper end of the market could continue unhindered by GATS commitments. But effectiveness of this tool—which is currently an important one—would probably be undermined if local hotels were forced to offer considerable discounts as competition increased.\textsuperscript{1051} Local businesspeople would likewise be less likely to be responsive to pressure from the government if they were losing money on their hotel investments.

There are other possibilities as well. Qatar could also stiffen its requirements for liquor licenses. Such a move would potentially discourage more rowdy visitors, and could potentially be an effective tool in reining in numbers and protecting local social fabric. If done for this latter reason, it might be considered a social issue. But, as discussed above, depending on how it was formulated, increased regulation might be challenged on the basis that it was instituted as a trade restriction rather than a social issue,\textsuperscript{1052} or simply that it was “more burdensome than necessary.”\textsuperscript{1053} Local pressure to encourage more custom could affect other areas. In Oman, the government might also come under pressure to increase the number of tarmac roads to fragile areas as businesspeople sought to attract more visitors. But such moves would likely impact the market that

\footnotesize{\textsuperscript{1051} In Oman, this might produce some difficulties because of the minimum rate agreement under which hoteliers are not allowed to lower room prices below a certain level. See chapter 4, Oman, Tools: targeted marketing.  
\textsuperscript{1052} Dale Honeck (WTO official speaking in a personal capacity) in interview with author, February 2010.  
\textsuperscript{1053} World Trade Organisation, \textit{General Agreement on Trade in Services}, Article VI, paragraph 4(b). The GATS agreement requires that countries ensure that domestic regulations on licenses and technical standards are “not more burdensome than necessary.” There are also national treatment issues that could arise. If, however, the regulations were applied without discrimination on the basis of local or international suppliers, then presumably the local authorities would not fall foul of the national treatment requirements of the GATS. But as the case cited in chapter 3, there is some debate about the interpretation of US-Gambling, suggesting on the one hand that there may be market access issues or on the other at least the need to apply rules consistently if legal challenge is to be won. See chapter 3, General Background on the GATS, Domestic regulation and subsidies.}
Oman was able to attract—interest by eco-tourism enthusiasts would diminish as fragile sites were increasingly opened and exploited.

The latter issue in particular exposes some of the complexity of GATS commitments. The commitments themselves would not oblige governments to increase the level of tarmac roads to fragile areas. But such actions could result from pressures created by adhering to GATS obligations.

In sum, the indirect tools that are currently helping both Oman and Qatar control the direction of their tourism sectors will probably become less effective in the longer run if the hotel sectors become saturated. It is thus possible that in the longer run policy goals and expectations would have to be adjusted as the sector matures. Governments and businesses may of course be able to ameliorate at least partly the impact of market expansion by innovative marketing and development of new sites. But such moves will require investment of energy and money to ensure even partial success. Such situations are not unique to countries with WTO commitments. But, in these cases where the ability to restrict hotel numbers was not included in their agreements, Oman and Qatar have lost a potentially valuable tool which might have helped ensure that they achieved policy goals.

That said, the situation for both foreign and domestic hotel owners will also be dynamic. In Oman, the scale of investment by some foreigners will give them a vested interest in good relations with the government, making them more likely to be good citizens on issues like cultural implications of tourism. Likewise, partners in eco-tourism projects will have an interest in ensuring preservation of the natural resource and surroundings which attracts tourists. The balance or results would, however, be complex and unlikely to be replicated exactly.

The dynamics of the situation is also clear when the question of market access for hotels is examined. When Oman and Qatar made their commitments, market access for hotels was not an issue. As the tourism sectors in these two countries have developed, however, overbuilding has become a worry and market access has become a much more important restriction than it probably appeared to be when the agreements were negotiated. In future, different
directions for the sectors may mean that other GATS commitments have the potential to play an important role in restricting policy space.

GATS issues must also be put into the wider context, as that context will shape policy goals and mean that the importance of particular GATS restrictions may increase or decrease. While tourism produces economic gains for some sectors of the economy, it can also produce costs or losses. Fishermen wanting access to coastal areas where they have traditionally used nets may find themselves in conflict with new resorts. These sorts of clashes of interests may in turn influence policy direction, with governments potentially offering incentives for investment in other areas. But these clashes may also serve to highlight to the local population the impact of GATS commitments. In the cases of Oman and Qatar, restricting licenses for hotels in traditional fishing areas would potentially be open to challenge in the WTO. Whether such a challenge would be upheld is open to question, but it would almost certainly serve to make further WTO commitments extremely unpopular in many segments of local society.

Outside factors can also play a crucial role. Terrorist acts can impact the pace of development of tourism and the interest of investors. If as in the case of hotel development GATS really only has an impact when development has reached a particular threshold, then such outside factors must be examined to determine the potential impact of GATS. Such factors may delay the impact of GATS, but a delay should not be mistaken for a lack of impact.

6.5 What do Oman and Qatar teach about the GATS more generally?

This study has looked at the impact of GATS commitments on the policy space available for small states in their tourism sectors. Although a study of two states does not provide conclusive evidence, this study does suggest that there is policy space for small states to pursue their goals in tourism within the context of the GATS accord. But that policy space is truncated in some ways, and the impact of the GATS varies over time and depends on the specific issue. The GATS impact also depends critically on the types of agreements that states are

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1054 Dale Honeck (WTO official speaking in a personal capacity) in interview with author, February 2010.
able to negotiate. The dynamic nature of the system—with its built-in agreement for further negotiations—means new (and variable) pressures on states. Such negotiations, as well as negotiations on protocols for domestic regulations and subsidies, bring the inherent risk associated with commitments that will affect future policy choices.

In the cases of Oman and Qatar, market access for hotels appears to be a crucial issue over the medium term, as it appears that there is potential for overbuilding in the sector and their GATS commitments restrict their ability to limit hotel licenses. But over the longer term, the dynamic nature of the sectors as well as the potentially dynamic nature of the agreements, mean that other GATS commitments may start to play an important role in policy space questions.

6.5.1 Existing agreements

The experiences of Oman and Qatar show that, within the context of existing GATS agreements, there is policy space to develop the tourism sector in line with domestic policy goals. The examples cited above and in chapters four and five provide details of this policy space. Oman and Qatar have pursued diversification, employment, name recognition, and other goals with at least some success despite GATS commitments. There have, however, been some instances where their ability to achieve goals has been truncated. The situation of travel agents in Oman provides an example where the relatively low levels of investment required by this sector meant that the impact of the GATS was reasonably quick, and adversely impacted the Omani government’s ability to ensure that the maximum economic benefits accrued to local business.

It is also clear that the quality of the policy space available to small states depends on the type of agreement negotiated. In Qatar, the situation is easier, reflecting in part its lower level of commitments. Qatar is not, for example, committed to allowing foreign investors to hold majority stakes in the hotel industry, which might increase foreign interest in the sector and encourage even
faster development.\textsuperscript{1055} For Oman, the commitment to greater foreign investment levels has encouraged foreign investment in the sector, and potentially a faster build-up of hotel capacity. But, that said, Oman has still managed to pursue its interest in preserving its culture, its environment and its built environment in the context of its WTO commitments. In the longer run it will face more challenges, particularly with regard to its culture and its environment, as the number of hotels increases.

The types of agreement made reflect in part the time frame for accession. Countries which have negotiated their membership of the WTO in recent years have found the process difficult, and have had to make substantially more concessions than countries which joined early. Oman and Qatar provide clear examples of this pattern—Oman joined later and made commitments in 92 out of 160 sub-sectors, while Qatar was an original member and made commitments in only 46 subsectors.\textsuperscript{1056}

In addition to the provisions of the GATS agreements, the ability to find policy space to develop the tourism sector in line with local objectives depends on the type of goals that a state is pursuing. GATS by its nature focuses on economic impacts. But there is a range of policy goals for the tourism sector which are not economic, and are very important parts of the outcomes that a government may seek to achieve. Oman and Qatar have shown that goals within tourism can reflect different policy issues, and GATS may have little impact on the achievement of some of these goals. For example, Oman has been able to ensure standards in its built environment, and, as long as regulations are applied universally, it appears that they will avoid any conflict with GATS. Another example is found in the situation of Qatar, which has prioritised the non-economic goal of name recognition, and its GATS commitments in the short and medium term have little chance of impacting the country’s ability and tools used to pursue that goal.

\textsuperscript{1055} In any case, it may be that local ownership producing adequate (or more than adequate) supply in the hotel sector, given that at least some in the sector contend that hotels are established without proper business plans or forecasts of tourist numbers. Manager at five-star hotel number three (Qatar) in interview with author on October 14, 2008.

\textsuperscript{1056} Grynberg, Dugal and Razzaque, \textit{An Evaluation of the Terms of Accession to the World Trade Organization}, 71-72.
This study of Oman and Qatar also shows that some of the implications of GATS membership only become clearer over time. The longer term implications of GATS agreements for the Omani and Qatari hotel markets are one example. The commitments made by Oman and Qatar limit policy options and thus may impact the direction that tourism takes. But such outcomes are not always inevitable—long lead times will give some opportunities for local businesses to hone their skills to face competition. These long lead times may also provide the opportunity for states to change their own strategies to deal with the potential implications of their commitments—they could, for example, put into place better training programmes for tourism managers. But this may not always be the case—in cases like the cultural impact of tourism, the time scale does not allow for amelioration of the impact.

The importance of particular GATS commitments also reflects the policy stances taken by governments and the policy directions that they wish to take. Omani and Qatari interest in low intensity and low impact tourism means that extensive building encouraged by GATS market access commitments has the potential to derail policy. But in other states, where policy is to encourage actively further investment in hotel infrastructure, such commitments potentially help achieve policy goals.

### 6.5.2 Future pressures

GATS is not static, and so its relative impact on small states will change over time. This study has highlighted that pressure comes at different times for different small states in the WTO processes.

The GATS agreement’s built-in commitment to negotiations on further liberalisation means, moreover, that there will be additional pressure in future on all states, including small states, to open their economies more comprehensively.\(^{1057}\) That said, as members, countries cannot be forced to

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\(^{1057}\) Other factors will have an impact on this sector as well. In Oman, the country’s free trade agreement with the US allows US companies to have 100% ownership of hotels in Oman. That accord also allows for 70% ownership of restaurants. Similarly, the proposed EU-GCC free trade agreement would provide for 100% EU ownership of 4-star and 5-star hotels in Oman. Dr.
make concessions. But this study suggested that the situation is more nuanced, and the pressure that small states feel for future concessions will reflect in part the level of their existing commitments. Countries like Oman, which joined later and made more concessions, have come together as the recently acceding countries (RAM) group.\textsuperscript{1058} This group, which includes states like Jordan and Saudi Arabia as well as China, contend that they have made sufficient concessions for membership. They want to see other states with fewer commitments ratchet up their WTO agreements before the newly acceding states agree to further liberalisation measures. Their argument has apparently met with some sympathy, and they have, thus far, been able to resist pressure for further concessions.\textsuperscript{1059} Separately, Oman has made clear that it is not interested in making further commitments.\textsuperscript{1060}

In contrast, countries like Qatar which joined the WTO early and had relatively low levels of commitments are likely to come under greater pressure than those that joined later and made higher levels of bound commitments. Indeed, some developing countries which made high levels of bound commitments are joining developed countries in the call for countries that joined early to increase their bound commitments.\textsuperscript{1061} Saudi Arabia is a case in point.\textsuperscript{1062} The Saudis have joined the EU and the US in calling for 25 countries (including Qatar) to liberalise their energy services regime. The Saudis have already liberalised this sector as part of its WTO commitments and now would like to see other

\footnotesize{Said al-Riyami (member of Oman's GATS negotiating team, and Economic Expert in the Ministry of Commerce and Industry), in discussion with author, October 2008. These commitments would affect the level of control that the Omani government has over its tourism sector, and would provide further openings for major WTO partners. The potential lack of an Omani partner may make it more difficult to ensure that the country's environmental concerns and cultural norms are respected. Moreover, such ownership would represent a shift in the current pattern, where major foreign shareholders have tended to come from regional neighbours with similar cultural backgrounds.\textsuperscript{1058} See chapter 4, Oman, Pressure for change: what does the future hold? Dr. Fadi Makki (Principal Booz and Company) in interviews and email with author November 24-26, 2009.\textsuperscript{1059} See chapter 4, Oman, Pressure for change: what does the future hold? Dr. Fadi Makki (Principal Booz and Company) in interviews and email with author November 24-26, 2009.\textsuperscript{1060} See chapter 4, Oman, Pressure for change: what does the future hold? Dr. Said al-Riyami (member of Oman's GATS negotiating team, and Economic Expert in the Ministry of Commerce and Industry), in discussion with author, October 2008.\textsuperscript{1061} See chapter 4, Qatar, Outlook for future WTO concessions. Dr. Fadi Makki (Principal Booz and Company) in interviews and email with author November 24-26, 2009.\textsuperscript{1062} See chapter 4, Qatar, Outlook for future WTO concessions. Dr. Fadi Makki (Principal Booz and Company) in interviews and email with author November 24-26, 2009.}
countries bringing their commitments to the same level.\textsuperscript{1063} Although the WTO cannot compel states to increase their commitments, as with all negotiations, some states may feel more pressure from their partners to make concessions to ensure relations in other areas are not affected.

There may be other pressure points for individual states as well. Qatar, for example, will be under more pressure since it hosted the inaugural session for the current round and gave it its name.\textsuperscript{1064} Qatar has not, however, done much since then, and will feel some pressure on this basis to put something more on the table.\textsuperscript{1065} Moreover, Qatar is likely to want to be associated with at least some initiatives associated with the Doha Round, if not its actual success, and thus is likely to feel some pressure to act on this basis.\textsuperscript{1066}

Finally, some small states have more room for additional commitments than others. Qatar, for example, could move from its current bound levels to much higher levels of commitment by simply agreeing to be bound to levels of liberalisation which are already part of domestic law.\textsuperscript{1067} In particular, foreign ownership of enterprises in many sectors can reach 100\% under domestic law, while under its bound commitments, Qatar is only obliged to allow minority stakes to foreign partners.\textsuperscript{1068} Such gestures could be significant in areas where there might be pressure for other concessions which would move beyond existing domestic law.

The study also suggests that, given the scope of the GATS, it is difficult for countries to anticipate the full implications of commitments over time, and so commitments carry an inherent risk. For Oman, the concessions necessary to develop the tourism sector were negotiated, and established policy priorities

\textsuperscript{1063} See chapter 4, Qatar, Outlook for future WTO concessions. Dr. Fadi Makki (Principal Booz and Company) in interviews and email with author November 24-26, 2009.
\textsuperscript{1064} See chapter 5, Qatar, Outlook for future WTO concessions. Dr. Fadi Makki (Principal Booz and Company) in interviews and email with author November 24-26, 2009.
\textsuperscript{1065} See chapter 5, Qatar, Outlook for future WTO concessions. Dr. Fadi Makki (Principal Booz and Company) in interviews and email with author November 24-26, 2009.
\textsuperscript{1066} See chapter 5, Qatar, Outlook for future WTO concessions. Dr. Fadi Makki (Principal Booz and Company) in interviews and email with author November 24-26, 2009.
\textsuperscript{1067} See chapter 5, Qatar, Qatar and GATS negotiations.
\textsuperscript{1068} See chapter 5, Qatar, Pursuing local policy goals: diversification and economic development, where there is end note discussion of this issue.
played a role in what Oman pressed for and what concessions it made. For Qatar, its early accession meant that there was little pressure for concessions in most services areas, including tourism. But tourism was not at the time a policy priority for the government and indications are that little thought went into that particular aspect of the country’s GATS accord. As a result, both Oman and Qatar agreed to allow hotel licensing without restriction, a commitment which may have longer term implications for the direction that their sectors develop.

For small states, the implications are clear. From a policy perspective, GATS requires that governments have a clear notion of their priorities. It also requires that they look hard at the possible future implications of commitments in the areas that they believe will be of potential economic importance in future. Preparation before commitments are made is vital. This is not to say that countries will be able to avoid pressure (and possibly commitments) in areas of potential economic importance. But such homework would provide an understanding of the competition and the limitations that sectors might face, as well as the time frames in which they would have to adjust to the new dynamic. Countries that are already members face a similar dynamic when negotiating further concessions—understanding the implications of potential commitments provides policymakers with some guidance on what concessions might be acceptable and what concessions would clearly impede achievement of important policy goals.

Countries must also recognise that, even with preparation, changes in policy direction may mean that commitments came to have an unanticipated impact on their policy space. The international agreements to which they are party become part of the dynamic for their domestic decisions. But as the cases of Oman and Qatar have shown, policy space can be maintained in the face of GATS commitments if government are “shrewd” rather than “sleepy.” The range of tools that both Oman and Qatar are using to achieve their policy goals would provide them with the ability to continue to pursue existing goals even in the face of market access commitment for hotels. Political will and domestic

\[^{1069}\text{Strange, "States, Firms and Diplomacy," 10.}\]
pressure will also be factors in the outcome, rather than just GATS commitments.

6.5.3 Beyond individual agreements

In addition to the question of negotiating pressure for individual agreements, there is also the issue of a possible overarching agreement being developed under GATS on domestic regulation, and whether such commitments would impinge on a small state’s ability to regulate as it sees fit. At present, there appears to be little interest in the domestic regulatory regimes from other WTO members. Neither state has seen WTO action taken because of its domestic regulations, and the likelihood of such challenges is small. The WTO is structured so that only states, and not companies, non-governmental organisations or other parties, can bring action. Such challenges are expensive and inherently have an element of uncertainty in the outcome. A state also must weigh up the other costs associated with a challenge, in terms of lost goodwill with a trading or political partner. Such factors, together with the real financial costs of a challenge, decrease the likelihood that there would be a substantial number of challenges on domestic regulations relating to small states.

Although the size of this study does not present compelling evidence, it does suggest that concerns about the impact of the WTO on domestic regulation may be only a longer-term issue for small states. Differences remain on the terms that any agreement on domestic regulations would take, making an agreement in the short-term unlikely and giving small states more time to build

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1070 See chapter 3, General background on the GATS, Domestic regulations and subsidies, for a discussion on this matter.
1071 Interlocutors indicated that the reporting requirements meant a huge layer of bureaucracy, but there was no indication that there had been any challenges to the regulations that had been introduced. Dr. Said al-Riyami (member of Oman’s GATS negotiating team, and Economic Expert in the Ministry of Commerce and Industry) in discussion with author, October 2008.
1072 Dale Honeck (WTO official speaking in a personal capacity) in interview with author, February 2010.
More generally, negotiations on domestic regulations within the GATS are proceeding slowly, as concerns about and opposition to international regulation remain considerable. The scope of these negotiations remains, moreover, narrow.

Likewise, the GATS accord includes a commitment on the part of members to negotiate additional restrictions on the use of subsidies. While there is a pledge that such negotiations would take the situation of developing countries into account, in the longer run successful negotiations in this area might further constrain policy space. In the shorter run, however, such constraint is unlikely—from this study, it seems clear that there is little likelihood that policy in either Oman or Qatar will be affected by GATS policy on subsidies. Negotiations on this issue are not well-advanced, and there remain basic issues of definition and information.

Such negotiations could, however, eventually truncate some policy tools that small states use to achieve their policy goals. For example, as negotiations advance, practices like Qatar’s financial support of local conferences might come under scrutiny. A tight GATS regime on subsidies would probably mean an end to this tool, and Qatar would need to look to other ways of increasing its international political profile and impact. Other small states using similar tools might be similarly affected.

There is also an even broader question about the future of the WTO. The Doha Round was launched in 2001, and still has not reached a conclusion. The United States, the EU and the G20 have expressed their support for a successful conclusion to the Doha Round, which may mean that a deal is

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1074 But whether they will use this time is another matter. Dr. Fadi Makki (Principal Booz and Company) in interviews and email with author November 24-26, 2009, pointed out that no Arab state has even played the role as a third party in a WTO dispute, which would at least give its officials the opportunity to learn about the process. 1075 Dale Honeck (WTO official speaking in a personal capacity) in interview with author, February 2010. 1076 Talks at present do not focus on the substance of particular regulations, but rather on procedure. 1077 World Trade Organisation, General Agreement on Trade in Services, Article XV, para 1. 1078 World Trade Organisation, General Agreement on Trade in Services, Article XV, para 1. 1079 See chapter 3, General background on the GATS, Domestic regulations and subsidies.
eventually agreed although there remain serious issues to be addressed.\textsuperscript{1080} One consequence of the lack of progress on the Doha Round has been a move toward bilateral and regional trade agreements.\textsuperscript{1081} These agreements are beyond the scope of this paper, and the impact of such accords on tourism and policy space merits further study. But whether a new, broader WTO agreement is reached in immediate future or states opt for regional or bilateral accords, they will still be obliged to live within the parameters set by their existing WTO accords. As this study has shown, these accords leave some policy space, but potentially restrict action in crucial areas. The Doha Round, if eventually concluded, could further restrict policy space, although as existing members Oman and Qatar would be in a position to resist (or at least partly resist) pressure for further concessions.

6.6 Does GATS really constrain?

The focus of this study has been whether policy space exists within the context of GATS agreements for small states to develop their tourism industries in the manner that they see fit. What role do the parameters set by GATS play in development of tourism? Are they the sole determinant of the direction of tourism development? Or is there a mix of these international parameters, together with domestic reactions conditioned by local norms, capacity and experience, which determines the course of development?

6.6.1 Toward a framework for viewing state action in a globalised world

The literature reviewed at the start of this study presents a mixed picture of the impact of globalisation. Scholarly opinion ranges from those like Susan Strange, who suggest that the state has been effectively neutered by globalisation, to Robert Gilpin, who argues that the state remains pre-imminent. Along the


\textsuperscript{1081} Riad al-Khoury, “Lessons from the Jordan-US FTA,” 163 mentions this trend, noting that the EU moved toward bilateral agreements in the wake of Doha difficulties, while the US started earlier.
continuum between these two scholars are academics like Linda Weiss, who sees both constraints and opportunities for states in globalisation.\textsuperscript{1082}

Susan Strange argues that markets have power over governments.\textsuperscript{1083} Although recent experience suggests that in some circumstances Strange’s assertion might be valid for financial markets, it does not appear to be true across all sectors. The experiences of the tourism sector in Qatar and Oman suggest, in fact, that governments continue to exercise a substantial amount of control over the direction that this sector is taking, and this situation is likely to be unchanged over the short- to medium-term. This is important because one would assume that small states in particular would be susceptible to the market power over governments that Strange suggests. But the case study of Oman in particular suggests that, while the increased market access resulting from GATS and globalisation has offered opportunities to markets and transnational companies, states have not lost the ability to control direction. Moreover, within the context of their GATS agreements, both states have set ambitious goals for their tourism sectors, and both have had some success in meeting those goals.\textsuperscript{1084}

Strange argues as well that states must negotiate with firms as well as other states in the increasingly globalised world.\textsuperscript{1085} In some instances, this study has found that a more nuanced view is appropriate. This study looked at small states defined in power terms, and uses states which Han Mouritzen and Anders Wivel would call non-pole states—states that cannot change the system but must instead work within its confines.\textsuperscript{1086} But the circumstances of these states can still vary considerably. As these non-pole states seek to develop economic sectors that are increasingly globalised, they are not in all instances

\textsuperscript{1082}See chapter 1, Literature review, How has globalisation affected the system in which states must operate?. Weiss, States in the Global Economy, 4.

\textsuperscript{1083}See chapter 1, Literature review, How has globalisation affected the system in which states must operate?. Strange, The Retreat of the State, 29.

\textsuperscript{1084}See chapters on Oman and Qatar.

\textsuperscript{1085}See chapter 1, Literature review, How has globalisation affected the system in which states operate?. Strange, "States, Firms and Diplomacy," 1. Strange is interested particularly in a state’s desire to increase market share (page 6), which, as this study of Oman and Qatar shows, may not be the most important motivation. She does acknowledge that there is a “diversity of government responses” (page 9), but her focus is on countries which need transnational participation.

\textsuperscript{1086}See chapter 1, Literature review, What is a small state?. Mouritzen and Wivel, Geopolitics of Euro-Atlantic Integration, 4.
forced to negotiate or compromise with transnational corporations. In particular, in Qatar and Oman, access to financial resources have had an impact on the choices available to these states. Unlike many developing countries where transnational corporations may have the upper hand in negotiations about tourism development, the relative wealth of these states means that they do not have to rely solely on corporations for investment in the tourism sector.

The circumstances of Qatar are particularly relevant. Its independence of transnational corporations is apparent on at least two levels. In the first instance, the Qatari government can pay for the facilities that it would like to see developed to support its tourism industry. Second, and importantly, time is less of an issue for Qatar than for other states. Qatar’s interest in diversification into tourism is not driven by immediate economic necessity, and therefore the country can afford to forego a deal if it is not viewed in its own interest. Qatar’s situation is, of course, unusual. But given the diversity of situations in which even non-pole states find themselves, there may be other instances where poorer non-pole powers have managed to either forego key concessions or avoid negotiations with transnational corporations. Qatar’s own experience provides one such context—when an economic sector is not vital to the country’s overall development. In addition, such situations may arise when a non-pole state has unusual resources which give it power in a particular context.

Here, Oman may provide some insight. That country’s financial resources are more limited than those of Qatar, but the country is still arguably negotiating from a position of strength. It is, relative to many countries seeking to develop tourism, wealthy, and it has strong natural attractions for its tourism sector. Both of these factors leave it in a position of relative strength. Thus, while Strange may be right in asserting that firms play an increased role in development of particular sectors and thus become actors alongside states, the outcome of negotiations is not in all cases a foregone conclusion. Strange may have been arguing out of a mind-set which assumed that small states could not mobilise capital. For Oman and Qatar, access to capital is less of an issue now than it might be for other small states or for small states in the latter part of the twentieth century, when Strange was writing.
Weiss takes a different, less stark, view of the impact of globalisation, and her analysis seems more credible for explaining the experiences of Oman and Qatar in their tourism sectors. Her basic theme is that states may remain able to play important roles in economic development while coping with globalisation. She argues that “economic integration does not so much enfeeble the state as weaken the efficacy of specific policy instruments.” Weiss’ view is echoed by Armstrong and Reid, who argue that policy space exists for small states, but they must engage in forward-thinking planning to utilise that space. Certainly for Oman and Qatar, at least in the short and medium term, increased integration through WTO and GATS membership has not weakened their overall ability to direct the tourism sector. Rather, it has limited those countries’ abilities to use certain policy instruments. Those limitations may themselves, in the longer run, mean that the countries are subsequently less able to influence the direction of the tourism sector. But even then, these governments will have choices. With regard to future potential oversaturation of the hotel market, governments are not able under their GATS commitments to limit the number of hotel licenses. But visa policy remains outside of the GATS framework, and they could choose to limit the number of visas, thus maintaining control over the number of visitors. In such circumstances they might decide against this course of action, but such a decision would reflect most immediately local pressure rather than a GATS obligation. Many authors have thus failed to understand the complexity of tools available to states, basing their analysis on sets of simplistic assumptions.

The existence of policy tools outside the scope of GATS and the potential impact of local opinion on their use makes clear that both global and domestic issues play a role in policy decisions in the tourism sector. Likewise, the impact of local bottlenecks on achieving goals for the sector make clear that not just global but also local issues play a role in policy success or failure. Again, Weiss

1087 See chapter 1, Literature review, What are the options for states after the deal is done?. Weiss, *The Myth of the Powerless State*, 8.
1088 See chapter 1, Literature review, How has globalisation affected the system in which states must operate?. Weiss, *The Myth of the Powerless State*, 197.
1089 See chapter 1, Literature review, What are the options for states after the deal is done?. Armstrong and Read, “The importance of being unimportant,” 75-77.
proposes an insightful and nuanced framework for understanding the dynamic. She goes beyond analysis of the impact of global factors to suggest that inaction by states may be governed more by domestic issues rather than by global dynamics. She argues that states’ decisions to act or not may be influenced by “fundamental ideas and orientations about the scope of state involvement in the economy and from institutional capabilities that have evolved around those orienting ideas.” Likewise, she suggests that states that have a history of development action are likely to continue to intervene and plan.

The experiences of Oman and Qatar suggest that there is some merit to the framework that she suggests. Both of these countries have intervened in their tourism sectors, and both have a more general history of intervention in matters economic. With regard to current policy in tourism, both states have established investment vehicles which are active in the sector, and both states have established government agencies which set policy and monitor progress for the sector. This willingness to intervene follows on from a more general pattern of state involvement in economic development. In Qatar, the pattern comes from the state’s key role in developing the country’s hydrocarbon resources. In Oman, examples are broader. The state has used development plans for decades, and has more recently instituted a Vision 2020, which provides a longer-term view of the direction of economic development for the country. As suggested by Weiss’ framework, then, there is strong evidence that past domestic experience continues to inform the policy and outcomes in this increasingly globalised sector of the economy.

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1090 See chapter 1, Literature review, How has globalisation affected the system in which states must operate?. Weiss, “Globalization and national governance,” 79.

1091 See chapter 1, Literature review, What are the options for states after the deal is done?. Weiss, “Globalization and national governance,” 81; and States in the Global Economy, 4, 27 and 28-29.

1092 See chapter 4, Oman, Economic policy issues for Oman, and also discussion of the history of tourism studies and plans in The Development of Tourism in Oman section. In Qatar, the Qatar Vision 2030 sets broad goals for the economy, including diversification, and the government is heavily involved in directing key economic sectors like natural gas industry. See chapter 5, Qatar, Local Bottlenecks.

1093 See chapter 5, Qatar, Local Bottlenecks.

1094 See chapter 4, Oman, The Development of Tourism in Oman, which mentions a specific plan for the tourism sector and Economic Policy Issues for Oman, which includes some discussion of Vision 2020 and footnoted discussion of development plans.
Others echo Weiss’ notion that there is potentially domestic policy space that governments can use despite the increasingly globalised nature of many sectors. Donor and Ramsay argue that governments retain some agency despite globalisation and can do more than simply create a competitive business environment. These scholars suggest that countries must be able to react to the specific needs of particular sectors. Oman provides a clear example of the decision to go beyond the straight-forward provision of a competitive business environment. In Oman, with regard to Ras Al-Hadd, the turtle nesting ground that attracts large numbers of tourists, a competitive business environment without further intervention would have led to the rapid deterioration of the site. Instead, government intervention to control crowds and ensure the safety of the turtles has helped to ensure the longer-term viability of the site and the tourism industry that it supports. The policy space existed, and the Omani government chose to act, going well beyond the creation of a competitive business environment in a way that was essential for the health of the sector.

Weiss adds, however, that success is not an automatic outcome of state action. There must be both capability and will. Specifically, she suggests that a level of domestic institutional capacity may also influence whether a state’s reaction to a situation is successful or not. The issue is illustrated in the case of Qatar. With a small population and bureaucracy, there are limits to the number of challenges that the government can address successfully at any one time. The country’s huge gas-based industrial development programme remains the priority, which means that tourism infrastructure and development, including entertainment facilities, is seen as lagging behind. In this case, as Weiss suggests, it is not the lack of opportunities within the international system which have slowed development. Rather, it is local bottlenecks, and the impact of sometimes overstretched domestic institutions, with their focus on other priorities. Qatar’s experience suggests that it is, as Weiss suggests, those institutions which determine whether states can take advantage of openings.

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1095 See chapter 1, Literature review, What are the options for states after the deal is done?. Doner and Ramsay, "The Challenges of economic upgrading in liberalising Thailand," 123.
1096 See chapter 1, Literature review, What are the options for states once the deal is done?. Weiss, The Myth of the Powerless State, xii; and Weiss, States in the Global Economy, 4.
1097 See chapter 1, Literature Review, How has globalisation affected the system in which states must operate?. Weiss, States in the Global Economy, 314-315.
and policy space that exist within the global system.\textsuperscript{1098} The country’s GATS commitments are \textit{not} the issue which determines the pace of tourism development.

Nonetheless, the experiences and policy direction taken by these two states also makes clear that Palin, Abbott and Deans’ narrow modelling of the options available to states in a globalised economy does not provide an adequate picture of possible action. They argue that the countries of the Middle East are “far from internationally competitive” and with regard to oil revenue, they “use (or squander) their revenues by shielding themselves from the impact of the world market.” Yet particularly in the case of Oman, the country is building a competitive tourism industry and, despite its oil revenue, does not have the sort of reserves which give it the luxury of shielding itself from the world market. In fact, the government has not sought to shield itself from the world market and has instead embraced it. Palin, Abbott and Deans’ analysis is also inadequate for Qatar. Qatar has developed a dynamic and internationally competitive downstream natural gas industry. It is expanding into tourism, education, financial services and technology, all industries which require it to integrate into the world economy for success. Parts of its tourism industry still depend on state support, but the use of revenue in this case is clearly not to “shield” itself from the impact of the market, but to carve out market share in an effort to establish itself in the world market.

It is less clear, however, in these cases that the increased globalisation of the tourism sectors has resulted in what Weiss calls “governed interdependence.” She suggests that, in this arrangement, the state and local business enterprises work together in a manner which is determined by the government. Her vision includes “public-private partnerships and alliances, policy networks, information exchange,”\textsuperscript{1099} but she acknowledges that the situation may not emerge.\textsuperscript{1100} Indeed, in Oman and Qatar, although government officials worked with the business community on some aspects of marketing, there was no indication that

\begin{itemize}
  \item \textsuperscript{1098} See chapter 1, Literature review, What are the options for states after the deal is done?. Weiss, \textit{States in the Global Economy}, 15.
  \item \textsuperscript{1099} See chapter 1, Literature review, What are the options for states after the deal is done?. Weiss \textit{States in the Global Economy}, 308-9.
  \item \textsuperscript{1100} See chapter 1, Literature review, What are the options for states after the deal is done?. Weiss \textit{States in the Global Economy}, 18.
\end{itemize}
there was widespread, “enmeshed” co-operation between business and government. At least some businesspeople were willing to express frustration at the lack of further integration or avenues for input, and in some instances, they felt that policymakers were not taking into account factors that they as businesspeople could see would mean that plans were likely to go awry. This observation suggests that Weiss is correct when she argues that “governed interdependence” is an important element of potential success—suggesting that it can increase the transformative capacity of states.

Weiss thus offers an analytical framework which explains the reactions of these two similar states to the increased globalisation of their tourism sectors through their participation in the GATS. Both have seen policy options narrowed by their GATS commitments, but global forces alone as argued by Susan Strange do not explain fully the actual trajectory within the two tourism sectors. Weiss’ focus on domestic issues helps, however, to explain more fully the developments in the tourism sector in these two states. Although the WTO has set certain parameters for development of tourism, there remain policy space and policy tools for the sectors to develop in the manner that these two states wish. The focus of development has then been determined by local issues and policymakers.

6.6.2 Understanding the general impact of the WTO

Beyond the general impact of globalisation, the literature provides some insight into and suggests questions about the impact that WTO membership has on states. The question of why states join is part of the literature on the WTO. The experiences of Oman and Qatar suggest that one answer to the question is not sufficient, and that the arguments for joining are different at different points in time. Qatar was an original member of the WTO, and the concessions that it made to join the organisation were minimal. It had been a member of the WTO’s precursor, the GATT, and its WTO membership followed on from its

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1101 See chapter 1, Literature review, What are the options for states after the deal is done?. Weiss, States in the Global Economy, 18.
1102 Manager at five-star hotel number one (Qatar) in interview with author on October 12, 2008.
1103 See chapter 1, Literature review, What are the options for states after the deal is done?. Weiss States in the Global Economy, 308-09.
membership of GATT. It saw the costs of joining the WTO as relatively low.\textsuperscript{1104} Membership has also provided these states with vehicles through which to pursue other policy goals. Qatar is, for example, supporting the liberalisation of trade in natural gas power systems as green products, a move that potentially benefits its own natural gas industry.\textsuperscript{1105}

For Oman the membership costs were higher just four years later, and they made commitments in a number of areas in exchange for membership. Omani policymakers argue that the decision to join reflected many of the standard arguments put forward for membership.\textsuperscript{1106} These include attracting additional foreign investment, benefiting from technology transfer, obtaining better access to export markets, and obtaining access to the WTO's dispute settlement mechanisms.\textsuperscript{1107} Omani policymakers were also mindful of the proportion of world trade that is conducted by WTO members, estimating in 2001 after accession that this figure was about 96\%.\textsuperscript{1108} For Oman, the membership calculation was obviously different from that of Qatar, as the costs measured in terms of openness and commitments were higher. Nonetheless, Omani policymakers argued that the potential benefits of membership outweighed the potential costs, and pressed ahead with membership.\textsuperscript{1109}

The literature also looks at the experiences of states seeking to join the WTO, and Oman's experience bears out much of the scholarship on the issues surrounding accession negotiations. Scholars suggest that states interested in joining face considerable demands for concessions. Grynberg, Dugal and Razzaque provide an empirical study which looks at the level of concessions made by newly acceding countries in comparison to existing WTO members.\textsuperscript{1110} Unlike Qatar, which as an early member found itself able to commit to levels of liberalisation that were less than actually existed in some cases, Oman found

\textsuperscript{1104} Dr. Fadi Makki (Principal Booz and Company) in interviews and email with author November 24-26, 2009.
\textsuperscript{1106} See chapter 1, Literature review, Why join?.
\textsuperscript{1108} Al-Lawati, "Oman and the WTO," 10.
\textsuperscript{1109} Al-Riyami, "Process and implications of Oman's accession to the WTO," 25.
\textsuperscript{1110} Grynberg, Dugal and Razzaque, An Evaluation of the Terms of Accession to the World Trade Organization.
that it was required in some cases to open further its markets. Hoekman and Kostecki point out that “sometimes applicants are asked to do more than incumbent countries have committed themselves to.” In addition, Oman is a member of the recently acceded members group in the WTO, which brings together countries that are reluctant to make further concessions in the Doha round given the level of commitments that they have already made.

Beyond the questions about the reasons for and the mechanics of WTO membership, there is, from the broadest perspective, the question of whether policy space exists within the context of the GATS. Sheila Page argues that there is considerable policy space, while Messerlin echoes that sentiment, characterising GATS as very flexible. In contrast, Robert Hunter Wade suggests that developing countries have few choices about how they treat transnational corporations under the GATS. He argues that the GATS is more like an investment treaty than a trade treaty.

This study of Oman and Qatar suggests that Wade’s argument is not sufficiently nuanced. A GATS agreement without reservations would clearly impose severe limitations on the options for any state—developing or otherwise. But, despite the pressures that states find during their accession talks, the experience of Oman suggest that if they have clear policy and can keep a clear perspective of their own goals as events unfold, there remains policy space for development. Oman’s ring-fencing of the tour guides sector illustrates this point—the country made this sector a policy priority and was able to maintain a ban on the right of foreign nationals to be involved. Beyond this tourism sector-specific example, there is other evidence in the Omani and Qatar examples. Land ownership rights are one example, and in developing countries that were original members—like Qatar—there are substantial restrictions on foreign ownership. In addition, both Oman and Qatar have substantial restrictions on

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1111 See chapter 4, Oman, Negotiating pressure. See also chapter 5, Qatar, Qatar and GATS negotiations.
1113 World Trade Organisation, “Country Groupings,” and Dr. Fadi Makki (Principal Booz and Company) in interviews and email with author November 24-26, 2009.
1115 Wade, “What strategies are viable for developing countries today?,” 621 and 628.
1116 See chapter 4, Oman, Oman’s strategy in GATS negotiations.
the number of expatriates that can work in the country. Oman’s commitments allow it to ban companies from employing more than 20% expatriates in any sector for which is making commitments, while Qatar makes no specific commitment on numbers of foreign workers that will be allowed.\textsuperscript{1117}

Wade’s arguments also imply that TNCs are very efficient at anticipating their own future investment interests in areas which might be significantly different from their current interests.\textsuperscript{1118} To ensure that it would benefit from a WTO agreement, the TNC would need to influence the negotiations for openings in particular sectors, perhaps well in advance of their actual investment plans. But as with states, TNCs probably find it difficult to forecast their long-term interests or investments. In Qatar’s initial GATS agreement, only the financial services industry expressed significant interest in the country’s concessions.\textsuperscript{1119} This lack of interest in other service sectors suggests that TNCs were not making long-term plans that would put them in a position to benefit from Qatar’s GATS agreement. Wade’s notion of powerful TNCs working in concert with the WTO is thus dented—without proper forward planning, GATS concessions may not provide openings for TNC involvement. His perspective does not recognise the need for TNCs to react in similar ways as states—the need to be “shrewd” rather than “sleepy” as the situation evolves. The assumption is simply that they are powerful and their interests are served by the GATS, rather than they need to react to a changing environment if they are to create areas where they might benefit from the GATS.

That said, Sheila Page’s assessment that GATS has resulted in “no reduction of policy space” also appears to be flawed.\textsuperscript{1120} For countries like Qatar, which joined early, policy space was left intact. But for Oman, the hard-scrabble

\\textsuperscript{1117} See chapter 3, General background on the GATS, Oman’s specific commitments affecting Tourism and Travel-related Services and Qatar’s Specific Commitments affecting Tourism and Travel-related Services.

\\textsuperscript{1118} An alternative here would be that more powerful states would anticipate the needs of TNCs based within their territory and push for concessions on their behalf without prompting. Either way, the Qatar example cited in this paragraph suggests that such concessions were not sought.

\\textsuperscript{1119} Dr. Fadi Makki (Principal Booz and Company) in interviews and email with author November 24-26, 2009.

\\textsuperscript{1120} See chapter 1, Literature review, Services industries: Is there policy space? Page, “Policy Space,” 3.
negotiations which forced changes in law in Oman in return for membership had a clear impact on the policy tools available to the Omanis.\textsuperscript{1121} In the longer run, the removal of some of those tools is likely to see policy space further reduced. The market access agreement for hotels is the clearest example from the tourism sector. But more generally, Oman saw foreign ownership rights loosened under its WTO agreement, and was required to change its taxation policy to gain membership.\textsuperscript{1122} Even on expatriate workers, although Oman has retained considerable policy space, it had to concede in some policy areas the right of companies to employ substantial numbers of foreign workers.

Likewise, to achieve Page’s “no reduction in policy space”, policymakers would need to be soothsayers as well. Although Qatar’s agreement did not infringe on its ability to achieve the policy goals that existed at that time, there is evidence that its GATS commitments on market access for hotels will impede its ability to develop its tourism sector in the manner that it deems appropriate. In effect, future potential may be lost as a result of the GATS commitments because of the costs and difficulties of modifying existing commitments.

Page and Wade thus appear to be at two ends of a spectrum of views on the GATS, while this study suggests that reality is somewhere in between. This situation suggests a more general conclusion. The complexity of the GATS arrangements, and the difficulties and high costs of retracting commitments, means that policymakers must be clear of their goals in advance of commitments. These goals are likely to change over time, so policymakers also need to consider the possible future direction of development in their calculations. They will not be able to overcome all pressures in negotiations. But if they have a clear idea of policy goals in advance of discussions, they can weigh informatively the relative costs of particular concessions. The ability to make such assessments and act on them would differentiate states—as Strange suggests, showing the difference between the “sleepy” and the “shrewd.”\textsuperscript{1123} The timing of their negotiations meant, moreover, that Oman was

\textsuperscript{1121} See chapter 4, Oman, Oman’s strategy in GATS negotiations and Negotiating pressures.
\textsuperscript{1123} See chapter 1, Literature review, What are the options for states after the deal is done?. Strange, “States, Firms and Diplomacy,” 10.
compelled to be “shrewd” and tactical, while Qatar had more scope to be “sleepy.” In fact, Qatar approached the negotiations in a less aware manner than did Oman.

This notion of “sleepy” and “shrewd” might also be usefully applied to the policy stances that states take going forward. GATS is evolving, and countries are expected to open further their services sectors over time. Policymakers will need to think through concessions with the aim of anticipating future policy direction. In addition, as policymakers are aware of the pressures that exist for further opening, they should use now the existing policy space to encourage or build resilience and capacity in their tourism sectors. Taking advantage of the policy space now would avoid a situation where the ladder is “kicked away” as the rules of the services trading system are tightened.1124

6.6.3 Looking at how GATS affects tourism

In addition to general concerns about the impact of the GATS on developing countries, some scholars raise specific concerns about the potential implications of the GATS for the tourism sector. Adam Dunlop, when writing about the Caribbean states, suggests that these countries did not have to make significant concessions in their tourism sectors in order to obtain WTO membership. Qatar, as an early member of the WTO, had an experience similar to that of these early members from Caribbean in this regard, and did not make significant new concessions in tourism for its GATS membership.

But the accuracy of Dunlop’s subsequent observations depends on the openness of the tourism sector in question, the amount of capital available, and the origins of that capital.1125 He worries that transnational corporations are, under the GATS, able to concentrate ownership of hotels, making competition

1124 Chang argues that in the goods sector developed countries are forcing developing countries to act under a set of rules which are radically different than they used to build up their own capacity, effectively “kicking the ladder away” for goods trade development. Chang, Kicking Away the Ladder.
1125 This openness may or may not be a result of GATS. As Dunlop notes, the countries did not make significant concessions and largely wrote into the GATS what already existed in the domestic system. See chapter 1, Literature review, Tourism and policy space. Dunlop, Tourism Services Negotiation Issues, 24.
by smaller local companies difficult.\textsuperscript{1126} George and Salgaonkar are more adamant in their condemnation of GATS for allowing transnational corporations to gain access to markets.\textsuperscript{1127} Hoad takes a similar line, arguing that foreign providers will take over from local producers if they have access to the market through GATS.\textsuperscript{1128} Hoad suggests that GATS leaves no space for small companies to compete, opening the field for transnational corporations.\textsuperscript{1129}

Such situations imply a high level of openness of the tourism sector which is, admittedly, the aim of the GATS. But that openness is not necessarily an immediate outcome of GATS. Rather, as the experience of Qatar indicates, the GATS commitments may just reflect the existing (relatively closed) regime at the time of accession.\textsuperscript{1130} Moreover, in the cases of both Oman and Qatar, transnational operations in the tourism industry have focussed on management contracts by major hotel companies rather than ownership of physical assets. This situation may change as the sectors evolve. But at present, local ownership remains a feature in both countries, with Qatar able to restrict foreign ownership to just 49% of the shares in any one venture under its GATS commitments. Any change there would thus be a result of domestic decisions rather than GATS obligations.

Likewise, as the study of Oman in particular has shown, local companies are not necessarily pushed out because of GATS commitments.\textsuperscript{1131} In Oman, foreign firms have the right to hold a stake of up to 70% in hotels. Yet Omani-owned hotels remain a key feature of the sector. These Omani establishments,

\textsuperscript{1126} See chapter 1, Literature review, Tourism and policy space. Dunlop, \textit{Tourism Services Negotiation Issues}, ii.
\textsuperscript{1127} See chapter 1, Literature review, Tourism and policy space. George and Salgaonkar, "Tourism in the Context of GATS," 300.
\textsuperscript{1128} See chapter 1, Literature review, Tourism and policy space. Hoad, "The General Agreement on Trade in Services," 222-223.
\textsuperscript{1129} See chapter 1, Literature review, Tourism and policy space. Hoad, "The General Agreement on Trade in Services," 219. George and Salgaonkar also condemn GATS for the market access that it provides to TNCs. George and Salgaonkar, "Tourism in the Context of GATS," 297 and 300.
\textsuperscript{1130} See chapter 4, Oman and chapter 5, Qatar, for extensive treatment of the statements in this paragraph. See also above, where Dunlop’s own observations indicate that openness is not a result of GATS but reflects the binding of the existing situation under GATS. See above and also chapter 1, Literature review, Tourism and policy space. Dunlop, \textit{Tourism Services Negotiation Issues}, 24. Indeed, Qatar’s current agreement with GATS is more restrictive than current local law.
\textsuperscript{1131} See chapter 4, Oman, for extensive treatment of the statements in this paragraph.
moreover, are featured throughout the sector, not just at the bottom end of the scale or the largest of the ventures. The continuing importance of Omani-owned hotels reflects both the longer lead times for such facilities and the ability of Omani firms to establish themselves as foreign firms are building facilities. It also reflects the availability of local capital, and suggests that more nuanced arguments about the differences between the circumstances of small states and the policy implications of those situations are necessary. A comparison of capital availability between these two case studies and Caribbean island states could lead to interesting insights on this issue. Additionally, the Omani government has not conceded that foreigners can own land for such investments in the country, making such investments less attractive.

Beyond hotels, moreover, the Omani experience suggests that Hoad is hasty in his assertion that the GATS will lead to the overrunning of local businesses by foreign investors. Oman managed to ensure in its negotiations that the tour operator sector can remain legally closed to foreigners, and that foreign ownership of restaurants was limited to a minority stake.\textsuperscript{1132} These restrictions mean that there is considerable policy space, even in the case of what is classified as a recently acceded country, for local firms to maintain a strong presence in the tourism sector.

In a similar vein, Suneja argues that with GATS, the Indian government has taken a marginal role in tourism development as a result of GATS.\textsuperscript{1133} But the experiences of Oman and Qatar suggest that there is little that is inevitable about this result, as the governments of both are actively involved in both planning and investment in their tourism sectors.

Dunlop also flags up the potential for vertical integration and anti-competitive practices on the part of TNCs operating in tourism sectors.\textsuperscript{1134} His observation about anti-competitive practices may have some resonance with the Omani

\textsuperscript{1132} See chapter 3, General background on the GATS, Oman’s specific commitments affecting Tourism and Travel-Related Services.
\textsuperscript{1133} See chapter 1, Literature review, Tourism and policy space. Neelam Rani Suneja, “GATS and the Tourism Industry,” 63.
\textsuperscript{1134} See chapter 1, Literature review, Tourism and policy space. Dunlop, Tourism Services Negotiation Issues, vi; further discussion about concentration of distribution channels 6-7; and more general discussion of types of anti-competitive behaviour like tied sales 16-17.
case study, where there were indications of anti-competitive practices on the part of Dubai travel agents that had opened offices in Oman. But an observation about Dunlop’s assertion should be made. These anti-competitive practices are not a product of GATS, and local companies can also engage in similar practices. As such, states should deal with these practices using domestic legislation.

6.7 Oman and Qatar: lessons about tourism and the GATS

This study suggests that there are areas where further research would be useful in order to understand the impact of GATS on small states and their policy space. In particular, as GATS rules on domestic regulations evolve, more examination of the potential and actual impact of those strictures would be useful. Similarly, the development of GATS rules on subsidies has the potential to impact policy space available, and could usefully be studied further. In addition, the ability of the recently acceding countries group to ignore pressures for further concessions, in comparison to the ability of states like Qatar which made few original concessions, would provide insight into the workings of the WTO and the potential impact that it has on policy space in small states. Additionally, the international context may change over time—the eventual success or failure of the Doha Round will influence whether there are further bilateral and regional trade agreements. Additional agreements have the potential to complicate the landscape, and add layers of commitments which influence the availability of policy space. The merits of such agreements—absent further WTO agreements—are also worth study. Likewise, a comparison of small states with access to capital and those without would give insight into the impact of GATS on policy space.

Although there are areas for further examination, it is possible to draw some conclusions from this study. The experiences of Oman and Qatar as they develop their tourism sectors in the context of the GATS indicate that, while there are potential pitfalls to GATS membership, joining the WTO does not necessarily eliminate all policy space. The cases of Oman and Qatar indicate

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1135 See chapter 4, Oman, Pursuing local policy goals: Diversification and development, and Travel Agencies.
that some commitments will have a greater impact than others and that states may not anticipate which commitments may have the greatest potential influence. Market access for hotels has the potential to have a substantial impact on the ability of these two states to achieve their policy goals. But with different goals, other commitments might have greater influence.

Although Oman and Qatar have very different agreements, policymakers in both of these states have set goals for their tourism sectors, and in general have made progress toward meeting those goals. In the short and medium term, moreover, failure to reach goals is more a reflection of domestic circumstances than global obligations. GATS does impinge on the ability of these two states to use particular tools to control the direction that their tourism sectors are taking, and in the longer run these GATS commitments may affect the ability of states to control the direction that their tourism sectors are taking. But even then states will retain the right to use other tools to control tourism's direction. Policymakers at that point may, however, be under pressure from local businesspeople to act counter to current policy in order to ensure the economic viability of an increasing number of hotels. While this study did not go beyond the tourism sector, the ideas found in that sector in Oman and Qatar might hold for other sectors affected by GATS as well.

Moreover, the outcomes of GATS membership negotiations are not a foregone conclusion. The experience of Qatar and Oman shows, however, that policymakers and negotiators must set clear priorities and be prepared for robust defence of their main positions if they are to maintain policy space in areas of importance. Oman entered the GATS later than Qatar, and has more restrictive commitments to the GATS than Qatar does. But tourism as a sector was important to Omani policymakers, who were seeking diversification and job creation as a matter of economic necessity. They thus focussed on retaining some policy space in these areas, even within the context of difficult accession agreements. Their push to retain this space reflected the domestic situation, and the government’s longer-term interventionist manner of planning. The combination of government willingness to intervene and the need to diversify the economy and create jobs led to Oman’s willingness to press hard for the maintenance of policy space within the tourism sector. Qatar’s situation was
markedly different—as an early member, its accession negotiations were uncomplicated. Its interlocutors did not demand concessions, with the country’s commitments only at or below existing market access and national treatment.

Negotiators must also be able to think about potential future policy goals, with an eye to the implications of agreements for such goals. This is not an easy task: projections of growth and interests over the long-term are never straightforward. Although they will not be able to preserve policy space in all instances, they can then at least make informed trade-offs when negotiating. As part of the process of making informed trade-offs, they must recognise that there are tools outside of the GATS which may help meet policy goals even if some avenues of enforcement are cut off by GATS commitments. This study has identified a number of tools that can be used in the tourism industry to help ensure that policy goals are reached. Combined with these efforts to think ahead in negotiations should be efforts to build resilience in existing industries so that they can thrive as global competition increases.

Finally, capital makes a difference. Qatar in particular has an advantage over many small states developing their tourism industries in the context of GATS agreements—its wealth. The country’s ability to finance much of its own tourism infrastructure means that it can be less concerned about questions like whether high levels of commitment in a GATS agreement are necessary to ensure foreign investor confidence. Pressure on Qatar has thus been less than it might have been on other states, which need foreign investor funding to ensure that their tourism sectors develop. This latter idea probably lacks general applicability because most small states are not in the fortunate financial position that Qatar enjoys.

But other ideas from this study do have general applicability—in particular, there is policy space within GATS to develop tourism for small states that actively and creatively seek that space. For those that are sleepy or sloppy, the outcomes can restrict policy space. But other outcomes are also possible. Luck plays a role—this study of tourism shows that the ability to mobilise capital makes a difference in the choices that states have to preserve their policy space. Likewise, timing of accession is important. But shrewd states can have a role in
making their own luck—establishment of clear policy goals and agendas helps
to ensure that policy space is preserved. But even with careful planning,
policymakers are unlikely to see all the implications of their agreements, and
different rules are likely to be more or less important according to how policy
evolves over time. Likewise, the ability of states to utilise the policy space that
they create to, as Weiss says, mobilise both capacity and will, plays a role in
outcomes—the domestic situation, norms and institutions still influence crucially
the development of sectors that are governed by WTO commitments. The listing
of these factors points out a myriad of possible influences—but as the study
makes clear, for at least some small states the most crucial element is likely to
be whether they are “shrewd” or “sleepy” as they work to shape the space
available to them within their global community.
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