trade knowledge network

# International Trade and Sustainable Tourism in Chile

## Preliminary Assessment of the Sustainability of Tourism in Chile in the Context of Current Trade Liberalization

Hernán Blanco, Alejandra Ruiz-Dana, Andrés Marín, Victoria Alonso, Carmen Paz Silva and Stefano Lucidi

August 2007

Funded by the Trade Knowledge Network, www.tradeknowledgenework.net

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Published by the International Institute for Sustainable Development



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## About the authors

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## trade knowledge network

This publication is the result of a two-year research project with funding from the Trade Knowledge Network, www.tradeknowledgenetwork.net.

In addition, the international seminar on sustainable tourism in Chile, held on August 4–5, 2005, had financial support from the British government and the Darwin Initiative and the endorsement of SERNATUR.

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RIDES is an independent research centre that seeks to contribute to the generation of public and private policy focused on sustainable development.

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# 1. Trade liberalization, sustainability and tourism in Chile

Trade liberalization and the opening up of the market in Chile began as an explicit policy of the military regime of Augusto Pinochet (1973–1990), strongly influenced by the Chicago School and its paradigm of placing the allocation of society's goods and services into the hands of the market and private initiative. During this period, most public companies were privatized and industries were deregulated to encourage greater production efficiency and increased competitiveness. Services that had, until then, been provided by the State such as health, housing and transport passed into the hands of private investors. Tax barriers to foreign trade and investment were virtually removed unilaterally in order to attract foreign investment, while, at the same time, decisive measures were implemented to attract imports and activate the national economy.

Since the return to democracy in the early 1990s, this model of market economy has been maintained and consolidated through a tacit agreement between the economic and political sectors. Indeed, this long drawn-out process, since the Pinochet era, completely redefined the role of the market and State in the country's development, giving way to a *laissez-faire* attitude that relinquished control of the market to the private sector. The State, on the other hand, remains in charge of the country's macro-economic stability, mediating between diverse stakeholders and implementing social policies for wealth redistribution. In terms of public investment and the provision of services, in view of the State's diminished size and capacities, the State has implemented concession policies to allow the private sector to fill gaps in service and operations in areas such as the road network, urban infrastructure, sanitation services and telecommunications.

In economic terms, the consolidated model of liberalization has been exceptionally successful in Chile, giving the country the highest growth index in the region, even surpassing the growth of the global economy at times. In 2004, GDP (Gross Domestic Product) growth reached 6.1 per cent, while, at a global level, it recorded a level of 5.0 per cent.[1] The World Economic Forum judged Chile's macroeconomic management as outstanding, placing it at the very top of its ranking in 2005; whereas, in the growth competitiveness ranking, it placed Chile in spot number 23, ahead of Israel, France, Spain and Belgium.[2] Progress is also manifest in the significant reduction of the poverty index. The percentage of Chileans living below the poverty line fell from 46 per cent of the population in 1987 to 18.8 per cent in 2003.[3] Forward measures taken to secure and/or advance Chile's position in global trade include its incorporation into the World Trade Organization (WTO) in 1995; the signing of free trade agreements with the U.S., Canada and the EU; and the promise of full member status in the Organisation for Economic Cooperation and Development (OECD) (currently, Chile has observer status).

In spite of the aforementioned efforts to encourage sustained economic growth, many challenges abound. These include a huge gap in social equality, the need to overcome structural poverty, and the necessity of protecting an increasingly vulnerable environment. These issues constantly place the pursuit of growth into question and demonstrate the need for greater political will, along with a more integrated perspective. Although the concept of sustainability appeared on the political agenda in 1994 at the inception of the General Framework Environmental Law (*Ley General de Bases del Medio Ambiente*), in

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1 Banco Estado, *2004 Annual Report*, pp. 20; 22. Accessed Mar. 2006, available from http://www.bancoestado.cl

2 World Economic Forum, *2005 Global Competitiveness Report*. Accessed Apr. 5, 2006, available from http://www.weforum.org

3 "Chile–Economy," *Geography IQ*. Accessed Apr. 6, 2006, available from http://www.geographyiq.com/countries/ci/Chile_economy_summary.htm

practise, it is a secondary concern next to the quest for growth. Environmental degradation continues to be a negative externality, or by-product, of the booming export sectors (i.e., widespread deforestation and mining-induced air pollution). Its incidence indicates that the applied economic model is facing a crisis in terms of its effectiveness and legitimacy. Indeed, changes in Chile's environmental management are necessary requirements[4] for the country's insertion into international markets, particularly OECD country markets, which are the principal markets for Chile's exports.[5]

In this context, like many other emerging industries in Chile, tourism has experienced strong growth, both at home and abroad. Because of recent trade agreements, it has favourable prospects in terms of foreign demand and opportunities for further development. Such momentum has, among other things, encouraged Chile to promote its natural beauty to entice the foreign tourist market to the country under the slogan "*Chile: a natural inspiration*."[6] This might be an untested assertion, for there has been no systematic assessment to date of the underlying economic, social and environmental effects of the sector's recent growth. There are also few oversight mechanisms in place (e.g., the Environmental Impact Assessment System), most of which do not function properly. Despite the existence of a National Tourism Policy and increasingly strong organizations linked to tourism, coordination between them is still poor. It is generally agreed that environmental sustainability is a prerequisite for the economic success of the industry and tourism is seen as a potential vehicle for local development.[7] However, current policies mainly focus on stimulating private mid- and large-scale investment with no explicit measures seeking to balance those investments with the opportunities of small-scale local stakeholders (with less capacity).

There are some promising instruments that do seek to promote tourism as an engine of local development. Concession policies in conservation areas are interesting examples, hardly studied to date. These respond to the need to enhance management mechanisms in protected areas through the incorporation of private stakeholders who provide the capital required to implement and maintain such mechanisms.

In the context of the WTO, tourism is one of the most liberalized service sectors and Chile has upheld most commitments or concessions in this sector in accordance with the General Agreement on Trade in Services (GATS). There is still room to further liberalize the sector through the renegotiation of existing commitments. The literature on trade and tourism highlights the following possibilities:[8]

- an increase in the number of tourism sector commitments (to allow its expansion by permitting entry of new players in selected areas) could be offered to demanding parties in exchange for other concessions, such as limiting access to protected or vulnerable areas without facing WTO penalization;
- existing restrictions on trade in services, particularly on the movement of natural persons between countries under Mode 4,[9] could be relaxed by renegotiating specific commitments; and

4 Given Chile's rapid economic development, its efforts to protect the environment must go hand-in-hand with this development. It must also make an effort to converge with other OECD countries' standards and practices.

5 OECD-ECLAC, "Environmental performance reviews: Chile, conclusions and recommendations," (2005), pp. 7; 19. Accessed Apr. 2006, available from http://www.oecd.org/dataoecd/63/44/34856244.pdf

6 Chile, SERNATUR (National Tourism Service), *Política Nacional de Turismo* (2005).

7 SERNATUR, CONAF, INDAP, *Fondo de las Américas*.

8 Mireille Perrin, "Preliminary assessment of the environmental & social effects of trade in tourism," *WWF*, (2001).

9 There are four "modes of supply" of services defined in the GATS.

- WTO-Member countries could attempt to include tourism-related industries that have previously been excluded from the General Agreement on Trade in Services (e.g., air passenger transport) into their negotiations.

This study attempts to understand Chile's institutional capacity to foment the sustainable growth of tourism and, through a preliminary assessment of the sustainability of the sector, make an effort to point out the linkages between the international trade of this service and the effect such trade has on Chile. Further consideration of these linkages is pursued to offer a diverse group of stakeholders plausible recommendations for establishing a constant and sustainable participation in this trade.

In this regard, this study aims to identify the possible effects of future commitments to trade liberalization in this sector, and determine the manner in which trade negotiations could be used to support more sustainable activity. Doing so would actually fulfil a dual purpose as it would probably also contribute to better coordination and negotiation between trade representatives and the tourism sector in Chile.

## 2. Tourism and sustainable development: Latest developments in the international debate

Statistics indicate that, since the 1960s, tourism has experienced dramatic global expansion, transforming itself from a small-scale activity into one of the largest and fastest-growing international industries. The World Tourism Organization (WTO–OMT) estimates that registered trips grew from 25 million in 1950 to 750 million in 2004, and that trips will reach one billion by 2010 and 1.6 billion by 2020.[10] This could easily be considered a natural outcome in a world that is increasingly interconnected through new modes of transport and communication. Tourism accounts for one in every 12 jobs worldwide, employing 200 million people and generating $3.6 trillion in economic activity.[11] Agencies such as the UN, the WTO–OMT, and the World Bank have heeded such positive performance, promoting tourism as an economic growth engine for developing countries.

However, more skeptical researchers question the ability of tourism to become an effective tool for sustainable development in developing countries. In particular, they propose that tourism growth could have positive and negative impacts, and, as such, a more in-depth assessment of these is needed. The following table lists the main and potential impacts identified in the literature.[12]

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10 "*Importante aumento de turistas Europeos en Chile turismo de intereses especiales: el de mayor crecimiento a escala mundial*," *EuroChile*, (July 2005). Accessed Mar. 23, 2006, available from http://www.eurochile.cl/prontus/eurochile/site/edic/20050610114718/pags/20050722123610.html

11 UNESCO, "Towards responsible tourism," Accessed Mar. 23, 2006, available from http://portal.unesco.org/en/ev.php-URL_ID=12128&URL_DO=DO_TOPIC&URL_SECTION=201.html

12 David Boyer, "Services liberalization & sustainable tourism," presentation in Chile, (2005); Harold Goodwin, "Responsible tourism: Achieving the sustainable tourism agenda," presentation in Chile, (2005); Sharmon Jules, "Sustainable tourism in St. Lucia," Trade Knowledge Network, (2005); Mireille Perrin, *op. cit*.

**Table 1. Positive and negative impacts of tourism**

| | Positive impacts | Negative impacts |
|---|---|---|
| Economic | • boost in GDP and exports;<br>• greater foreign investment;<br>• more stable and lucrative source of employment;<br>• improved quality fostered by a rise in competition to attract potential consumers;<br>• collateral benefits or other sectors, such as food and retail;<br>• knowledge and technology transfer. | • tourism can generate dependence on a seasonal activity (income inflow is sporadic), as well as vulnerability (to natural disasters, conflict and political situations);<br>• unstable, lower category employment with low salaries;<br>• doubts over the multiplier effect (the capacity for tourism to positively impact other sectors);<br>• unequal profit distribution;<br>• poor local impact, "capital flight" or leakage. |
| Environmental | • less "consuming" and less impact on natural resources than other industries;<br>• based on the appreciation and enjoyment of natural and cultural assets (creating more motivation to protect them);<br>• revenue and incentives to conserve resources instead of exploiting them. | • pressure on resources (fresh water, energy, land);<br>• damage to sensitive ecosystems (protected areas);<br>• environmental conflict with local inhabitants or other industries;<br>• waste generation. |
| Social | • employment generation;<br>• redistribution of revenue;<br>• reduction of poverty;<br>• revaluing culture;<br>• contribution to physical and social infrastructure. | • shift from traditional activities towards a new source of employment;<br>• changes in local identity;<br>• devaluing traditional knowledge and property rights;<br>• increase in price of essential goods (food, land);<br>• illness, prostitution, drug addiction. |

The differing viewpoints highlighted above lead to different responses on how to reinforce the benefits of tourism and reduce the costs. While those who emphasize positive effects point to the need to further liberalize the sector—i.e., eliminate trade barriers for tourism services between countries (entry visas, foreign exchange, foreign investment, work permits, repatriation of profits, etc.)—critics highlight the importance of implementing regulatory mechanisms to minimize negative impacts and achieve sustainability objectives. These mechanisms include environmental protection measures (e.g., carrying capacity assessments, restrictions on operator numbers, environmental standards and codes of conduct), as well as economic measures (e.g., preferential credit access for local initiatives, local employment and supply conditions and restricted access for certain activities). These measures are intended to provide the local population with greater access to the opportunities offered by tourism and, therefore, promote a fairer distribution of the benefits. They are also intended to generate the income needed to maintain and execute oversight mechanisms.

International debate on the impacts and opportunities of tourism has given way to diverse approaches to the development of sustainable tourism. Not all of these are fit to achieve the goal of sustainability. Sustainable tourism, responsible tourism and pro-poor tourism stand out as important and very promising approaches.

The WTO–OMT defines **sustainable tourism** as a concept that applies to all types of tourism.[13] Further, the underlying philosophy is to strike a balance and foment a veritable give and take, so that tourism: (1) relies on the optimal use of environmental resources; (2) exudes respect for the host communities; (3) yields an equal distribution of socio-economic benefits amongst all those involved; (4) foments open and inclusive participatory decision-making processes; and (5) ensures high levels of satisfaction for the tourists. Still, it is important to note that there is no single definition which garners universal agreement. This explains the plethora of definitions and indicators currently in existence.

13 World Tourism Organization, *Indicators of sustainable development for tourism destinations: A guidebook*, (2004), p.7.

The concept of **responsible tourism** complements the above. It is "travel that takes into consideration the natural, socio-cultural, economic and political contexts of a destination in the search to increase benefits and minimize negative impact."[14] These benefits are dual: tourists experience high levels of satisfaction while host communities earn some income. Since it is based on the principle of respect, it is manifested in the choices that both tourists and tourism agencies make. For operating companies, the need to minimize risks and impacts, obtain a license to operate at particular destinations, establish local partnerships and compete with a unique, high-quality project, have all been incentives for taking on explicit commitments to enhance corporate responsibility.[15] As for tourists, their purchasing decisions under a responsible tourism model tend to be more informed. They judge operators based on their social and environmental performance, not just on the products they offer.[16] At the governmental level, responsible tourism policies have economic, social and environmental lineaments that take into account stakeholder input and needs.

**Pro-poor tourism** assumes a greater concern for local economic development. It is not a niche sector, but a management strategy that is inclusive in the sense that the net benefits of tourism are also enjoyed by the poor.[17] Often, foreign tour operators, agents and their local partners amass all the benefits of tourism. When this happens, income generated by tourism is at the expense of host communities and, on top of that, it is transferred elsewhere. In other words, capital flight or leakage occurs. Even approaches that favour the environment and local cultures are not always designed to reduce poverty. A pro-poor approach is designed to reduce poverty in conjunction with other sustainability considerations.

The above approaches are often confused with other types of tourism, such as outdoor or adventure tourism, whose ultimate goals do not include education or conservation. They are mainly profit-driven. Some might even be accused of resorting to "greenwashing" (i.e., businesses engage in harmful practices that are sold under the guise of ecotourism). Because "good types" of tourism, such as the ones described in the above paragraphs, are not clearly distinguished from the latter, it is difficult to measure their actual growth. The WTO–OMT, for instance, estimated that 20 per cent of all international trips fall within the category of ecotourism and other forms of tourism that take place in a natural context.[18] Both the WTO–OMT and the International Ecotourism Society (TIES) report that interest in these types of tourism is growing. This niche sector is growing faster than others, at a rate of 10 to 30 per cent a year.[19] Other estimates indicate that their annual growth exceeds 20 per cent, generating 4.5 billion dollars in revenue.[20]

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14 Allan R. Rhodes, "Defining responsible tourism." Accessed Mar. 23, 2006, available from http://www.ecoturismolatino.com

15 Nevertheless, according to the World Tourism Organization (WTO-OMT), sustainable tourism certification systems have not been as successful internationally as was originally hoped. See "Voluntary initiatives in the tourism sector," presentation by Eugenio Yunis.

16 Harold Goodwin, "*Una travesía sustentable? Presente y Futuro del Turismo en Chile*," (Aug. 2005), presentation.

17 "What is pro-poor tourism?" *Pro-Poor Tourism Partnership (PPT*). Apr. 6, 2006, available from http://www.propoortourism.org.uk/what_is_ppt.html

18 UNEP, "Economic instruments in biodiversity-related Multilateral Environmental Agreements," (2004), p. 66.

19 Mark Clayton, "When ecotourism kills: Watching whales, bears, and turtles can harm them, sometimes fatally," *The Christian Science Monitor*, (4 Nov 2004). Accessed Apr. 6, 2006, available from http://www.csmonitor.com/2004/1104/p13s01-sten.html

20 "*Ecoturismo: conociendo la naturaleza*," Mar. 28, 2006, available from http://club.telepolis.com/bgrn/reportajes/repecoturismo.htm

Again, not all ecotourism is good. Even good-willed initiatives can end up doing exactly what they are trying to avoid. As a matter of fact, there are no universally-accepted guidelines or definitions for this type of tourism. This only adds to the misconception and, consequentially, unsustainable actions being taken under the ecotourism banner. At the same time, the attempt to find an eco-friendly alternative to commercial or mass tourism, as one critic put it, "does at least signify a perception that the industry has gone seriously wrong."[21] While some observers might be inclined to think that a few, misguided efforts at being green are better than none, the fact that ecotourism operates in fragile ecosystems makes the need for guidelines even more pressing.

TIES (The International Ecotourism Society[22]) has a set of principles for its members to follow. (TIES membership is open to "responsible" travelers and professionals working in the tourism sector; interested parties pay a fee and sign a pledge). These principles are:

- minimize impact;
- build environmental and cultural awareness and respect;
- provide positive experiences for both visitors and hosts;
- provide direct financial benefits for conservation;
- provide financial benefits and empowerment for local people;
- raise sensitivity to host countries' political, environmental and social climates; and
- support international human rights and labour agreements.[23]

Substituting hard regulation for these principles has not always led to desirable results as it is often the market that dictates commercial behaviour. Plus, voluntary standards rely on consumers to encourage their uptake. If these consumers are not well-informed, they will not be able to effectively demand change.[24] Voluntary initiatives are not without merit, though. They can be useful guides for those who wish to attempt a more sustainable path and do not know where to start. Briefly, other guidelines or voluntary initiatives include the ones upheld by the Association of Independent Tour Operators (AITO), the Pacific Asia Travel Association (PATA), and the WTO–OMT. International consolidation of standards might make it easier to assess the effectiveness of these voluntary initiatives, yet, at the same time, homogenization has its drawbacks—it overlooks the specificity of the context in which these initiatives are applied.

An issue that is not addressed by voluntary initiatives is unfair competition. Trade liberalization could exacerbate the problem by facilitating the entry of tourism conglomerates from industrialized nations, against which local Small and Medium Enterprises (SMEs) are often unable to compete without access to capital. Most governments in the developing world cannot address this distortion by handing out credit or subsidies as they are already cash-strapped. Plus, national policies and regulations aimed at strengthening sustainable forms of tourism can run the risk of being penalized by the WTO if they are found to be discriminatory or trade-distorting. In this sense, the market is a testing ground for the viability of regulatory measures in the context of a liberalized market under the WTO.

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21 Nicholson-Lord, David. "Green Tragedy: we need a new set of travel ethics," *Resurgence*, (Issue 212; Mar. 28, 2006), available from http://www.resurgence.org/resurgence/issues/lord212.htm

22 http://www.ecotourism.org.

23 See "What is ecotourism?" Accessed Apr. 24, 2006, available from http://ecotourism.org/index2.php?what-is-ecotourism

24 Xavier Font and Jem Bendell, "Standards for sustainable tourism for the purpose of multilateral trade negotiations," p. 11. Accessed June 11, 2006, available from http://www.rainforestalliance.org/programs/tourism/initiatives/documents/sustainabletourism standardsinGATS.pdf

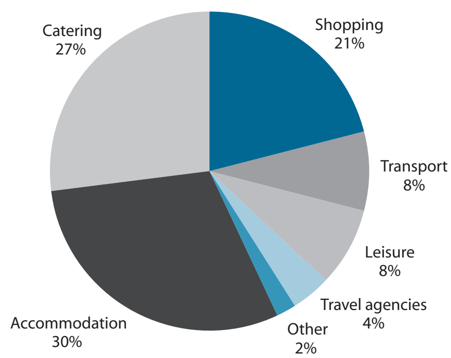
# 3. International tourism in Chile

The central object of this study on the relationship between tourism and international trade is **international tourism**, or, more specifically, **receptive tourism** (i.e., the inflow of tourists from abroad in Chile). In this sense, tourism is an export product that is consumed by foreigners within the country's borders, thus contributing foreign currency inflows. The sum total of this contribution depends on the origin of the service provider (national or foreign), the market structure (cluster or concentration) and the method of travel (package holiday or privately planned).

To measure the above contribution, focus should be placed on **Tourism Characteristic Activities** (TCA). These include hotels and other places of accommodation; restaurants and the like; passenger transport; travel agencies and tour operators; recreational services; and all kinds of tourism retail in general.[25] In Chile, generally speaking, services linked to tourism are highly fragmented (hotels, restaurants and travel agencies), with transport services being the exception as they do concentrate. Most tourism operators are SMEs and their activity is restricted to a specific sector, region (see Annex I) or city. National reach is limited to a small number of hotel chains, fast food restaurants and overland or air transport companies.[26]

The following chart shows the distribution of foreign tourist spending according to 2003 data. As can be seen, most revenue from tourism (57 per cent) is concentrated in accommodation and food services (identified as catering in the chart below). Shopping follows with 21 per cent.

**Figure 1. Foreign tourist spending distribution, 2003**




Source: *Chile: Comportamiento del Turismo Receptivo*, 2003, SERNATUR 2004.

There are 2,953 lodging establishments in Chile.[27] Spending in accommodation is also used as a reference to indicate preferred tourist destinations: 55.7 per cent of overnight stays by foreign visitors were in the Metropolitan Region, mostly in hotels located in the city of Santiago. This is substantially higher than the number of overnight stays registered in other regions (see Annex I). In order of importance, their share of overnight stays is as follows: Los Lagos Region (8.9 per cent); Valparaíso

25 Tourism Characteristic Activities (TCA) were calculated in the *Cuenta Satélite del Turismo en Chile* by SERNATUR in 1999, based on information from 1996. SERNATUR developed the conceptual and operative framework of this survey according to the manual and instructive guidelines of the World Tourism Organization, the United Nations and other specialised international organizations.

26 "*Cambios en la Industria Turística y de Recreación: Nuevas Oportunidades de Inversión*," Gemines S.A. Consultores, (2000).

27 "*Hoteleros están optimistas*," *Estrategia* (Santiago edition), (Jan. 19, 2005). Accessed Mar. 20, 2006, available from http://www.turistel.cl/noticia_turismo/main/hoteleros.htm

Region (7.2 per cent); Antofagasta Region (seven per cent); and Tarapacá Region (six per cent). The cities or destinations with the most number of overnight stays, apart from Santiago, include Viña del Mar, San Pedro de Atacama, Iquique, Pucón, Concepción, Puerto Montt, Antofagasta, Valdivia and La Serena. Santiago's numbers also account for business trips made by foreigners. Business travel is, in fact, a booming niche sector. Its annual revenues are experiencing an unprecedented growth of 14 per cent.[28]

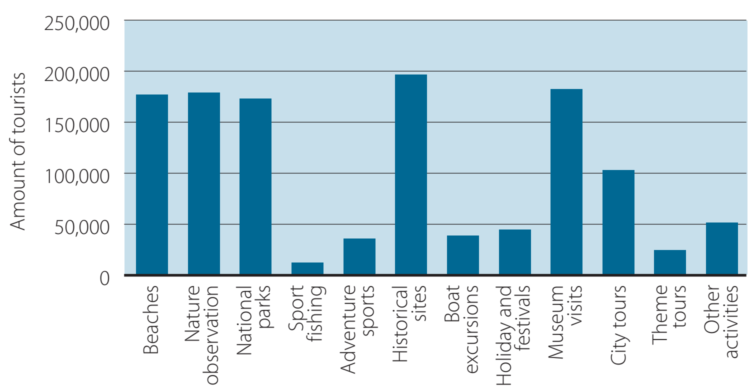
Besides revealing TCA-related consumption patterns, tourists' behaviors or preferences also pinpoint the attractions that draw international **tourists to Chile**, that is, the attractions that draw international tourists to Chile. Following is a list of the most visited destinations by foreign tourists in 2004:[29]

- Santiago – 976,800 visitors;
- Valparaíso-Viña del Mar – 700,089 visitors;
- Arica-Putre-Lago Chungará – 423,108 visitors;
- Puerto Montt-Puerto Varas – 266,896 visitors;
- San Pedro de Atacama – 192,320 visitors; and
- Torres del Paine – 95,771 visitors.

According to the same source, the latter three destinations are usually visited by individuals who come to Chile with the expressed purpose of visiting them. The high number of visits to Santiago and Arica is mostly attributed to their port status. Valparaíso-Viña del Mar is frequented by Argentinian tourists.

More and more tourists are opting for natural attractions. In the 1990s, nature-related tourism in Chile made up seven per cent of total tourism revenues, with an annual growth of 10 to 30 per cent.[30] The following graph of the activities carried out by European tourists in 2004 shows a significant interest in outdoor activities.

**Figure 2. Main activities of European tourists, 2004**




Source: presentation by Oscar Santelices, National Director of SERNATUR, August 2005.

28 "*Catastro de Proyectos de Inversión: Sector Inmobiliario-Turístico*," *Cámara Nacional de Comercio, Servicios y Turismo de Chile (CNC)*, (Jun. 2005), pp. 1; 13. Accessed Apr. 2006, available from http://www.cnc.cl

29 "*Aumentó la llegada de divisas y el ingreso de visitantes en el primer semestre del 2005*," Chile.com. Mar. 20, 2006, available from http://www.turistel.cl/noticia_turismo/main/record3.htm

30 "*Ecoturismo: conociendo la naturaleza*," *op. cit*.

Another set of figures reaffirms foreign visitors' preference for natural attractions—the growing number of visitors to the *Sistema Nacional de Áreas Silvestres Protegidas del Estado* (*SNASPE* – National System of State-Protected Wildlife Areas). In 2004, there were 534,733 foreign visitors to these areas, a figure 21.8 per cent higher than in the previous year.[31] This is rapid growth relative to the 121 per cent rise observed in the 1989–1998 period (total visits increased from 91,400 to 202,200).[32] Keeping in mind that these figures represent a portion of total visits made to protected areas, this explosive growth illustrates the need to closely evaluate special interest tourism, particularly because it is the one with the greatest potential impact on environmental sustainability, both positively and negatively. Nonetheless, both the current national tourism platform (Chile: *Naturaleza que conmueve*) and the central objective of the National Tourism Policy ("To make Chile a tourist destination, establishing nature tourism and special-interest tourism as the development axes, particularly for the long-distance market…"[33]) are intent on exploiting the opportunities inherent in such growth.

A comprehensive assessment of the market relies on **relevant indicators** to weigh the sustainability of any economic activity. To ensure their effectiveness, these indicators must show continuity over time and be adjusted according to the scale of the project or activity. A wide range of indicators can be found in the literature to assess the sustainability of the tourism sector (see Table 8). These include the most typical aspects—from the ones which describe industry according to its contribution to a national economy—to those seeking to identify concrete environmental, social, and economic impacts and benefits of specific activities. In Chile, a detailed study of relevant indicators at a municipal level has been carried out, but the results indicate that implementation still faces many challenges. [34]

On the other hand, **reliable and necessary information** is also needed to respond to selected indicators. Quantitative data for the sector is scarce in Chile, thus limiting the possibility of performing adequate, in-depth studies, both on the regional and local scale. In contrast, there are numerous conceptual documents and guidelines for different forms of tourism. The guidelines set forth in some of these documents are often voluntary.

The main conditions and trends of the tourism industry in Chile are set out below, based on available information. Whenever possible, a more in-depth analysis of niche areas associated with receptive/ international tourism is undertaken.

31 Chile, INE-SERNATUR, *Anuario Turismo 2004*.

32 Chile, *Instituto Forestal, Estadísticas Forestales*, (2000).

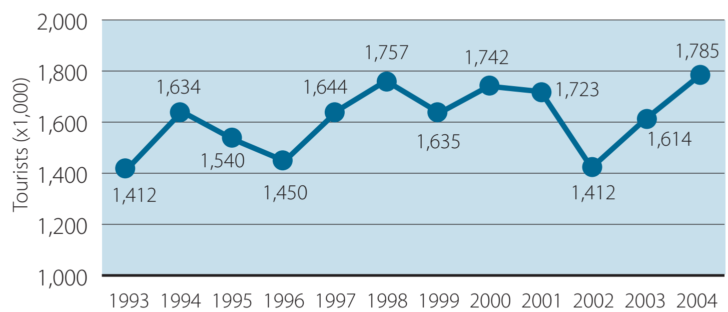
33 SERNATUR, *Política nacional de turismo*, (2005), *op. cit*.

34 Humberto Rivas, "*Identificación de indicadores de sostenibilidad para la actividad turística a nivel comunal*," SERNATUR: Planning Department.

## 3.1 Economic aspects

Tourism in Chile has experienced sustained growth over the last few decades. Although this phenomenon is part of a world-wide trend, the sector expanded faster in Chile than it did in the world (6.3 per cent and 4.3 per cent growth rate, respectively).[35] Between 1989 and 1998, total visitor numbers for receptive tourism increased by 120.3 per cent. Between 1989 and 2004, foreign exchange revenue generated by tourism increased from US$ 407 million to US$ 1,396 million (+242 per cent).[36] Chile currently ranks ninth in America in terms of arrivals and eleventh in terms of total revenue generated.[37] According to a 1999 study, revenue from tourism corresponds to 4.1 per cent of the Gross Domestic Product.[38] The graph below shows the evolution of receptive tourism up to 2004.

**Figure 3. Foreign tourist arrivals in Chile, 1993–2004 (in thousands)**




Source: Sernatur, 2004; www.sernatur.cl, accessed Nov. 2004. Updated from presentation by Humberto Rivas, Planning Department, SERNATUR, May 2005.

Prior to the year 2001, the sector's performance was somewhat erratic. Nevertheless, it has recovered significantly over the last three years shown in the graph (+79 per cent), following the terrorist attacks in New York (2001) and the economic crisis in Argentina (2002). It should be noted that if visits from Chileans living abroad are included, the 2004 figure for foreign visitor arrivals increases to over 1,860,000.[39]

The year 2005 is considered a record year for Chilean tourism. Revenues generated sum up to US$4.5 billion, out of which US$1.5 billion is attributed to foreign tourists.[40] Over two million foreigners visited the country, signalling a 13.6 per cent increase from the previous year.[41] Already, 768,589 foreign visits were registered in the first quarter of the present year, yielding a sum of US$500 million in foreign exchange revenues (10 per cent more than those recorded for the same period in the previous year).[42] Overall, the sector experienced a 12.5 per cent growth during the same quarter.[43]

35 Chile, SERNATUR, *Working Agenda 2002–2005*, SERNATUR: Public-private work group, (2002).

36 "According to estimates, domestic tourism spending for 2005 came to about US$2,500 million," *El Mercurio*, (November 14, 2005).

37 *World Tourism Barometer*, WTO–OMT, (2005).

38 Chile, INE-SERNATUR, *Anuario Turismo 1999*.

39 Oscar Santelices, National Tourism Director, (Aug. 2005), presentation.

40 Chile, SERNATUR, *Informe de Prensa N° 172*, (Oct. 12, 2005), p. 2.

41 Chile, SERNATUR, "*Ingreso de turistas internacionales a Chile rompió la barrera de las 2 millones de personas en 2005*," (Jan. 26, 2006).

42 "*Primer trimestre del 2006: Turismo creció en 12,5%*," *Cybertour*, 21 (Apr. 2006); Accessed Apr. 30, 2006, available from http://www.cybertour.cl/modules.php?name=News&file=article&sid=123

43 *Ibid*.

It is unclear what specific factors are fuelling this growth. No survey of foreign tourists' motivations or preferences is at hand to pinpoint the source of this growth. Plausible explanations include the expansion of global trade, improved access to travel services around the globe at competitive prices, and lesser restrictions on foreign travel. SERNATUR (the national tourism agency) attributes it to its efforts to promote Chile as a tourist destination abroad. Given the revenues generated by foreign tourism, spending on this promotion will be increased from the US$3.5 million spent in 2005 to US$8–10 million in 2006.[44] Most promotion efforts take place in Europe, for European tourists tend to opt for longer stays and their average daily spending is higher than other tourists. *Plan Alemania 2004*, for instance, cost US$531,000 and was aimed at attracting more German tourists, who stay in Chile for an average of 24 days and spend US$58 daily.[45] The second largest group of international tourists (US$62.2 million) worldwide happen to originate in Germany and, according to some forecasts, tourists from Germany will be the biggest group of international tourists by 2010 (US$122 million, equivalent to 13 per cent of total global tourism).[46]

The expansion of the tourism offer goes hand in hand with the abovementioned increase in promotional efforts. New or improved projects are frequently undertaken in attempt to diversify and increase the offer. A salient project is "*Sendero de Chile*," a government initiative to create one of the longest hiking trails in the world, covering the entire length of Chile's territory, including Easter Island. This is a work-in-progress that is scheduled to be completed in 2010, but some portions are already usable by tourists. Additionally, sustainable tourism development initiatives located along its length are currently receiving both government and UNDP backing.

These promotion efforts have been complemented by media attention abroad, particularly travel publications. Their portrayal of Chile as an idyllic destination has likely aroused the interest of many potential visitors. For instance, National Geographic's *Traveller* magazine included two Chilean destinations, Torres del Paine and Easter Island, among the top ten most alluring spots in the world.[47] MTV, the music network giant, did its share too by broadcasting the visit of two Hollywood heavyweights, Cameron Diaz and Drew Barrymore, to Chile as part of a campaign by the World Wildlife Fund (WWF) to protect temperate forests in the X Region (Los Lagos, see Annex I).[48] The work of Douglas Thompkins—former Esprit CEO and a staunch conservationist—also received extensive media attention throughout the world, drawing many people to visit his conservation project Pumalín Park (the first of its kind in Chile).

Given the above exposure, it is not surprising to observe that the flow of foreign tourists is becoming more and more diverse. By virtue of their close proximity to Chilean borders, Argentinian tourists constitute the majority. However, their participation has dropped from approximately 50 per cent in 2000 to 33 per cent in 2005.[49] Visitors from the U.S., Europe and Brazil constituted 36 per cent of all visits.[50] Asian visitors are flocking in larger numbers; 14,575 came to Chile sometime during the first

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44 Informe de Prensa N° 172, op. cit., p. 3.

45 Consentur, "*Evolución y perspectivas del sector turismo: Balance 2003*," (Jan.–Feb. 2004).

46 *Ibid.*

47 "*Primer trimestre del 2006: Turismo Creció en 12,5%*," *op. cit.*

48 "En programa conducido por la actriz Cameron Díaz: Cordillera costera del sur de Chile sale al aire en MTV," World Wildlife Fund (WWF), (June 26, 2005); Accessed Apr. 27, 2006, available from http://www.wwf.cl/comunicados_prensa/junio_05/1_comunicado_mtv.pdf

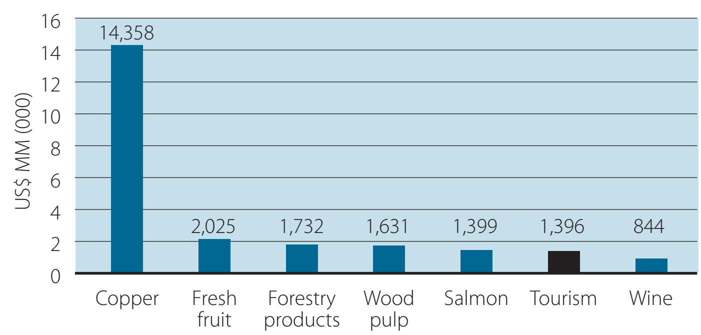
49 *Informe de Prensa N° 172*, *op. cit.*, p. 2.

50 *Ibid.*

quarter of 2006 (a 20.1 per cent increase relative to the previous year's visits during the same period).[51] Visitors from Korea and China are most prominent among them; this is interpreted as a consequence of the free trade agreement Chile signed with both countries.[52] Such agreements herald the opening of new markets and enhance the mobility of capital and people. An upsurge in commercial exchange and inter-country investment has resulted in an increase in the number of business trips taken by Korean executives.[53] In the case of China, SERNATUR signed a cooperation agreement with the Chinese Ministry of Tourism[54] which, among other things, led to the inclusion of Chile in the list of approved tourism destinations for Chinese citizens.

As an export sector, tourism contributes significantly to Chile's export figures. In 2004, it represented 4.3 per cent of total export goods and 3.6 per cent of total export goods and services.[55] As seen in the graph below, receptive tourism placed sixth in order of importance compared to other sectors; close to salmon farming and well above grape and wine production. Its revenues exceeded those of the previous year by 26 per cent.

**Figure 4. Exports of relevant goods and tourism, 2004**




Source: *Annual Tourism Report 2004*, INE SERNATUR, 2005

Nevertheless, the above ratio (tourism relative to Chile's export sector) has decreased in relation to previous years due to an increase in the value of commodity exports, particularly copper and wood pulp. In no way does this diminish the importance of the sector in the Chilean economy, but it does highlight the fact that trade in commodities is the predominant and thus primary export.

Although receptive tourism is on the rise, domestic tourism (i.e., the movement of Chileans within the country) has always represented a significantly greater and increasing portion of total tourism. In 1997, domestic tourism was responsible for 64 per cent of transactions related to overnight accommodation; while, by 2003, this increased to 72.1 per cent.[56] Further, domestic tourism is responsible for 67 per cent of the earnings reported for the first quarter of 2006.[57]

51 "*Primer Trimestre del 2006: Turismo creció en 12,5%*," *op. cit.*

52 Consentur, *op. cit.*

53 *Ibid.*

54 *Ibid.*

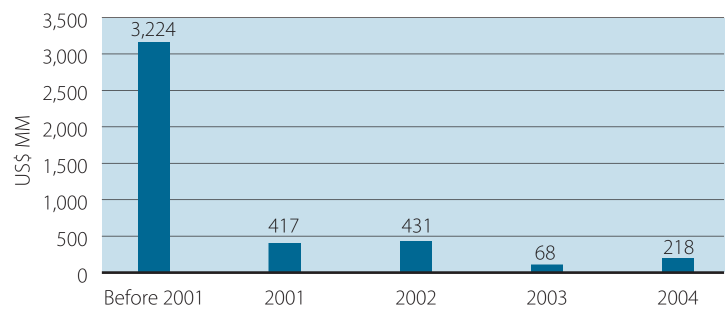
55 Chile, INE-SERNATUR, *Anuario Turismo 2004*, *op.cit.*

56 Chile, INE-SERNATUR, *Anuarios Turismo 1997–2003.*

57 *Informe de Prensa N° 172*, *op. cit.*, p. 2.

Interestingly, investment trends do not seem to follow tourism flows. According to figures published by SERNATUR, between 1994–2003, private investment in tourism totalled US$1450.8 million. This amount was distributed fairly equally per annum at about US$114 million until 2000. Investments increased in the next four years (2001: US$402; 2002: US$175.3; 2003: US$187.9). However, these numbers vary considerably if projects are accounted for relative to the year they were initiated; annual investment in tourism shows a decline under this approach, with a slight recovery in 2004 as shown in the graph below.[58]

**Figure 5. Annual investment in tourism in Chile**




Source: Author's work, based on data from SERNATUR

In particular, the 2003 fall in investment seems unusual compared with earlier periods; yet it is explained by the manifest economic slowdown at the time. Investment recovered in 2004, to slightly less than 50 per cent of the investment levels recorded in 2001 and 2002. Other estimates indicate that by the end of 2004 some 58 tourism projects were underway, costing a total of US$129.6 million.[59] By June 2005, investments reached US$2 billion[60], a sum that is substantially closer to investment levels recorded in the 1994–2003 period.

While variations in the data and the short period of time make it hard to pinpoint investment trends, investment is expected to go up in the coming years; mainly because 17 casino projects have been slated for an open bid.[61] These projects are expected to bring in an additional US$2 billion in investment.[62]

As for investment distribution according to projects, the graph below illustrates the following points:

- as of 2001, most investments were above US$1 million, after which contributions to projects requiring investments of less than US$1 million increased with each subsequent period, except for 2003;
- projects requiring investments of between US$1 million and US$10 million are the second most favoured option; and

58 Investments prior to 2001 cannot be directly compared with later years because they include projects begun anytime throughout the 1990s.

59 Projects in these records have the following characteristics: there is a minimum investment of $50 million (Chilean pesos), they must involve private (domestic or foreign) funding and they must be underway by December 31, 2004.

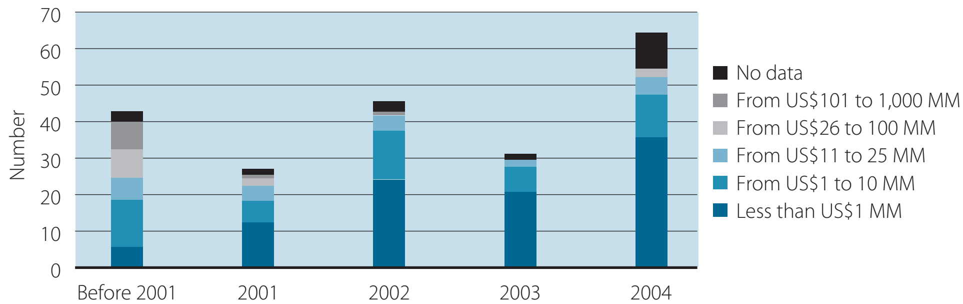
60 *Cámara Nacional de Comercio, Servicios y Turismo de Chile (CNC), op. cit.*

61 *Ibid.*, p. 2. The bidding process was supposed to take place in 2006: it has been halted by the Court of Appeals due to a suit filed by Thunderbird Resorts, which claims that the Casino Superintendent dismissed its application on the grounds that it did not pay the required entry fee when, in reality, it did pay for it.

62 *Ibid.*, p. 6.

- in 2004, there was a large increase in total tourism-related projects. Most of these were worth less than US$1 million.

**Figure 6. Annual investment according to project investment totals**




Source: Author's work, based on data from SERNATUR

Distribution of the aforementioned investment sums is highly variable among different regions (see Annex I). The main findings for establishing investment ranges are set out below:[63]

Annual accrued investment below US$7 million:

- mainly in the II, III, VI and VII Regions. All these regions show considerable year-to-year variations in their annual totals.

Annual accrued investment between US$30 and US$55 million:

- mainly in the I, X, XI and XII Regions;
- the X Region shows investment throughout the period. Prior to 2001, it absorbed the highest percentage of investments and, in subsequent years, it has maintained a presence but with lower percentages of total investment. This Region is home to the largest portion of Protected Wildlife Areas in the country.

Annual accrued investment above US$100 million:

- mainly in the IV, V, VIII and Metropolitan Regions;
- most investments in the IV and V Regions correspond to a surge in second homes and tourism complexes prior to 2001. Overall, V Region shows the highest investment figures.

The most recent figures indicate that the V and IV Regions attract the largest percentage of total investments (38 and 20.3 per cent, the equivalent of US$763 and US$409 million respectively).[64] Their proximity to the Metropolitan Region explains this incidence. The Metropolitan Region itself captures the third largest percentage of investments (18.8 per cent or US$378 million).[65] For the most part, investments in all three regions constitute a response to domestic tourists' demands, as well as an increase in business travellers to the Metropolitan Region.

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63 For further details see Annex V "*Análisis de la inversión según datos de SERNATUR*" (Investment Analysis according to data from SERNATUR), carried out by RIDES for Carmen Paz Silva.

64 *Cámara Nacional de Comercio, Servicios y Turismo de Chile (CNC)*, p. 5.

65 *Ibid.*

For investors, the growth of tourism over the last ten years serves as a good indicator to forecast favourable trends in the future. Indeed, the number of foreign visits to Chile is expected to increase by 8.6 per cent during 2003–2007, reaching 2.2 million visitors[66]—that expectation was met in 2005. In spite of the fact that demand is substantially less than in countries like Canada and the U.S., (their market share in the continent was 36.2 and 15.2 per cent, respectively, in 2004; while Chile's share was 1.4 per cent[67]), Chile's growth rate is forecast to be proportionally higher (see Table 2).

**Table 2. Total tourist arrivals to Asia and the Pacific, 2003–2007**

| | 2003 | 2005 | 2006 | 2007 | %03–07 |
|---|---|---|---|---|---|
| Canada | 17,497,822 | 20,172,454 | 20,674,900 | 21,186,733 | +4.9 |
| Chile | 1,613,523 | 2,014,202 | 2,139,635 | 2,247,085 | +8.6 |
| U.S. | 34,458,358 | 41,771,133 | 44,288,756 | 46,445,106 | +7.8 |
| Subtotal | 53,569,703 | 63,957,789 | 67,103,291 | 69,878,924 | +7.1 |

Source: *Asia Pacific Tourism Forecasts 2005–2007.* Pacific Asia Travel Association PATA

In terms of revenue, with a projected eight per cent annual growth rate for long distance tourists and a three per cent growth rate for regional tourists until 2010, tourism revenues could be over US$2.2 billion,[68] doubling current earnings. Nonetheless, these numbers do not reveal the distribution of benefits among Chileans, a key component in the assessment of the sector's total economic impact.

## 3.2 Social aspects

In Chile, **employment** is perhaps the most frequently cited indicator to express the social impact of tourism.[69] In fact, studies indicate that tourism is an important source of employment in Chile, with a high multiplier effect on retail and other service sectors. In 1999, some 160,000 people were employed in tourism-related activities including accommodation, restaurants, travel agencies, vehicle rental, entertainment, tourism-related retail and craftwork. This figure represents three per cent of the country's workforce. More recent estimates indicate that, in 2004, tourism generated direct employment for around 200,000 people.[70] This figure doubles or triples when indirect employment, through increased demand for supplies or services from other sectors is included, such as construction or transport. Informal employment (e.g., impromptu tour guides, street vendors and performers) is another significant and often unmeasured element in the equation.

In comparative terms, according to 2002 estimates, tourism generates considerably more direct employment than other economic sectors that are important to the country's economy. As seen in the graph below, tourism provides six times more direct employment than salmon farming and three times more than mining, in spite of its lower export earnings (US$844.7 million vs. US$971.9 and US$7,120.2 million, respectively).[71]

66 Asia Pacific tourism forecasts 2005–2007, Pacific Asia Travel Association PATA.

67 *Tourism market trends – 2005*, World Tourism Organization; Apr. 13, 2006, available from http://www.world-tourism.org/facts/menu.html

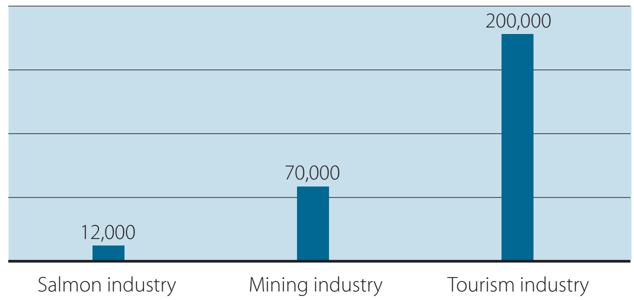
68 *Plan Estratégico País 2004–2005*, *Colegio de Ingenieros*, 2004.

69 Chile, SERNATUR, *Turismo y empleo en Chile medición: características y proyecciones*, (1999); Accessed Nov. 2004, available from http://www.sernatur.cl

70 Consentur, *op. cit*.

71 Chile, SERNATUR, *Comportamiento del turismo receptivo año 2002*.

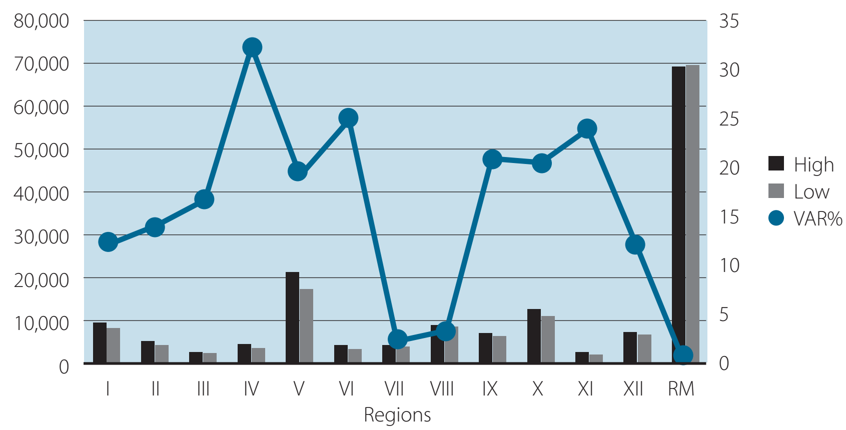
**Figure 7. Generation of employment by sector, 2002**




Source: *Plan Estratégico País 2004–2005*, Institute of Engineers, 2004.

In terms of Tourism Characteristic Activities (TCA), there is a high level of employment in the restaurant sector (48 per cent). Other sectors follow with substantially lower figures: overland transport (11 per cent), hotels (14.8 per cent), travel agencies (6.4 per cent) and tourism commerce (7.1 per cent).[72] In terms of regional distribution, the Metropolitan and V Regions show a high percentage of employment, together contributing 57 per cent of the total, as seen below.

**Figure 8. Regional distribution of employment in Tourism Characteristic Activities and seasonal variation, 1999**




Source: Author's work with data from *Turismo y empleo en Chile. Medición, características y Proyecciones 1999*. SERNATUR, 1999.

The seasonal nature of tourism is responsible for the drop in its employment contribution from three per cent in the high season[73] to 2.8 per cent in the low season.[74] There is a seasonal average variation of 10 per cent for all TCA, with variations observed between activities. There is minimal seasonal variation for air transport, overland transport and car rental, but significant variation registered for domestic route transport. Inversely, employment in entertainment and recreation increases considerably in the low season, since this includes ski centres and other parks open in the winter.

72 Chile, SERNATUR, *Turismo y empleo en Chile medición: características y proyecciones*, *op. cit.*

73 January/February.

74 June/July.

The graph above also shows how seasonality can affect regions of the country differently. Seasonal variations are minimal for the most part. The most significant are the variations registered in the IV, VI and XI Regions. Employment in the Metropolitan Region is unaffected by seasonal changes. The impact of seasonal change varies according to the importance of employment generated by tourism in a particular region. The regions most dependent on TCA are those at the far ends of the country, namely the I, XI and XII Regions.

Another relevant indicator in terms of employment and the social impact of tourism is the increased participation of women in the sector. While the national average for female participation in employment is 32.8 per cent, there is a 40.2 per cent participation of women in TCA in the high season, and a 38.8 per cent participation in the low season.[75] Women are mostly employed in the following sectors: hotels and other forms of temporary accommodation, air transport, travel agencies and tourism retail and craftwork. This trend has also been detected in rural tourism ventures[76] where housewives play a central role; they fill most of the positions that such tourism generates.[77]

Young people are particularly vulnerable to unemployment in Chile, but there is no information regarding their participation in tourism at the national level. However, in rural areas studies indicate that the involvement of young people is not as significant as hoped when rural development programs were initially set up in the 1990s.[78] Wherever young people are working in tourism, it seems to serve more as a supplementary or seasonal job, with insufficient salaries or hours offered for it to become a main source of income.[79] Nevertheless, tourism development programs have been set up with the aim of generating local employment opportunities for young people, thus preventing emigration. One example is the project "*Cuidado del medio ambiente y micro emprendimientos de jóvenes en el área turística, en la Provincia de Parinacota*" ("Protection of the environment and small-scale enterprises for young people in tourism in the Parinacota province," located in the I Region of Tarapacá).[80] The project provides training in environmental matters and encourages the submission of related project proposals. As of today, four of the five micro-enterprises created remain in operation.[81]

In terms of the quality of employment generated by tourism, 1999 estimates[82] indicate that 86 per cent correspond to employees and workers with permanent jobs, reflecting a much higher percentage than the national average (64 per cent). However, in small tourist destinations such as San Pedro de Atacama, qualitative estimates indicate that casual employment might account for more than 50 per cent of the local market (more on this case in section 5.2).

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75 SERNATUR, *Turismo y empleo en Chile medición: Características y proyecciones*, *op. cit*.

76 There is no definitive or concise definition of rural tourism. Ràtz and Puczkò (1998), for example, point out that the meaning of the term varies by country. For the most part, it is a term used to describe the kind of tourism that takes place in a rural setting and is hosted by individuals or families that traditionally engage in agricultural activities to earn a livelihood. Yet, some observers, such as Cabrini (2002), argue that this definition is too simplistic.

77 Sergio Faiguenbaum, "*Programa de turismo rural de INDAP: Un caso de empleo e ingresos rurales no agrícolas inducidos por políticas públicas*," *Red Internacional de Metodología de Investigación en Sistemas de Producción*, (2001).

78 *Ibid*.

79 Jorge Schaerer and Martine Direven, *El turismo rural en Chile. Experiencias de agroturismo en las Regiones del Maule, La Araucanía y Los Lagos*, CEPAL, *Serie Desarrollo Productivo* ?112, (2001).

80 *Fondo de las Américas* – SERNATUR. *Ecoturismo en Comunidades Rurales de Chile: Experiencias de Conservación y Desarrollo Sustentable*. (2004).

81 *Ibid*.

82 SERNATUR, *Turismo y empleo en Chile Medición: Características y Proyecciones*, *op. cit*.

It is difficult to establish a relationship between the increase in tourist activity and its eventual impact on the reduction of poverty or wealth distribution in Chile since there are no studies that tackle the issue in any depth. As mentioned in the introduction, significant progress has been made on the reduction of poverty in Chile. However, the percentage of the population living under the poverty line has remained relatively constant for the past three years despite the economy's steady recovery after the 2003 slowdown.[83]

Although this phenomenon repeats itself in most of Chile's regions, there are significant differences. The following table shows a ranking of regions according to the percentage of poverty reduction between 1990 and 2000. While some regions, like the XII Region of Magallanes, have reduced their poverty index by over 60 per cent, the I Region of Tarapacá has only experienced a 26 per cent reduction. It should be remembered that, as mentioned above, both regions are amongst those most dependent on TCA as a source of employment.

**Table 3. Poverty by region and regional ranking for % drop in poverty, 1990–2000**

| Région | 1990 | 1992 | 1994 | 1996 | 1998 | 2000 | 2000/1990 | 2000/1990 ranking % de disminución | |
|---|---|---|---|---|---|---|---|---|---|
| I | 28.3 | 27.0 | 22.3 | 21.6 | 16.1 | 20.9 | -26.15 | XII | -63.67 |
| II | 34.2 | 31.3 | 25.6 | 16.6 | 13.2 | 13.9 | -59.36 | II | -59.36 |
| III | 34.2 | 30.4 | 32.4 | 26.5 | 28.5 | 23.6 | -30.99 | V | -55.35 |
| IV | 45.5 | 38.4 | 32.2 | 30.5 | 25.1 | 25.2 | -44.62 | XI | -53.87 |
| V | 43.0 | 34.5 | 26.5 | 22.2 | 18.8 | 19.2 | -55.35 | RM | -51.21 |
| VI | 41.0 | 30.2 | 32.5 | 26.5 | 22.7 | 20.6 | -49.76 | VI | -49.76 |
| VII | 42.7 | 39.8 | 39.6 | 32.5 | 29.3 | 25.3 | -40.75 | Total país | -46.63 |
| VIII | 48.2 | 44.5 | 39.6 | 33.9 | 32.3 | 27.1 | -43.78 | IV | -44.62 |
| IX | 45.1 | 40.6 | 33.5 | 36.5 | 34.3 | 32.7 | -27.49 | VIII | -43.78 |
| X | 40.1 | 34.2 | 32.4 | 32.2 | 29.4 | 24.7 | -38.40 | VII | -40.75 |
| XI | 31.0 | 30.5 | 28.1 | 21.9 | 14.8 | 14.3 | -53.87 | X | -38.40 |
| XII | 30.0 | 24.0 | 14.0 | 13.4 | 11.8 | 10.9 | -63.67 | III | -30.99 |
| RM | 33.0 | 26.1 | 19.8 | 14.8 | 15.4 | 16.1 | -51.21 | IX | -27.49 |
| Total país | 38.6 | 32.6 | 27.5 | 23.2 | 21.7 | 20.6 | -46.63 | I | -26.15 |

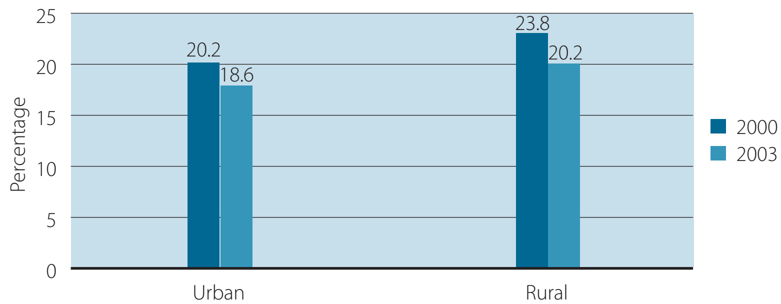
Source: MIDEPLAN

In rural zones, where rural or nature tourism is currently practised and developed, there has been significant progress in poverty reduction. From 1990–2003, rural poverty was almost halved, falling from 39.5 per cent to 20.1 per cent, with a particularly significant drop of 3.7 per cent between 2000–2003.[84]

83 See "Chile" in http://www.cia.gov/cia/publications/factbook/geos/ci.html

84 "*Pobreza, distribución del ingreso e impacto distributivo del gasto social,*" Serie CASEN (2003), *División Social del Ministerio de Planificación y Cooperación*, (2004).

**Figure 9. Poverty in rural and urban zones**




In Chile, rural tourism began with a series of spontaneous and isolated cases at the outset of the 1980s. A more systematic, although still incipient, tourism development began in 1995, with diverse public policy initiatives. The *Instituto de Desarrollo Agropecuario* (INDAP – Rural Development Institute), for instance, initiated the *Red de Turismo Rural* (Rural Tourism Network) with $50 million Chilean pesos (approximately US$100,000) and 11 participating families in the VI and X Regions.[85] The network has expanded into a project of national scope, with 300 initiatives currently in operation and receiving annual investments worth over $100 million Chilean pesos.[86]

The impetus for continued funding and promotion of rural tourism has been sustained by auspicious global growth forecasts for this kind of tourism (30 per cent),[87] the increase in tourism within the country and the presence of unexploited rural settings to further develop this kind of tourism. Some of the institutions currently promoting rural tourism include: the *Instituto Nacional de Desarrollo Agropecuario* (National Institute of Agricultural Development) with its *Programa Nacional de Turismo Rural* (PTR – National Rural Tourism Program), the CORFO's *Comité de Innovación Innova* (Innovation Committee), SERNATUR, FOSIS – *Fondo de Solidaridad e Inversión Social* (Social Solidarity and Investment Fund), the *Fundación para la Innovación Agraria FIA* (Foundation for Agricultural Innovation) and the *Fondo de las Américas* (Americas Fund). These institutions offer funding, technical assistance, training and general support through a variety of programs.

In 1999, about one hundred rural tourism projects were registered in Chile, with diverse characteristics and levels of development.[88] To date, no single exhaustive register of this type of initiative exists, yet there is evidence that rural tourism is being consolidated throughout Chile. The "*Tarifario de Turismo Rural 2005*" (2005 Rural Tourism Tariff), published by INDAP, gives details of 65 initiatives being implemented across the country. Several of these are networks of projects, so the number of individual enterprises is likely much higher. There are also three official rural tourism sites on the Internet.[89] Table 4 compiles different rural tourism networks and individual projects for each region as found on those websites.[90]

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85 "*Turismo étnico avanza lento, pero a paso firme,*" *Diario Financiero*, (Jan. 24, 2005); Accessed Mar. 20, 2006, available from http://www.turistel.cl/noticia_turismo/main/turismo_etnico.htm

86 *Ibid.*

87 Humberto Rivas, "*Perspectivas de desarrollo del turismo tural en Chile*," SERNATUR, (1996).

88 Chile, *Ministerio de Agricultura* (Ministry of Agriculture), *Agroturismo – una opción innovadora para el sector rural*, *Fundación para la innovación agraria*, (1999).

89 Websites: *Asociación Gremial de Turismo Rural* (ACHITUR A.G. – Trade Union for Rural Tourism) http://www.achitur.cl; *Programa Nacional de Turismo Rural* (National Rural Tourism Programme) http://www.viajesrurales.cl; and *Turismo Rural Chile* (Chile Rural Tourism) http://www.turismoruralchile.cl

90 Individual projects are not necessarily part of the networks listed.

**Table 4. Rural tourism initiatives**

| Region | Networks | Projects |
|---|---|---|
| I Region | | *Turismo Rural Aymar Uta* |
| II Region | Lican Huasi Rural Tourism Network | *Turismo Rural Lickana*<br>*Turismo Rural Muley*<br>*Restaurant Muley*<br>*Turismo Rural Puri Linzor* |
| III Region | | *Centro Turistico La Verbena* |
| IV Region | El Alero de Pisco Elqui Rural Tourism Network<br>Tricahue Rural Tourism Network | *El Ranchito de don René*<br>*Alcohuaz Expediciones*<br>*Alojamiento Campesino Los Paltos del Patrón*<br>*Agrocamping El Descanso de Los Arrayanes*<br>*Complejo Agroturistico Valle de Estrellas*<br>*Alojamiento Campesino y Comidas Típicas Los Álamos*<br>*Agrocamping Doña Josefa* |
| V Region | Pullally Rural Tourism Network | *Red de Guías Ecológicas Olmue*<br>*Licores Artesanales El Totoral*<br>*Productos Artesanales y Cabañas Sofía Rojas*<br>*Quincho del Totoral* |
| VI Region | | *Sociedad de Agroturismo El Encanto*<br>*Molino de Agua El Encanto* |
| VII Region | Precordillera de Colbún Rural Tourism Network<br>Linares Rural Tourism Network | *Agrocamping Radal El Toro* |
| VIII Region | San Fabian de Alico Rural Tourism Network | *Agrocamping El Encanto*<br>*Parador Agroturístico Alto de Chaca*<br>*Turismo Rural Lo Vilches*<br>*Camping Playa Caliboro*<br>*Agrocamping Chillido*<br>*Cabañas Huillinco*<br>*Turismo Rural El Mirador* |
| IX Region | Pucón-Villarrica Agro-Camping Network | *Agroturismo Weche Ruka*<br>*Turismo Rural Santa Elvira de Tracura* |
| X Region | Corral Chaihuin Rural Tourism Network (Valdivia )<br>Las Gaviotas Rural Tourism Network (Lago Rupanco)<br>Carretera Austral Rural Tourism Network (Puerto Montt)<br>Purranquil Rural Tourism Network (Purranque)<br>Tres Islas Rural Tourism Network (Puerto Montt)<br>Chiloe Rural Tourism Network (Isla Chiloe)<br>Futaleufú Rural Tourism Network | *Agroturismo Las Gaviota*<br>*Turismo Rural Kolongruka*, (ethnic tourism).<br>*Turismo Rural los Esteros*<br>*Turismo Rural Camino Real*<br>*Turismo Rural La Rinconada*<br>*Turismo Rural Cordillera del Sarao*<br>*Restaurant-Camping Lafquenche*<br>*Camping El Avellano*<br>*Agroturismo San Antonio*<br>*Hospedaje Familiar Gabriela Soto*<br>*Casa de Campo Bahía Quillaipe* |
| XI Region | Rio Baker Rural Tourism Network (Puerto Bertrand)<br>Pasarelas Tortel Rural Tourism Network (Coyhaique Tortel)<br>Patagonia Rural Tourism Network (Aysén) | *Turismo Rural la Cadencia*<br>*Alicia Sobarzo* |
| XII Region | | *Sociedad Colectiva Agrícola* and *Turismo Stuttgart Limitada* |

The Aymar Uta Project, for example, is characterized by visits to national parks and archeological sites, typical food tasting and lodging with host families or in cabins built to house tourists.[91] This project also falls under what could be denominated as ethnic or cultural tourism, as it is managed by indigenous people of Aymara origin.

91 Chile, SERNATUR, *Tarifario Turismo Rural 2005*.

While the existence of these initiatives is positive in itself, rural tourism faces various obstacles. First, because there is no clear definition of rural tourism, there are also no specific guidelines for those attempting to develop it. Moreover, because of its remote and dispersed nature, rural tourism needs to be adequately promoted. According to a study by an international tourism consulting agency, International Tourism Consultants (THR), one of the difficulties that small, special interest tourism operators face in Chile is that they are hard to locate.[92]

These obstacles do not wholly diminish the sector's potential to enhance the well-being of its participants. To measure this potential, Faigenbaum (2001) carried out an analysis of the *Programa de Turismo Rural* (PTR – Rural Tourism Program) sponsored by INDAP, and an estimate of average seasonal family income from tourism. He concluded that the participating families that managed to achieve some degree of success in such a challenging field could generate enough income to substantially improve their financial situations. This success was attributed to the comprehensive nature of the support services offered by INDAP (e.g., technical assistance, financing, training, etc.) and its flexible program requirements (i.e., adjustable according to specifics of each case).

The income poor families generate in association with the PTR is equivalent to 21 and 300 per cent of the average national rural income for this group, depending on the level of success achieved. The same study warns that rural tourism is a selective activity. Not all producers have access to it since there are certain factors intrinsic to the activity, such as the touristic value of the offer; location and accessibility; and/or individual conditions and disposition.

## 3.3 Environmental aspects

There is not enough information available in Chile to identify the environmental impact of tourism. Indicators such as water and energy consumption by hotels, or the volume of solid waste generated by the sector, have not been the subject of a systematic study. It would be even more difficult to estimate the specific impact of receptive tourism and those generated by foreign companies operating in Chile.

A general review of the environmental impacts of tourism policies can be found in the OECD's Environmental Performance Review for Chile.[93] The review indicates that these policies, like other sector-specific policies, have significant shortcomings in terms of integrating environmental considerations. Secondly, the report states that current policies do not give adequate recognition to the value of the natural environment as a vital asset for tourism, nor do they take full advantage of tourism's potential to contribute to funding nature management. In this respect, current policy for concessions in protected areas seems to respond to this lack of funding, but there have as yet been no studies or assessments of the performance of private concession holders. Lastly, in view of the social opportunities of conservation, the report recommends complementing current tourism development with the creation of more employment in the environmental sector, particularly employment aimed at the management of physical and cultural heritage.

Beyond policy considerations, the above report does little to bridge the existing information gap in terms of the actual impact the sector has on the environment. Rather than taking this task on though, this section attempts to provide an indirect diagnosis of the environmental considerations based on an analysis of the incidence of tourism in protected areas, the Environmental Impact Assessment System, existing sustainability indicators, as well as surges of conflict and cooperation among stakeholders.

92 "*Ecoturismo: conociendo la naturaleza*," *op. cit.*

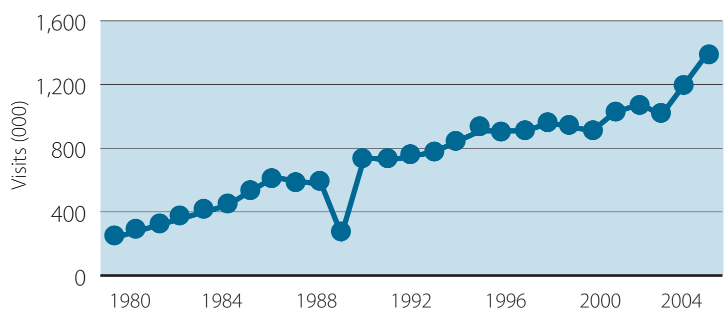
93 "*Evaluaciones del desempeño ambiental – CHILE*," OCDE, (2005).

### a. Tourism in protected areas

There is a lot to be deduced from the manifestation of tourist demand in the SNASPE. In Chile over the last decade, tourist visits to protected areas, such as national parks and reserves, have increased significantly. According to SERNATUR,[94] this increase could be explained by the fact that these areas promote the conservation of ecosystems, an activity both expected and valued by many tourists. Nature-centered tourism promotion efforts also explain this surge.

The SNASPE comprises 95 units, and includes three different management categories: 32 national parks, 48 national reserves and 15 national monuments, with a total area of about 14.2 million hectares representing 19 per cent of national territory.[95] The graph below traces the increase in the number of visitors to these areas over the last 25 years.

**Figure 10. Visits to protected wildlife areas**




Source: www.conaf.cl, visited Oct. 2005

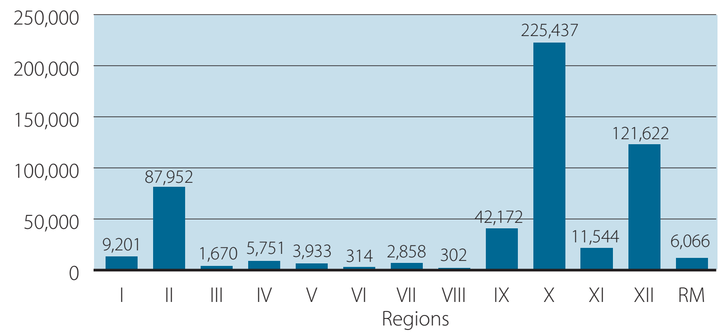
This trend is also expressed in the increasing attraction of foreign tourists to protected areas. As mentioned at the beginning of this section, foreign visits to SNASPE increased by 21.8 per cent in 2004 relative to the previous year, reaching a total of 534,733 visits.[96] Some of the most visited parks are those in the X Region of Los Lagos, Parque Nacional Torres del Paine in the XII Region of Magallanes, and the Reserva Nacional Los Flamencos in the II Region of Antofagasta.

94 Humberto Rivas, "*Perspectivas de desarrollo del turismo rural en Chile*," *op. cit*.

95 See "*Sistema nacional de áreas silvestres protegidas del estado*" in http://www.conaf.cl

96 The *Parque Nacional Rapa Nui on the Isla de Pascua* (Eastern Island, a World Heritage Site), which does not figure in the graph, recorded 15,911 foreign visits for the same period.

**Figure 11. Foreign tourists in protected areas by region, 2004**




Again, there currently is no data available concerning the impact these increased visits have on the environment. Such assessment is not considered in the management plans of each protected area.[97] Even where private conservation efforts are encouraged, the required EIAs (Environmental Impact Assessments) only need to assess "the impacts of the construction of new infrastructure and not the indirect impacts produced by increased numbers of visitors."[98] An in-depth impact assessment requires advanced equipment and a minimum degree of technical skills possessed by the individuals in charge of collecting the information, both of which raise the cost of the assessment.[99]

## b. Environmental considerations in decision-making: The Environmental Impact Assessment System

The Environmental Impact Assessment System is by far the most important instrument to incorporate environmental and social aspects into decision-making. The following table presents the tourism projects submitted to the *Sistema de Evaluación de Impacto Ambiental* (SEIA – Environmental Impact Assessment System) between 1996 and 2005.[100] Tourism development projects are defined as those involving construction work or urbanization for permanent habitation purposes and/or infrastructure for tourism, such as tourist accommodation centres, campsites, sites permanently used to moor and/or house boats for recreational purposes, ski runs and/or ski centres, beaches and thermal spas.[101]

**Table 5. Tourism projects submitted to the System of Environmental Impact Assessment**

| Type | No. | % of total submissions | % approved |
|---|---|---|---|
| Environmental Impact Assessment (EIA) | 15 | 2.6 | 53 |
| Environmental Impact Statement (EIS) | 205 | 2.5 | 71 |
| EIA and EIS | 220 | 2.5 | 70 |

Note: An EIA implies a deeper analysis than an EIS.

97 Aníbal Pauchard and Pablo Villarroel, "Protected areas in Chile: History, status, and challenges," *Natural Areas Journal*, Volume 22(4), (2002), p. 325.

98 *Ibid.*

99 Aníbal Pauchard *et al.*, "A Multi-scale method for assessing vegetation baseline of Environmental Impact Assessment (EIA) in protected areas of Chile," USDA Forest Service Proceedings RMRS-P-15, Vol. 3, (2000), p. 115.

100 Available from http://www.e-seia.cl, accessed Dec. 2005.

101 See: Regulation for the System of Environmental Impact Assessment D.S. No.95 of 2001, decreed by the *Secretaría General de la Presidencia* (Presidential General Secretariat).

As the table suggests, the rate of approval is quite positive, with over 50 per cent of projects approved. These positive results still do not alter a reality that is more complex. Sustainable tourism development cannot exclusively (or primarily) rely on one particular decision-making instrument, such as the EIA system. This system has its flaws (lack of appropriate enforcement being one of them), and so does the broader planning context.

Perhaps, as an inherited trauma of Salvador Allende Gossens' socialist government (1970–1973), the Chilean private sector, as well as right-wing parties, are strongly reluctant to devise instruments which could affect market decisions. In fact, there are few (if any) effective planning instruments. Traditionally, project decisions have been made exclusively upon economic (market) considerations. This was, to some extent, changed by the implementation of the EIA system back in 1997. The EIA system is now a relevant milestone due to the role of regulators in approving projects and the inclusion of environmental and social factors into decision-making.

Existing planning instruments are basically limited to urban land: the municipal land-use plan (*plano regulador comunal*). Indeed, rural areas do not have an equivalent instrument. In the specific case of tourism, two planning instruments have been put forward by SERNATUR: ZOIT (tourism interest zones) and CEIT (tourism interest centre). Both instruments seek to preserve tourist attractions and guarantee the sustainability of the activity in a particular area. Whereas these instruments could work as effective land-use planning instruments, in reality they are mainly an expression of intentions which are not binding on either private or public decision-makers. This is also the case with the Regional Development Strategies (*Estrategias de Desarrollo Regional*), which act as guiding instruments for development decisions at the regional level.

Given the above and an absence of funds necessary to carry out conservation tasks (CONAF'S annual budget is approximately US$40 million and its jurisdiction covers 19 per cent of Chilean territory),[102] it is difficult to guarantee sustainable tourism development. Private-public partnerships[103] are a promising way forward at the local level. A good example is the case of the Petrohue River, where river-rafting operators cooperate with area rangers by respecting minimum operation rules and environmental protection expectations.[104]

### c. Sustainability indicators of tourism destinations

One of the initiatives programmed in the 2002–2005 *Agenda de Trabajo del Turismo* (Tourism Work Agenda, see section 5.4) was the creation of sustainable development indicators for tourism. These are based on an analysis of all the EIAs and Statements submitted to SERNATUR by the private sector between 1995 and 2000.[105] The impacts are not limited to the environmental sphere. They can also be of an economic and/or social nature.

102 Patrick Nixon, "*Promoción de las atracciones naturales de Chile*," *Business Chile*; May 2, 2006, available from http://www.businesschile.cl/

103 A combination of private and public funding, usually for infrastructure projects.

104 Rodrigo González and Adriana Otero, "Alternative tourism activities management in the Argentinean-Chilean Great Lakes Corridor," *Current Issues in Tourism*, Vol. 5. Nos 3&4, (2002), p. 203. Accessed Mar. 24, 2006, available from http://www.commerce.otago.ac.nz/tourism/current-issues/homepage.htm

105 Humberto Rivas, *Indicadores de sostenibilidad de la actividad turística para el área lago general carrera*, SERNATUR: Planning Department.

According to UNEP, tourism's main impacts include the depletion of natural resources, pollution and physical impacts.[106] The depletion of natural resources occurs when consumption increases in areas where a resource, such as water, is already scarce. As is the case with other industries, tourism pollutes by augmenting solid waste, littering, wastewater and the frequency of transportation. Pysical impacts are derived from tourism development and tourist activities. Their repercussions imply the loss of biodiversity and ground cover.

Socio-economic impacts include leakages or capital flight, which constitute a loss of revenue or the imposition of hidden costs associated with tourism activities.[107] The revenues associated with such leakages are often repatriated by foreign investors and/or pocketed by large tourism operators based outside host communities. Other impacts include increased dependence on a volatile industry, unstable or seasonal jobs, further marginalization of the poor, social degradation and so on.

Sustainability indicators seek to identify and assess the type and degree of alteration occurring in tourism destinations in order to incorporate environmental variables into the planning processes undertaken by the regional authorities. To this end, based on WTO–OMT's methodology, workshops have been held across different parts of the country in order to identify indicators based on local circumstances. Also, a pilot project has been set up in the Pucón area (IX Region). The resulting indicators are grouped into four variables: environment, socio-cultural issues, economic issues and management and participation. The table below presents an example of these indicators, with variations according to the specific destination.

**Table 6. Examples of indicators on sustainable tourism**

| Indicators | Description | Measurement units |
|---|---|---|
| **Environment** | | |
| Level of pollution of lakeside beaches | Determines the level of pollution in the water along lakeside beaches due to the presence of fecal coliform. | Regulations on fecal coliform give a maximum acceptable level of 1,000 fecal coliform per 100 ml. In areas apt for hydroponics or for benthic resource management and exploitation there must be no more than 70 fecal coliform per 100 ml. |
| Level of pollution of water and rivers | Measures the level of pollution of river water due to the presence of fecal coliform. | Regulations on fecal coliform indicate that 1,000 fecal coliform per 100 ml is the maximum acceptable pollution limit for rivers. |
| Reduction in aquatic species | Shows the reduction in aquatic species, particularly river fish, due to sporting and recreational activities along watercourses, e.g, sports fishing. | Number of fish caught in period(t-1) – Number of fish caught in period(t) |
| Waste | Measures the presence of rubbish at frequently visited tourist sites. | Total tourist sites with evidence of excess rubbish x 100/ Total number of tourist sites |
| Expansion of built-up area for tourism | Identifies the increase in built-up surface area at a specified moment in time compared to another moment in time. | Built-up surface area in period(t) – built-up surface area in period(t-1) x 100/ Total built-up surface area in period(t-1) |
| Vehicle congestion | This indicator provides a parameter to measure whether an increase in vehicles in the high season compared to the low season causes problems in terms of increased journey times. | Average journey time along main streets or routes in the high season/Average journey time along main streets or routes in the low season |

106 "Tourism's three main impact areas," *UNEP DTIE*; Apr. 16, 2006, available from http://www.uneptie.org/pc/tourism/sust-tourism/env-3main.htm

107 World Tourism Organization (2004), *op. cit.*, p. 117.

| Indicators | Description | Measurement units |
|---|---|---|
| **Economic issues** | | |
| Volume of tourists in periods of high demand | Reflects the concentration of tourist arrivals through the year in order to establish any marked seasonality trends. | Tourist arrivals in the high season x 100/ Total annual tourist arrivals |
| Level of use of tourist accommodation | This indicator shows the percentage of beds occupied in tourist accommodation establishments in a specific period. | Total number of beds occupied in period(t) x 100/ Total number of beds available in period(t) |
| Total direct employment generated by tourism | Indicates employment generated by the tourism sector compared with total employment generated at the destination in period (t). | Total employment in TCA in period(t) x100/ Total employment at destination in period(t) |
| Employment variations | Measures the proportion of employment generated by TCA in the high season compared to the low season. | Total employment in TCA in high season/ Total employment in TCA in low season |
| Diversification of tourism product | Reflects the variety of TCA offered at the tourism destination. | Total current number of activities at the destination x 100/ Total potential number of activities at the destination |
| Degree of satisfaction in tourism services | Measures the capacity of tourism service enterprises to respond to tourist expectations. It verifies the quality of service. | Number of tourists declaring satisfaction with quality levels x 100 Total tourists in the study area (total surveyed) |
| **Socio-cultural issues** | | |
| Visitor/resident population relationship | Determines the relationship between visitor arrivals and the resident population at the tourist destination at a period in time. | Total visitor arrivals in period(t) x 100/ Total resident population in period(t) |
| Community perception of tourism | Measures the local population's opinion of tourism at the destination. It determines their level of satisfaction concerning the presence of visitors. | Population satisfied with presence of visitors x 100/ Total local population (total surveyed) |
| Level of training in tourism in comparison to other activities | This indicator attempts to compare the number of people trained in tourism with the total number of trained workers in the district. | Workers trained in tourism service enterprises x 100/ Total trained workers in the district |
| Level of training of those employed in tourism | Indicates the level of training of workers in tourism. | Total trained workers in TCA x 100/ Total number of workers in TCA |
| Increase in crime in the high season | Determines the increase in theft, fights or other crimes recorded in the tourist high season compared to the low season. | • Number of thefts in high season – Number of thefts in low season x 100/ Total number of thefts in low season<br>• Number of fights in high season –Number of thefts in low season x 100/ Total number of fights in low season |
| Road traffic accidents in the high season | Shows the variation in road traffic accidents at the destination in the high season compared to the low season. | Number of accidents in high season – Number of accidents in low season x 100/ Total number of accidents in low season |
| **Management and participation** | | |
| Level of district incorporation into the Regional Tourism Development Strategy | Indicates community participation in the Regional Tourism Development Strategy, either through programs and/or projects. | Community-led tourism projects x 100/ Total tourism projects in the region |
| Integration of tourism into local authority planning | Reveals the degree of importance that local authority activity gives to tourism in terms of expenditure. | Expenditure for tourism projects in period (t) x 100/ Total local authority expenditure for period(t) |
| Relationship between established tourist image and management developed by local authority | This indicator attempts to determine the level of coherence between local authority management activities and the image of the destination promoted for tourism in the district. | Local authority projects linked to the tourism image x 100/ Total number of projects set up by the local authority |
| Level of community participation in tourism development process | This indicator seeks to measure local population participation in the district planning process for tourism, manifested through organizations for local community, sports and enterprises, for example. | Total number of tourism projects with community participation x 100/Total number of tourism projects set up by the local authority |

| Indicators | Description | Measurement units |
|---|---|---|
| Level of association of local tourism enterprises | Shows the proportion of local tourism enterprises in association with any kind of organization. | Tourism enterprises integrated into organizations x 100/ Total number of local tourism enterprises |
| Perception by outside tourism operators | Reflects the opinion of outside tourism operators (i.e., those located outside the destination but with knowledge of said destination) about the tourism package, shaped by attractions and local infrastructure. | Favourable opinion of destination by outside tourism operators x 100/Total outside tourism operators (operators surveyed) |

The diverse stakeholders participating in this pilot project have evaluated the conclusions positively. However, there are certain limitations to more in-depth application and development, such as the lack of available information, or technical resources and capacity to implement and validate the indicators at the local level.[108] On the other hand, the measurements already carried out have failed to awaken the necessary impetus for them to be followed up, taken up by stakeholders, or finally translated into concrete policies.

### d. Conflict of interest and cooperation among tourism stakeholders

Tourism, as an emerging activity, can have negative effects on some of the communities adjacent to its area of operations. In such cases, conflict mostly arises from the way tourism is developed and the distribution of benefits. In San Pedro de Atacama, tourism has experienced an explosive growth in the hands of "outside" investors since the 1990s, with minimal involvement of the indigenous population, the *Atacameños*. These people are pushing for greater involvement and leadership in tourism. They are strongly opposed to new projects from investors from outside the district, for they feel that investors do not abide by their commitment to respect the community and its environment. Likewise, in the Isla de Pascua (or Easter Island, where a casino project is currently under construction), strong debate has arisen concerning the possible impacts of this kind of tourism on the traditions of the *Rapa nui*. The community is divided over this project. Most perceive it as unnecessary since estimates indicate that tourism will continue to grow in the absence of the casino and, worse, it is at odds with the cultural and natural heritage of the island.[109]

On the other hand, there are many cases in Chile where tourism has generated synergies with other sectors and interests. For example, there is an interesting case of complementary interaction between tourism and science at Cabo de Hornos (Cape Horn). A product of this interaction was the publication of the first atlas of Antarctic lichens and mosses.[110] This is the first of four guides to be published with the financial support of the regional government. Also, in the Los Flamencos National Reserve, located in the San Pedro de Atacama district, there is a pioneer attempt underway to integrate indigenous communities, natural resource conservation and tourism by means of a co-management mechanism for the destination.

108 Humberto Rivas, "Identification of sustainability indicators in Southern Chile: Villarica Lake area (Pucón – Villarica zone)," SERNATUR: Planning Department.

109 Gazi Jalil, "*Grupo Martínez presentó la propuesta que implica una inversión de US$13 millones: Proyecto de construcción de casino divide a habitantes en Isla de Pascua*," *La Tercera*, (Aug. 13, 2005), p. 27.

110 "P*resentan primera guía de turismo sustentable en el Cabo de Hornos*," *La Nación*, (Sept. 30, 2005). Accessed Mar. 29, 2006, available from http://www.lanacion.cl/prontus_noticias/site/artic/20050930/pags/20050930153129.html

Based on the above information, a conclusion similar to the one found in the OECD study can be reached: better management is needed to ensure that tourism development is sustainable. The close relationship between conservation of the host environment and the growth of tourism poses a question for local and regional authority management and for private enterprises linked to the sector: how can the expansion of the "tourism frontier" remain compatible with a natural environment under constant pressure?[111] The answer is crucial, for environmental deterioration is at odds with the marketing image currently projected to the rest of the world, which shows a green or natural haven. It is, therefore, necessary to ensure that the mechanisms for intervention that reaffirm natural and cultural heritage respond to criteria for rational and harmonious use in the long-term. This is a challenge for all stakeholders involved in the sector.[112]

# 4. Trade liberalization in the sector

Tourism is a service that, like goods themselves, can generate economic gains when traded. As such, tourism is not exempt from current trends towards the liberalization of services at the multilateral level (i.e., within the World Trade Organization), as well as the regional and bilateral levels. The main question raised by trade liberalization in general is, to what point is it compatible with sustainable development? In the specific case of tourism, this concern is manifested in diverse ways, as set out below. One of the most sensitive issues relates to whether liberalization and deregulation work against the strategies to make tourism contribute to overcoming poverty and fostering a more sustainable management of natural resources.

## 4.1 International tourism as a service within the World Trade Organization

The WTO's General Agreement on Trade in Services (GATS) contains two sets of frameworks:

- general concepts, principles and rules that apply to all measures affecting trade in services; and
- specific negotiated obligations that constitute commitments that apply to service sectors and sub-sectors that are listed in a Member country's schedule.

International tourism is contained in the ninth category of the GATS under the heading "Tourism and travel-related services."[113] This category lists sectoral services as follows: a) hotels and restaurants; b) travel agencies and tour operators; c) tour guide services; and d) other services. This classification is very limited as it does not take into account that other services are connected to tourism, one way or another. Such is the case with transport, banking services, insurance, communications, etc. Hence, trade liberalization in tourism could have relevant effects on other services.[114]

Trade liberalization is characterized by market access conditions (GATS, Article XVI) and national treatment (GATS, Article XVII). The former stipulates the conditions under which other Member

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111 Humberto Rivas, *Indicadores de sostenibilidad de la actividad turística para el área Lago General Carrera*, Planning Department," *op. cit*.

112 World Tourism Organization, (1998); SERNATUR, (1998).

113 GATS classification list (W/120, GATT 1991).

114 Mireille Perrin, *op. cit*.; Berne Declaration and Working Group on Tourism and Development, "The WTO GATS and sustainable tourism in developing countries – in contradiction?" (2005).

countries might provide goods or services to the domestic market. National treatment refers to treatment that is no less favourable than that which would be bestowed upon local businesses.

In the case of goods, liberalization involves the gradual elimination of tariff and non-tariff measures applied to a country's borders. In the case of services, however, liberalization is carried out on specific sectors or sub-sectors, and following specific "supply methods." WTO Members submit requests to particular countries for specific commitments in a determined sector. Requests may include the following:

1. addition of a sector not included in a Member's schedule of commitments under Articles XVI and XVII;
2. removal of existing limitations or introducing new ones;
3. additional commitments falling outside the scope of Articles XVI and XVII; and
4. removal of most-favoured-nation (MFN) exemptions (i.e., exceptions to this fundamental non-discrimination provision).[115]

Offers are circulated in response to all requests. They signal the beginning of actual negotiations and may be followed up with more requests. Member countries are under no obligation to meet all requests, nor are they obliged to carry liberalization to its full-extent. Specific commitments are scheduled by the modes of supply and apply only to the listed service sectors and sub-sectors (i.e., a positive list approach). Exceptions or limitations must also be identified in the Members' schedule of commitments, which lists the conditional obligations incurred during negotiations.

The supply modes are listed in the box below.

**Box 1. GATS modes of supply applied to the tourism trade**

**Mode 1.** From the territory of one Member into the territory of any other Member (Cross-border Trade). This includes services provided from abroad and delivered into the territory of any other Member country, usually through telecommunications (e.g., airline reservations).

**Mode 2.** Provision of the service in the territory of one Member to a consumer from any other Member (Consumption Abroad). This requires physical movement of the consumer to the location of the supplier in order to receive or consume its services. This is the case of international tourism, when consumers travel abroad to buy services.

**Mode 3.** By establishing the physical presence of a service supplier in the territory of any other Member (Commercial Presence). This refers to the establishment of an agency, subsidiary, or joint venture by foreign tourism enterprises in another country. Hotels, restaurants, travel agencies and tour operators are some examples of these establishments.

**Mode 4.** By a service supplier through the temporary presence of natural persons of a Member in the territory of any other Member (Presence of Natural Persons). This applies to personnel, such as directors, restaurant chefs and tourism guides. This mode is an essential part of business strategy in the tourism industry as it addresses the shortage of experienced professionals.

Source: WWF (2001) Preliminary assessment of the environmental and social effects of trade in tourism. WWF – Gland, Switzerland

115 "Technical aspects of request and offers," WTO seminar on the GATS, (Feb. 20, 2002); Accessed Apr. 27, 2006, available from http:www.wto.int/english/tratop_e/serv_e/requests_offers_approach_e.doc

Tourism is the service that has experienced the most liberalization to date.[116] Given this and the sector's profitability, it would be very difficult to revert the liberalization already achieved as it would have serious legal and financial implications. Mode 4 is all that remains to be liberalized, a sensitive issue for governments since it touches on matters such as immigration and labour markets.

Apart from the negotiable aspects mentioned above, the GATS include non-negotiable obligations, such as transparency requirements or controls on domestic regulations (under Article VI). Services liberalization, in contrast to goods liberalization, has a greater potential to interfere with or limit the regulatory action of states, particularly regarding environmental protection and sustainable development. These and other concerns, mainly relating to the absence of any systematic assessment of the effect that services liberalization has had upon the sustainability of development, are listed below.

## 4.2 Main concerns about the liberalization of the sector

Trade liberalization, in general, has both benefits and costs. The liberalization of services is no exception. Because the perceived benefits vary, this liberalization gives way to disparate views (see box below).

**Box 2. Latest developments in the debate on trade liberalization in tourism**

**Proponents of liberalization claim the following benefits:**

- expansion of tourism and increase in economic benefits;
- growth in GDP, exports and foreign investments;
- creation of employment;
- positive impact on balance of payments;
- improved quality and competitiveness;
- lower prices for consumers (due to increased competition);
- knowledge and technology transfer;
- increase in government income; and
- positive indirect effects on other sectors such as financial services.

**Proponents of liberalization claim there are still numerous barriers to tourism trade, for example:**

- restrictions on entry visas and foreign exchange;
- restrictions on foreign ownership of property and foreign investment;
- obstacles to hiring foreign personnel;
- administrative requirements (bureaucratic backlog), such as economic assessments;
- restrictions on fund transfers and repatriation of profits; and
- exclusion from benefits of national programs.

**Opponents of liberalization claim that:**

- many of the supposed benefits are overvalued and limited by a high rate of leakage of the economic benefits generated by tourism.

116 116 member of the WTO have made commitments to liberalization of the sector (out of a total of 148).

**Opponents also claim that tourism, as it stands, is not sustainable:**

- due to its relative instability. Many factors affect tourist flows; these are not always predictable; and
- and its seasonal character as well as its susceptibility to unexpected events, such as natural disasters and conflict.

**A series of measures must be implemented to achieve sustainable tourism, for example:**

- determine capacity limitations in sensitive areas;
- perform sustainability assessments;
- design and institute appropriate environmental and social regulations (or standards) or codes of conduct; and
- put restrictions on the number of tourism operators and installations permitted in order to minimize impact on the environment.

**To effectively support the SME and local communities, governments must:**

- offer preferential credit;
- require investors to use local supplies and workforce; and
- restrict access (of foreign investors) to certain activities to facilitate local participation and ensure fair and equitable distribution of benefits.

**Because the above measures go against the GATS and the prevailing liberalizing impetus:**

- proponents of liberalization argue that countries are free to choose which services they wish to commit to GATS regulations. Countries can also opt to include restrictions to their commitments; and
- critics, on the other hand, point out that a country's ability to use these measures effectively is limited by a lack of information, the irrevocable nature of the commitments and the political pressure applied by developed countries to lift limitations to international trade.

Source: Presentation by David Boyer in an international tourism seminar held in Santiago, Chile, on August, 4–5, 2005. Information available at www.rides.cl.

The main fears and concerns over the current liberalization of the sector, as well as its future liberalization under the GATS, are set out below.[117]

**Fear over higher levels of concentration of tourism services.** There is a high concentration of tourism services in developed countries. In the U.S., three out of every four hotels is part of a chain. In developing countries, the figure is, at most, only one in ten.[118] Most businesses in developing countries are small and family-owned.[119] Liberalization would allow larger companies to wipe these businesses out of the competition. Besides their inherent economies of scale, larger businesses can engage in anti-competitive practices, such as offering below-market rates at a loss to guarantee volume bookings and drive out competition.

117 These points have been drawn up based on the study by the Berne Declaration and Working Group on Tourism and Development.

118 Presentation by David Boyer in international tourism seminar; Santiago, Chile, August 4–5, 2005.

119 To date, there is no exhaustive account available to verify this; this is mainly the authors' observation.

**The diminishing right of local authorities to regulate.** Although the GATS preamble acknowledges the "right of member countries to regulate and introduce new regulations for the supply of services in their territories in order to satisfy national policy objectives," Article VI demands that national laws and regulations be "administrated in a reasonable, objective and impartial manner" and commits states to negotiating an agreement to ensure that certain types of regulatory standards are "no more burdensome than necessary." At the same time, GATS allows Members to make exceptions in meeting their obligations. These are listed under Article XIV, which states that nothing in the GATS "shall be construed to prevent the adoption or enforcement by a Member of measures:

a. necessary to protect public morals or maintain public order;
b. necessary to protect human, animal or plant life or health;
c. necessary to secure compliance with laws or regulations which are not inconsistent with the provisions of this Agreement…".

In addition to Article XIV, Article X of the GATS allows the implementation of Emergency Safeguard Measures, as long as they are "based on the principle of non-discrimination."

Justifying a regulatory decision using any of these last two clauses might be tricky. A WTO dispute resolution panel would have to agree that the measure is "necessary" (all alternatives must be exhausted). While this test has never been tried in the context of the GATS, it has proved difficult to argue in the context of GATT (General Agreement on Tariffs and Trade) exceptions. In terms of environmental exceptions, regulators cannot resort to the precautionary principle without sufficient scientific proof of harm to back these. That is, they cannot prevent environmental harm without proving its existence first. This situation illustrates how the line separating acceptable policies from unacceptable ones is, at best, misty. This may limit a government's ability to adequately regulate investments in their territories. Instead, governments must guarantee stable investment conditions, sometimes precluding the broader interests of society. This is of particular concern in the case of tourism that is sustained in attractive, undamaged places with the hospitality of local people.

**Difficulty experienced by service providers in developing countries in accessing markets and technology.** This refers to access to tourism reservation and distribution systems. Service providers in developing countries depend strongly on computerized reservation systems, such as *SIR*, *Tels Star*, and *One World*, as well as global distribution systems, such as *Amadeus* and *Worldspan*, all of which give Internet access to the most economic flights, hotels, car rentals, etc. Access to these systems requires the payment of a premium, as well as equipment; it constitutes an expense that only some can fund. Tourism providers in developing countries complain that, without access to these reservation systems, they cannot reach other markets and are, therefore, unable to compete. Increased access to these systems is considered a topic to be discussed in future GATS negotiations (as outlined in Article IV)—yet it is not clear how it would take place given that the distribution systems are privately owned.

## 4.3 The situation in Chile

In terms of the WTO negotiations on tourism, Chile has made commitments in all the sub-sectors and supply methods, except mode 4 (Presence of Natural Persons).

In this context, this study does not seek to estimate future effects of trade liberalization commitments in the sector, but rather, as declared at the start of the document, to:

- better understand the relationship between trade liberalization that has taken place and its effects on the sustainability of tourism in the country;
- investigate up to what point opportunities for trade negotiations can be used to foster the development of sustainable tourism; and
- contribute to better coordination between trade and tourism representatives in Chile.

Regarding the last point, significant lack of interaction exists between private stakeholders from the tourism sector, academics and public sector representatives in charge of trade negotiations. Ricardo Vásquez, from the Chilean Foreign Affairs Ministry,[120] states that, in the case of services, there is no opportunity to get feedback from stakeholders during negotiations; whereas during the negotiations on goods, the Ministry allowed discussions with private sector representatives to take place. The Trade Relations Office of the Foreign Affairs Ministry (the body responsible for multilateral, regional and bilateral trade negotiations) discloses information on the negotiations to the public, but they are not generally contacted by representatives from the tourism sector. This is largely due to a lack of awareness among stakeholders in the tourism sector regarding specific details of the trade negotiations or their complexity. This phenomenon is, without doubt, also due to the fact that services are generally closely related to government and state actions, whilst goods have a more direct relationship to private stakeholders. Lastly, the sector is already very open, which indicates that many key negotiations have already taken place.

Activities undertaken in the context of this research initiative uncovered the following situations that highlight the status of the issue in Chile:[121]

- The concerns expressed by tourism stakeholders in Chile (tour operators, tourism agencies, hotel and restaurant owners, academics linked to the issue, etc.) focus on:
  - competition from foreign tourism operators and service providers working in Chile (perceived as unfair according to the opinions given[122]);
  - lack of capital or credit available to enhance domestic tourism service provision;
  - questioning to what point trade liberalization and free entry of foreign capital (a priority in Chile) are really mechanisms contributing to sustainable economic growth of the sector. This is where the issue of leakage is prominently featured; and
  - other concerns, such as those discussed in the previous section, are also mentioned and, to a certain extent, swayed by typical apprehensions about globalization. This is particularly so in the case of greater concentration and privatization of tourism through concessions, and a reduction of regulatory control by local, sub-national and national authorities.

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120 Personal interview, (September 2005).

121 The information comes mainly from interviews, meetings with specialists from diverse (public and private) sectors and the international seminar held in Santiago, Chile on August 4–5, 2005.

122 Expressed during the first roundtable, "*Comercio y turismo sustentable en Chile – Mesa de trabajo*," organized for this project and held in May 27, 2005.

# 5. Analysis of the priority issues

## 5.1 Foreign investment versus national investment in the tourism sector

As mentioned above, there are two criteria amongst the basic principles of the General Agreement on Trade in Services (GATS) that seek to ensure equal conditions for national and foreign investors: firstly, there is the principle of national treatment rules against discrimination that favour national suppliers; and secondly, the most-favoured-nation clause seeks to prevent the discrimination of Chile among the other WTO members. Both principles could be perceived as obstacles to the regulation of the competition in service sectors, such as tourism, in terms of favouring small local enterprises or businesses belonging to minority groups. In the face of the growing attraction of foreign capital to the country over the last decade, these limitations could lead to a market concentration of large-scale tourism operators at the cost of smaller operators. According to Souty (2002), this vertical integration can "enhance the market power of the biggest tour operators *vis-à-vis* smaller travel agents and *vis-à-vis* operators located at the bottom end of [the] value chain in the destination country."[123] In this way, opportunities for social development associated with tourism at the local level could be lost in favour of tourism development based on market forces favoured by GATS.

Although WTO legislation can pose a challenge to administrations seeking to level the playing field or implement measures aimed at protecting the environment in accordance with domestic law, the binding nature of WTO law is variable. This is because the price of the violation is variable and subject to countries' interpretations of acquired obligations.[124] Such price is settled either through amicable agreements or through arbitration. In other words, the possibility of paying compensation might be more reasonable than allowing further environmental damage to take place. This is deemed an efficient breach as it is done to mitigate a political and/or social cost. According to Jackson (2002), it is a safety valve.[125]

Overall, free trade in services is not meant to ignore local regulations. WTO Members are free to adopt their own policies aimed at protecting the environment as long as, in so doing, they fulfil their obligations under and respect the rights of other Members under the WTO agreement.

The investment law in Chile places no restrictions on the import of foreign capital.[126] This lack of protectionism is the consequence of domestic trade policy more than the imposition of international agreements. In line with this policy, foreign investors constituting an enterprise or society in Chile come under Chilean law and receive exactly the same treatment as any other national company. The resulting investment statistics take no account of the origin of capital, making it almost impossible to discern any trend in the country in this respect. The previous analysis of SERNATUR's statistics on investment in the tourism sector only indicates that most investments have been made in specific periods, sums and regions.

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123 François Souty, "Passport to progress: Competition challenges for world tourism and global anti-competitive practices in the tourism industry," (2002), p. 26. Accessed Apr. 22, 2006, available from http://www.world-tourism.org/quality/E/docs/trade/pasprttoprog.pdf

124 Joel Trachtman, Trade Law Lecture, (Sept. 30, 2004).

125 *Ibid.*

126 Capital can be imported under normal rules (Chapter 14 of the Central Bank) or through a special voluntary mechanism (DL 600 establishes a contract between State and investor).

Just as it is difficult to differentiate between foreign and domestic investors, it is also difficult to assess the impact both of these investments have and make comparisons. On one hand, foreign investment can fill a void that, otherwise, is unattended in the absence of domestic capital. Such investments can create jobs, stimulate the local economy and provide the host government with tax revenues. These benefits do not always take place though; the net social costs to society can be overshadowed by the glossy economic picture. Besides problems associated with tax evasion and/or deficient taxation, economic benefits do not necessarily trickle down. In general, foreign investment decisions are made based on an assessment of the market and the potential for profits. Sustainable development is not usually the primary motivation. This is particularly true in the case of mass or commercial tourism. Investments of this sort can hinder a local community's self-reliance and its ability to regulate the impact of tourist inflows.

The justification for an investment is situational. There are areas that have been subjected to little or no tourism. Allowing local communities in these areas to develop, participate or own (possibly through joint ventures) tourism projects might be an appropriate way to foster sustainable development. This not only eliminates threats to communities' self-reliance, but also gives greater leverage to those who know and understand the context in which they intend to operate and are, therefore, more apt to conserve it.

## 5.2 Profit leakage – the case of San Pedro de Atacama, Chile


The development of tourism-related activities is an important source of income in areas with suitable conditions for such activities. However, members of the local community do not always perceive these benefits. Because of the phenomenon known as "leakage" or capital flight, a significant percentage of dollars spent on tourism activities are pocketed by foreign tour operators, foreign-owned hotels and so on. Further, it is local inhabitants who must assume the costs of tourism, such as high visitor numbers at peak times, the collapse of basic services due to excess demand, noise and high prices for basic goods (e.g., foodstuffs).

A case study was carried out in San Pedro de Atacama (SPA) to analyze this phenomenon. A survey of enterprises (28),[127] tourists (21)[128] and SPA local authorities was carried out in an attempt to describe the distribution of benefits from tourism and the perceptions of the main stakeholders in the sector. The survey was done in July 2005 by using a questionnaire specific to each kind of stakeholder (Annex II presents basic information about the survey).

A series of obstacles arose during the fieldwork, mostly relating to the refusal of some enterprises to answer some parts of the survey. Nevertheless, the results reveal some important issues and challenges for SPA. The main conclusions are listed below.

127 There are 95 commercial establishments identified in San Pedro de Atacama, including hotels, restaurants and travel agencies.

128 Tourists were surveyed at the end of their stay in SPA, on the way to Calama airport (1.5 hours from San Pedro de Atacama by land). (The tourists from the 5-star hotels do not take this same mode of transportation as the hotels; they have their own private means of transport which are not accessible to the general public.)

**Box 3. Case study on leakage from tourism in San Pedro de Atacama, Chile**

**Enterprises:**

- the companies taking part in the survey are mostly micro and small-scale enterprises, i.e., with less than five and 15 employees respectively;
- 32 per cent of companies include indigenous proprietors (Atacameño or Quechua). This figure contrasts sharply with the district population, where 71 per cent belong to indigenous groups;
- 83 per cent of proprietors are Chilean. The rest include Brazilian, Bolivian, Dutch, English and French citizens; and
- given that 83 per cent of proprietors are permanent residents in SPA, it could be inferred that a large portion of capital remains in the district. There is no data available to confirm this or trace leakages in this respect.

**Employees:**

- 91 per cent of employees claim to be Chilean, six per cent come from other Latin American countries, and three per cent from Europe. Presumably, some of these foreigners wire their earnings to relatives abroad or take it home after peak seasons; and
- the seasonal nature of employment is expressed by the fact that 71 per cent of establishments require additional employees in the high season. This variation represents 24 per cent of total employees of companies participating in this survey.

**Costs:**

- supplies for establishments are mainly purchased in other areas of the Region, particularly Calama, due to the presence of large supermarkets and wholesalers;
- fuel is mostly provided by local suppliers due to the proximity of their establishments;
- the choice of communications provider is usually subject to the technical viability of supplying the required service, which not all suppliers are fit to meet. Choice of supplier is, therefore, much more limited;
- there is a clear preference for local professional and maintenance service providers; and
- marketing is usually provided by other regions of the country, mainly the Metropolitan Region. Although foreign tourists are a significant part of tourism in SPA, the establishments surveyed spend only 10 per cent of their marketing budget on hiring marketing services abroad.

**Tourists:**

- in terms of tourism services used, 80 per cent of tourists consulted claimed not to have purchased a complete package holiday;
- of the remaining 20 per cent, 10 per cent purchased a package holiday nationally, five per cent locally and five per cent abroad;
- results show that, in this case study, most visitors do not come to the zone with a pre-defined plan of activities designed in consultation with a service provider outside of SPA. Instead, they use local services. Therefore, package holidays cause only a low level of resource leakage in the segment surveyed; and
- as expected, the most relevant aspects regarding spending are catering, accommodation and tours. Together, these account for 84 per cent of total spending.

**Local authorities:**

- tourism generates municipal revenue through the licensing of accommodation establishments, restaurants, travel agencies and retail businesses. This revenue is estimated to reach $6,000,000 Chilean pesos (US$12,000) annually. According to the information collected, local authorities receive no other kind of revenue from tourism. This sum seems relatively small for the number of tourists that SPA attracts[129] and probably does not compensate for invisible leakages;
- according to estimates by local authorities, SPA residents receive only 20 per cent of total revenue, of which only two per cent goes to Atacameños; and
- local officials, in contrast to service providers, underestimate the benefits of tourism.

**Conclusions**

- mechanisms must be created to improve the participation of the Atacameño community as business proprietors and employees. Although 71 per cent of the SPA population is Atacameño, their participation in both cases was not above 26 per cent;
- one participant commented, "Income has been higher over the last two years, thanks to technology and, since we can deal directly with national and international companies, as well as tourists, there are less middle men in the commercial transaction;"
- one way to increase the benefits of tourism in SPA is to strengthen local food supply chains (food services account for 23 per cent of total tourism-derived revenues) in order to improve their competitiveness, compared with those in Calama (the nearest city);
- it is interesting to note that most tourists surveyed hire tourism services as they need them, rather than arriving with a pre-organized package. This favours local businesses and provides opportunities for smaller enterprises that lack formal arrangements with large tour operators;[130]
- since this survey focused on small enterprises, the effect that competition from large companies has on them is not clear;
- there are two drivers of ecosystem change that constitute the source of many disputes and whose effects were not observed or brought up in the course of this survey: land usage and scarce water resources. SPA is considered the ancestral land of the Atacameños. Hence, not all Atacameños are willing to give up any of it. An outside business that manages to purchase land must first perform an archaeological survey of the location before setting up shop in SPA. Water issues, on the other hand, arise in the face of increasing demand from the mining industry, businesses that cater to tourists and the traditional agricultural practices of the Atacameño people. It should be noted that the Atacama Desert is the driest spot on the planet. This fact alone highlights the severity of the problem. Some Atacameños have sold their land to outsiders precisely because they do not have access to the water needed to maintain their crops.[131] An increase in the number of hotels located in the area (currently there are more than 30) is considered unfeasible as it would increase the demand for water up to four times;[132]
- given the content of the previous point, it is clear that better planning must be integrated into the area's tourism development strategy in order to ensure its sustainability. This requires the

129 SPA is one of Chile's top three tourist attractions outside of the Metropolitan Region.

130 Some more exclusive five star hotels were included in the survey database, such as EXPLORA, but they did not agree to answer the survey. Their refusal explains why these estimates do not account for this segment of local tourism.

131 Roberto Álvarez, "*Indígenas rechazan tres proyectos hoteleros en San Pedro de Atacama*," *La Tercera*, July 25, 2005.

132 *Ibid*.

engagement and participation of all stakeholders, with particular emphasis on the local community; and
- follow-up assessments must be performed systematically in order to identify the real benefits and costs of tourism in SPA.

## 5.3 Tourism management: Concessions

Different forms of tourism management have important and varying implications for the way tourism benefits are distributed amongst stakeholders. On one level, these reflect to what extent the value of tourism is understood as a public or private good. They also define the way tourism infrastructure, services and maintenance are financed. In the case of protected areas, the cost of ecosystem conservation must also be added to this list. Budget constraints often render the government unable to carry on the task of conservation. The income generated from the entrance fee charged at national parks is not significant. In 2002, it was US$1.3 million, compared with US$1 million in 1995.[133]

To address this lack of funds, concessions are awarded to national or foreign private stakeholders for developing and administering ecotourism projects in protected wildlife areas. These measures have a tumultuous history that date back to the 1990s. Back then, the Chilean government granted concessions to three foundations that, in the end, were unable to finance maintenance costs.[134] Today, the market for concessions is still considered an emerging market;[135] there are only two related initiatives being implemented in Chile. One is by SERNATUR, in partnership with CONAF (*Corporación Nacional Forestal* – National Forest Services) and the other is by the *Ministerio de Bienes Nacionales* (Ministry of Public Property), by means of the *Sistema Concesional de Bienes Nacionales Protegidos* (Concession System for Protected National Heritage). Coupled with these are the credit programs available to assist prospective applicants with the funds needed to implement their projects.

Part of the reason why concessions have not been overwhelmingly popular is that they are a cause for scepticism in the private sector.[136] This stems from both misinformation and from the assumption that any proposals/requests they submit will be mired in bureaucratic procedures. They are right on both counts. The agencies responsible for these initiatives have not done much to promote them. Also, there have been significant backlog problems with these programs, to the point that the Ministry of Public Property took three years to award a concession in the Patagonia.[137]

At this point, it is difficult to distinguish the sites that are up for tender from the ones that have already been put aside. Most lists mention applicable sites, but not their current status. CONAF–SERNATUR, for example, has slated 48 sites for tender.[138] Other lists group protected areas according to two designations, public or private; there is no middle ground.[139]

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133 UNEP, *op. cit.*, p. 67.

134 Elisa Corcuera *et al.*, "Conserving land privately: Spontaneous markets for land conservation in Chile," p. 134; Apr. 22, 2006, available from http://www.cipma.cl/gef/publicaciones/

135 Patrick Nixon, *op. cit.*

136 *Ibid.*

137 Bernardita Aguirre, "*Trámites al fin del mundo*," *El Mercurio*, (Apr. 17, 2006); Accessed Apr. 24, 2006, available from http://www.economiaynegocios.cl/noticias/

138 "*SERNATUR y CONAF preparan concesión de La Portada*," *El Mercurio de Antofagasta*, (Aug. 17, 2005). Accessed Mar. 29, 2006, available from http://www.subrede.gov.cl/1510/article-68036.html

139 Elisa Corcuera *et al.*, *op cit.*

From the perspective of sustainable tourism, there are two main concerns regarding the concession system. Firstly, how can one guarantee that tourism does not have a negative impact on conservation areas? In the event that such an impacts arises, what protective measures are brought to bear in the event of adverse effects? Secondly, how can community participation in tourism be ensured?

Both concession programs attempt to address these questions by setting out the terms and responsibilities of both parties in a contract. The *Planes y Guías de Manejo* (Management Plans and Guidelines) underpinning the CONAF contracts define the general framework and limits within which ecotourism development can take place. Moreover, as outlined above, investment projects in protected areas must be approved by the System of Environmental Impact Assessment. In contrast, in the case of the *Bienes Nacionales* initiative, tourism is one of a number of activities that can be developed on government-granted concessions, yet there is no policy document dealing specifically with the subject of tourism. This absence of specific sustainable tourism objectives could have serious implication for the targeted environment.

One of the problems with the Management Plans and Guidelines is the low number of areas utilizing these instruments at all, or in an updated format. According to information collected based on interviews with relevant civil servants, concessions are monitored to ensure only a basic level of compliance using somewhat ambiguous criteria. Current open calls for new ideas specify criteria and indicators, including environmental and social considerations to be included in project proposals prior to performing an EIA (this is done when the project is in its implementation phase). The specified criteria for ecotourism-generating ideas include:

a. integration of neighbouring communities;
b. compatibility with the zone's *Plan de Manejo* (Management Plan, required for each SNASPE unit according to Law 18,362);
c. diversification of tourism offer; and
d. activities that meet the demands of various market or tourist segments.[140]

These criteria are not explicit; they do not elucidate the minimum expectations in terms of social and environmental performance. To some investors, recycling reusable material is enough to comply with the program's expectations. For others, it takes much more than that to be truly sustainable.

Since 2005, the *Ministerio de Bienes Nacionales* has been establishing Management Guidelines to be met prior to awarding land concessions. These have three objectives: (1) to help streamline? decision-making and save resources for investors submitting proposals to the SEIA; (2) to establish conservation objectives with adequate indicators and monitoring methods; and (3) to monitor compliance with contracts. So far, the ministry has lacked the capacity to carry out any monitoring processes. To address this, regions are soon to be provided with resources to carry out oversight measures, which could eventually lead to the implementation of IUCN–WWF methodology to assess efficient management of the whole sub-system.[141]

140 Chile, SERNATUR-CONAF, "*Convocatoria para el Desarrollo de Proyectos de Ecoturismo en Áreas Silvestres Protegidas del Estado*"; Apr. 27, 2006, available from http://www.sernatur.cl/Areas_Silvestres/Convocatoria/Convocatoria.doc

141 This methodology is the Rapid Assessment and Prioritization of Protected Area Management (RAPPAM).

Although there has been significant interest in these two initiatives, actual participation is determined by the ability of the agencies to perform a speedy and meticulous review. Yet, there have been cases, such as the case of the *salmoneros* in Queulat,[142] where concessions were illegally granted without regard for existing environmental regulations.

Thus far, the benefits incurred, other than relief from the burdensome task of managing in the relative absence of funds, are not clear. Concession payments reportedly dropped from US$120,000 in 1993 to US$40,000 in 2002.[143] While the increase in tourism experienced in recent years might serve the purpose of the initiatives by encouraging participation, it is not clear whether all Chileans prefer that their protected areas remain untouched or not. Forming an opinion on the matter depends on the availability of quality information, an act that is forestalled by the kind of information currently available. Significant follow-up will have to be performed in order to identify the real costs and benefits to Chilean society.

## 5.4 Governance, institutional structure and participation in decision-making

For the tourism sector in Chile, governance is as complex as the multiple relationships between the different organizations and stakeholders involved in the activity at various levels. For example, several institutions in the public sector have some involvement in generating tourism policy (SERNATUR, CONAF, *Bienes Nacionales*, etc.) and there are also many unions, associations and networks that group private enterprises together. Hence, governance and participation in decision-making has been a constant challenge for current growth in tourism.

The *Servicio Nacional de Turismo* (SERNATUR – National Tourism Service), set up in 1975 and a subsidiary of the Ministry of Economy, is the body responsible for proposing, defining and implementing development strategies for tourism. It seeks to coordinate the diverse public organizations connected with tourism development, encourage the national and international marketing of tourism sites, generate technical knowledge and improve the quality of related services.

SERNATUR has issued two tourism policy documents to date. The first, from 1998, took the initial step towards building a shared vision for the many stakeholders involved in a new and emerging activity that had, until then, developed with little integration.[144] One achievement at this stage was SERNATUR's promotion of the Global Code of Ethics for Tourism (Box 3), endorsed by countries participating in the WTO–OMT's XIII General Assembly held in Chile in October 1999.[145] The code aims to minimize the negative effects of tourism on the environment and the cultural values of local communities. It also seeks to create awareness of the need to increase benefits for these communities.

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142 In this case, the concessions were originally set aside for tourism and conservation efforts. See "Salmon farmers ask for compensations to withdraw cages (*Salmoneros pide compensaciones para retirar balsas jaulas*.)," *Ecocéoanos News*, (Aug. 18, 2003).

143 UNEP, *op. cit.*, p. 67.

144 Chile, SERNATUR, National Tourism Policy, (1998).

145 See *The Global Code of Ethics for Tourism* at http://www.world-tourism.org/code_ethics/pdf/languages/Codigo%20Etico%20Ing.pdf

**Box 4. Articles from the Global Code of Ethics for Tourism**

The Code comprises nine articles that lay down "rules of play" for destinations, governments, tour operators, marketing agencies, travel agencies, employees and travellers themselves. The tenth article refers to litigation resolution and makes it the only code of this kind that includes an application mechanism.

ARTICLE 1: Fostering mutual understanding and respect between peoples and societies through tourism.

ARTICLE 2: Tourism as a vehicle for individual and collective fulfilment.

ARTICLE 3: Tourism, a factor of sustainable development.

ARTICLE 4: Tourism's use and enhancement of the cultural heritage of mankind.

ARTICLE 5: Benefits of tourism for host countries and communities.

ARTICLE 6: Obligations of stakeholders in tourism development.

ARTICLE 7: Right to tourism.

ARTICLE 8: Liberty of tourist movements.

ARTICLE 9: Rights of the workers and entrepreneurs in the tourism industry.

ARTICLE 10: Implementation of the principles of the Global Code of Ethics for Tourism.

Although the 1998 National Tourism Policy succeeded in including tourism in the national agenda and strengthening related public institutions, it had little concrete effect or impact. It never became official policy. Since private stakeholders had insufficient participation in the policy's diagnosis and design stage, it was not well received by this sector, thus jeopardizing its implementation.

Given the aforementioned circumstances, a Public-Private Working Group was set up in 2000 involving a wide range of tourism stakeholders, in order to identify and analyze factors that have a bearing on tourism development in Chile and propose concrete measures to encourage favourable development. The result of this working group was the *Agenda de Trabajo del Turismo 2002–2005* (2002–2005 Tourism Work Agenda, see section 3.3.c) listing the fourteen most urgent steps to achieve tourism development objectives:

1. create opportunities for public and private coordination;
2. increase the institutional scope of SERNATUR;
3. substantially increase public spending on international marketing for tourism;
4. build up the *Corporación de Promoción Turística de Chile* (Chilean Corporation of Tourism Promotion);
5. study legislative initiatives for tourism;
6. draw up a strategy to attract international investment in tourism;
7. identify priority areas for tourism development in Chile;

8. establish a quality control system for tourism services;
9. promote training in tourism;
10. establish sustainable development indicators for tourism;
11. promote tourism development in natural areas;
12. increase resources and reach of the program: "*Vacaciones tercera edad*" (Vacations for over-60s);
13. strengthen the tourism potential of the project: *Sendero de Chile* (Footpath through Chile); and
14. develop a National Tourism Information System.

The initiatives that stand out are those aiming for a higher level of governance in the sector. These include the need to create opportunities for public-private partnerships, an increase in the institutional scope of SERNATUR and the drafting of specific legislation or a legal framework for tourism.

Thus far, the Agenda itself was a necessary launch pad for the enactment of the 2005 National Tourism Policy. The objective of this policy is to "make Chile a tourism destination, establishing nature and special interest tourism as the axis of development, particularly for more distant markets, while at the same time broadening and diversifying the product offer and access to opportunities for domestic tourism." One of the underlying principles of this objective is to foster sustainability and social equality based on the following guidelines:

Guideline 1: Tourism as a national priority;
Guideline 2: Satisfied tourists, experience beyond expectations;
Guideline 3: Integral tourism promotion/marketing;
Guideline 4: Territorial organization;
Guideline 5: Public-private coordination in tourism;
Guideline 6: Innovation and market development; and
Guideline 7: Social tourism.

The fact that this is the first government policy that considers sustainable tourism as part of its strategy demonstrates that the issue is being given higher priority. Still, the mechanisms to put it into practice are still lacking. With such a broad issue as tourism, these challenges relate to institutional structure and the capacity to coordinate and integrate functions and initiatives that are currently operating in relative isolation. The box below identifies progress made in coordination between institutions.

**Box 5. Other tourism-coordination initiatives**

SERNATUR is working with the *Instituto Nacional de Normalización* (INN – National Standards Institute)—the body responsible for setting standards in Chile—to create the standard NCh2760.Of2003 on the classification and terminology of tourism establishments based on ISO 18513: 2000, *Tourism service – Hotel and others types of tourism accommodation*. Public and private organizations have participated in the process. Expected results are:

- 15 technical standards for hotel accommodation;
- 33 technical standards for adventure tourism;
- two technical standards for tourism guides;
- a certification and accreditation procedures manual;
- two accredited certification bodies;
- a strategy of incentives for tourism; and
- the dissemination of results.

Although these standards relate more to quality of service than sustainability of activity, some indicators offer significant progress in this area. For example, in the standards for hotels, it will be necessary to consider what environmental sustainability measures the hotel has adopted and the repercussion these might have upon services offered (such as less frequent towel or sheet changing). These measures will still be optional and must not lead to a lower level of service if the guest does not wish to collaborate voluntarily. In the case of mountaineering, measures include the need for operators to develop their own policies on issues such as respect for the environment, conflict resolution and quality of service.

On the other hand, the *Servicio Nacional del Consumidor* (SERNAC – National Consumers Service) and SERNATUR have organized information campaigns for foreign and Chilean tourists in the high season regarding their rights and duties as consumers. One of these is the right to compensation if a contract to provide tourism services is not satisfactorily fulfilled, particularly in the case of tours.

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On its own, SERNATUR's efforts to encourage the sustainable development of the sector are curtailed not only by a disarray of institutional attempts to address the same issues, but by its relatively minor position within the governmental apparatus. Industry representatives believe that elevating it to the ministerial level will give it the necessary credibility to carry out the task of coordinating all relevant efforts to improve the sector's turnover.[146] An enhanced status would likely be accompanied by a budget that is fit for the development of a sector that significantly contributes to the domestic economy.

Another SERNATUR weakness is its lack of consistency and follow through. For instance, it encourages the development of locally-based ecotourism alternatives and, with it, the participation of communities. However, these alternatives often fall behind because the communities that attempt them are not given the necessary guidance to develop a proper business strategy.[147] To top it all off, SERNATUR is hardly able to market these initiatives in the absence of funds. Without such support and promotion, the initiatives will eventually fade out.

SERNATUR recently was caught in a dispute with indigenous communities located near the *Reserva Nacional Villarica de Curarrehue* (Villarica National Park). This dispute arose as a consequence of the decision made by SERNATUR and CONAF to enact concessions in this area—including on land that is allegedly communal—and in so doing, put land up for tender without first consulting the communities.[148] This is not to say that SERNATUR continually fails to take all stakeholders into consideration, but to point out that it sometimes overlooks this commitment. If it is to fulfil its goal to promote sustainable development in the sector, its decision-making mechanism has to be more inclusive and consistent.

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146 "SERNATUR: Resumen Informativo," SERNATUR, (Nov. 4, 2003), *Cybertur*; (Apr. 6, 2006), available from www.cybertour.cl/modules.php?name=News&file=article&sid=57

147 César Guala, *Memoria seminario: ecoturismo, conservación y desarrollo en la ecoregión valdiviana*, WWF Chile, *Serie de Publicaciones*, Documento No. 7, (Nov. 2003), p. 12; Accessed Mar. 23, 2006, available from http://www.wwf.cl

148 *Informe de Prensa No. 172*, *op. cit.*, p. 15.

## 5.5 Tourism, local development and poverty

Assessments of local experiences and promotion programs carried out in Chile all draw similar conclusions regarding tourism's potential as a development engine. On one hand, rural tourism programs are shown to be highly positive experiences from many viewpoints. For example, CEPAL states that "there is no doubt that any analysis of the results of investment in agrotourism carried out by INDAP and FOSIS is favourable both in terms of social development and economic returns."[149] In this sense, as seen above, tourism can significantly improve the economic conditions of some families living in poverty.

At a regional level, tourism has demonstrated its potential to become a development engine. In the case of the Aysén Region, ecotourism has transformed the regional production structure. Tourism accounts for seven per cent of regional employment (more than twice the national average) and about 10 per cent of regional GDP. In order to take advantage of the zone's unbeatable natural conditions for ecotourism, and to encourage the sector to be more competitive, businesses are attempting to organize and associate themselves and, as a unified front, engage the public sector. The government, acting through CORFO (Production Promotion Cooperation) and alongside the regional authorities, has encouraged this effort by setting up a policy based on the concept of tourism clusters. "The idea is that business agglomerations across the territory can produce greater levels of wealth and employment; or it could be associated with the idea of incrementing the chain of value of ecotourism which, in one form, could be visualized as retaining tourists or lengthening their stay in the region so that they spend more, and so generate more revenue."[150]

The *Programa Territorial Integrado* (PTI – Integrated Territory Program) is a CORFO instrument that uses the concept of clusters to foster development by improving production in a determined geographical territory, area or zone. It also seeks to contribute to the development of a specific production sector and its supply chain partners. Economic and production units, enterprise groups and organizations, and other public or private bodies linked to the economic or production activity in the geographical area where the program is activated would all be potential beneficiaries of the PTI.

There are currently sixteen PTIs throughout the country. Four PTIs focus specifically on tourism and these vary according to territorial context:

- Arica and Parinacota Special Interest Tourism Program – Tarapacá Region (at formulation and design stage);
- La Araucanía Mountaineering and Ecotourism Program – La Araucanía Region (at formulation and design stage);
- Aysén Patagonia Program – Aysén Region (underway); and
- Sustainable Tourism Program – Magallanes Region (underway).

The success of the cluster strategy depends on a series of factors. These range from the degree of association between stakeholders, the level of trust in these relationships, domestic competitiveness and, lastly, the role played by local and regional governments.

149 Jorge Schaerer and Martine Direven, *op. cit.*

150 Iván Silva Lira, "*Desarrollo local y alternativas de desarrollo productivo: el impulso de un cluster eco-turístico en la región de Aysén*," *Instituto Latinoamericano y del Caribe de Planificación Económica y Socia*l – ILPES, (2002).

Public policies like the cluster strategy that focus on overcoming poverty and generating local development arose out of a need to enhance the competitiveness of small enterprises in the tourism sector. These policies seek to foster the capacities of these enterprises to compete in the market in a realistic and sustainable manner, thus generating multiple positive social consequences. While some studies deem the results to be positive, there are shortcomings that still need to be addressed to ensure that these policies reach their full potential. The most significant of these is a lack of understanding of the targeted group of consumers. Market segmentation is essential in the effective design and implementation of management and marketing strategies.[151]

In the case of rural tourism, without wishing to underestimate its potential, it is important to note that there are a series of issues that affect its viability. These include: individual to collective issues; a person or family's ability to serve tourists and manage a business; public infrastructure conditions; and the provision of services in the area. Rural tourism could be defined as a selective activity, since there are certain prerequisites intrinsic to rural tourism that not all producers (particularly small-scale farmers) are able to meet.

It must also be remembered that tourism—in the context of agro or rural tourism endeavours—provides supplementary incomes to rural residents and is not a substitute for traditional agricultural activities. Although tourism could be a successful option to overcome poverty in rural zones, the complexity of the activity makes it an unlikely focus of any wide-reaching social policy. Current policies supporting these kinds of ventures tend to focus mainly on the promotion of participating enterprises, rather than strengthening and augmenting their participation.

In the case of concessions, while local community participation occurs fairly heterogeneously, the benefits accrued to it are not always manifest or evident. Some estimates indicate that they are minimal.[152] The distribution of income generated from ecotourism ventures tends to favour external investors.[153] This disparity is very significant as local communities tend to be rural or indigenous.

Given the isolated nature of many concession lands, local or neighbouring communities are not always present. While these cases are resolved on a case-by-case basis, they illustrate the limited scope of the programs in terms of poverty alleviation. To address this, the *Ministerio de Bienes Nacionales* has identified the need to make progress in citizen participation in decision-making, either prior to or during the concession allocation process.[154]

Lastly, instruments, such as CONAF-SERNATUR's call for proposals and ProChile's *Concurso nacional de promoción de exportaciones* (National exports promotion contest), are not wholly inclusive, even though they are open to the general public. This is because they require comprehensive proposals with a technical level that is beyond the grasp of many aspirants who lack the training or resources to pay for the necessary assessments.

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151 Rodrigo González and Adriana Otero, *op. cit.*

152 Aníbal Pauchard and Pablo Villaroel, *op. cit.*, p. 325.

153 *Ibid.*

154 Sebastián Infante (*Ministerio de Bienes Nacionales*), interview by author, (Aug. 2005).

## 5.6 Credit support to MSME and SME

Access to investment resources is essential to achieve successful participation in the tourism sector. Current market demand requires ever increasing levels of infrastructure and associated services for tourists. In this context, without any substantial foreign capital or national investment, local communities or small businesses can only gain sustained access to the industry if they are offered adequate sources of credit or funding.

There are several institutions in Chile that support and fund tourism initiatives of different scales. Most of these only offer support to large enterprises, with the exception of INDAP's *Programa de turismo rural* (Rural tourism program, aimed at small-scale agricultural producers) and *Fondo de solidaridad e inversion social* (FOSIS – Solidarity and social investment fund). As already indicated, Chile does not discriminate on the basis of nationality. The funding instruments described below are available to both national and foreign enterprises.

CORFO's *Comité de Innovación* (Innovation Committee), called INNOVA CHILE, seeks to improve the competitiveness of the Chilean economy by promoting enterprise innovation, encouraging entrepreneurial activity and facilitating innovative development. In order to fulfil its mandate INNOVA provides funding to projects in areas such as competitive innovation, enterprise innovation, technology transfer and entrepreneurship.

Within this framework, the Committee has supported the development of tourism projects as innovative initiatives that could significantly impact the area's economy. Over 1,400 million Chilean pesos (US$2.8 million) were spent on projects in 2003–2004, mostly in the most distant regions of the country. Funding varied between nine and 298 million Chilean pesos (US$18,000 and US$600,000), representing between 15 and 100 per cent of project costs; 87.5 percent of projects supported correspond to new tourism product development, mostly aimed at foreign tourists. The remaining projects relate to management issues and tourism product quality.

These initiatives come from diverse fields of the tourism sector, particularly adventure tourism and special interest tourism. Table 9 below indicates the relationship between types of tourism activities and the corresponding percentages of total INNOVA-funded projects.

**Table 7. INNOVA support to diverse tourism projects**

| Tourism activity | % |
|---|---|
| Sports fishing | 8 |
| Adventure | 25 |
| Special interest | 21 |
| Ecotourism | 13 |
| Science | 8 |
| Ethnic | 4 |
| Cultural | 4 |
| Cruises | 4 |

In general terms, INNOVA is a fund directed mainly at projects with a promising economic outlook.[155] In contrast, the *Servicio de Cooperación Técnica* (SERCOTEC – Technical Cooperation Service)[156]—a subsidiary of CORFO—seeks to support smaller and more risky ventures.[157] Its main goal is to support initiatives to improve small business competitiveness and strengthen their management capacity in industry, retail, small-scale fishing, tourism, craftwork, woodwork and furniture making.

SERCOTEC supports production and service projects in alliance with business union organizations, local authorities and other public bodies supporting the development of micro and small-scale enterprises. Entrepreneurs administrate and co-finance projects.

Concerning tourism and craftwork production, SERCOTEC encourages tourism enterprises and craftsmen and women to form associations in order to take on the challenge of improving the design and quality of their services and products, as well as helping their areas to become attractive tourist destinations for national and foreign visitors. For example, Juan Frívola—a miner and craftsman—was given support to design a tour route of the mines from which he obtains his primary work material and livelihood, combarbalita, a stone that is found in the IV Region.[158]

Alternatively, the objective of the *Fundación para la Innovación Agraria* (Foundation for Agricultural Innovation), FIA, is to foment national agricultural innovation. They provide financial support for initiatives that seek to improve the competitiveness of the agriculture sector, introduce new processes and technologies, or offer an alternative to traditional activities in the sector. According to available information, FIA has supported 13 tourism-related projects with a total of 690 million Chilean pesos (US$1.4 million) since 1993. The funding for projects has varied between 12 and 150 million Chilean pesos (US$24,000 and US$300,000) between 1993 and 2002, representing between 37 and 67 per cent of total investments.

The information available does not allow the identification of any clear trends in the distribution of these resources (e.g., in terms of the social conditions of beneficiaries, their qualifications, rate of approval, etc.) that might ascertain whether they provide assistance for persons or families with limited credit access. Despite the importance given to tourism in the country (at least at the discussion level), the available resources and instruments are usually not tourism-specific as they are provided by institutions that specialize in broader sectoral support, such as agricultural development, agricultural innovation or enterprise promotion. Surprisingly, SERNATUR, the body responsible for setting tourism policy, has no instruments or resources of its own. The scarce resources SERNATUR handles are used for marketing abroad, while the domestic sector must depends on other organizations to enhance their development. This highlights a dilemma: should tourism be administrated by experts in tourism? Or, by experts in other connected fields?

155 Results have yet to be determined.

156 See http://www.sercotec.cl

157 Source: Personal communication with Inti Núñez, Assistant Director of Emprendimiento INNOVA Chile (Dec. 2005).

158 Patrick Nixon, *op. cit.*

# 6. Conclusions and recommendations

It is clearly not easy to identify, let alone quantify, the links between trade liberalization and sustainability, neither *exante* nor *expost*. This is particularly the case in a service sector—tourism—where diverse public policies are inextricably entangled and play a significant role in the sector's performance. But, without doubt, the liberalization of the sector—expressed in the complex blend of unilateral, bilateral and multilateral commitments; liberalization of investment regimes; privatization initiatives, etc.—has its benefits and drawbacks. This study has made an attempt to identify and analyze them pointing towards recommendations for a more sustainable tourism in the country.

As described earlier in this document, tourism is already a much liberalized sector in the WTO. There is, therefore, little further liberalization with which to proceed at this time Under this scenario, the thorough understanding of the domestic cause-and-effect relationships between tourism and sustainable development become even more important: it is at the domestic level where most trade-related impacts have to be identified, monitored and dealt with. On the other hand, there is also the case for further liberalization initiatives to explicitly incorporate sustainability criteria. In the search for sustainability, this kind of criteria, insights like the ones provided in this study will become crucial elements. The main recommendations identified in this study are presented below.

**Information on investments in tourism must be more exhaustively recorded.** At the moment, reliable analysis of investments in the tourism sector is impossible. For example, one particular problem is the inability to make any precise distinction between sums invested each year, since the totals for any specific year generally refer to investments made over several years. This leads to incorrect calculations of sectoral activities. The mechanisms used to collect information also do not record the origin of the investment funds (foreign or national).

More in-depth criteria are needed for investment records. The following points are recommended to facilitate the analysis of investment information:

- standardize the classification for types of projects in the tourism sector;
- establish the total invested each year for a project if an investment is made over a number of years; and
- establish the national or foreign origin of investors and their size of enterprise (micro-enterprise, SME, etc.).

**Sustainable tourism development requires a strategic planning framework.** As mentioned earlier, decisions on tourism development—and particularly its implications for sustainability—are generally not made within a planning level, but rather are left to the EIA system. This is certainly insufficient: the EIA system is not meant to guarantee the sustainability of the whole sector. The scarce planning instruments available in Chile are weak and unbinding. There is an urgent need to develop and implement creative, participatory and effective planning measures to foster sustainable tourism development in specific locations and regions.

One instrument that could complement developments on the planning front would be a voluntary agreement scheme modelled after those of other industries whereby commitments—particularly for clean production—are defined and respected by different actors. In this case, commitments would be made around specific tourism development-related initiatives. The principal objective of this exercise would be to define a collective vision and establish a "navigation chart" with concrete actions to be taken by both public and private actors.

**Although there has been progress made in creating environmental and sustainability indicators, there is still much to be done.** In Chile there is not enough information to identify the environmental impacts of tourism. As things stand, it is impossible to quantify hotel consumption of fresh water and electricity, the volume of solid waste generated by the sector and other indicators used in the literature. Without this information, estimating the real impacts of international tourism or foreign tourism operators in Chile becomes an unmanageable task. This is not only a significant impairment in regulatory terms, but it also constitutes an obstacle in the context of the GATS, where any intervention must be justified as necessary and backed with sufficient scientific proof.

Above and beyond this lack of information, there is also a shortage of resources and technical capacities to implement and validate sustainable tourism indicators at the local level. Thus far, measurements collected have failed to inspire adequate responses from stakeholders and policy makers. In order to counteract this, resources must be invested in efforts to collect and disseminate information using an approach that is systematic and specific to the sector. This will provide relevant decision-makers with a better picture upon which to craft policies.

**The system of "concessions" has to encourage the development of sustainable tourism.** Subjecting protected areas to human activities always has implications, hence the need for a precautionary approach when monitoring these activities. Since this is only a recent initiative, its impacts and results have yet to be assessed.

The Management Plans and Guidelines for the SNASPE must be continuously updated in cooperation with stakeholders and relevant institutions. These documents should assist all decision-makers in understanding what the acceptable tradeoffs are, adequately monitoring visitor impacts and achieving conservation targets.

As part of a contractual agreement between the government and concession holder, management plans should be treated as legal obligations. As with all obligations, this should be subjected to a rigorous follow-up process. The State itself has an obligation to make sure that a duty (i.e., conservation) it has transferred to a concession holder is met.

The Ministry of Public Property has identified the need to make progress in citizen participation in decision-making, either prior to or during the concession allocation process. Participation is essential to build trust, garner support for the project, and facilitate the fair distribution of benefits. This is of utmost importance in locations with rural and/or indigenous populations in need of an economic lift.

**The institutional structure of tourism must reflect the economic importance of the sector, as well as its multiple relationships with other services.** Although the introduction of the first comprehensive government policy on tourism in 2005 demonstrates that the issue is being given higher priority, the mechanisms to put this policy into practice are still lacking. Again, the institutional structure must be strengthened in order to uphold the political priorities of the sector and coordinate the various functions and initiatives that are currently operating in isolation from each other.

Current sectoral policies do not give proper valuation to tourism-related environmental goods and services (e.g., clean air and water, biodiversity, unspoiled land, etc.). They also do not take full account of tourism's potential to contribute to conservation efforts, which explains the absence of a concrete definition of ecotourism and/or sustainable tourism. While the current policy for concessions in protected areas seems to be heading in that direction, as yet there have been no studies or assessments of private concessionaries' performances.

It is crucial to ensure that the mechanisms for intervention into natural and cultural resources that constitute basic tourism heritage respond to criteria for rational and harmonious long-term use. That is, tourism development planning should be done on a scale that is appropriate for the context and based on a cost-benefit analysis. This is a challenge, as highlighted in the OECD's recent assessment of the country's environmental performance, for all stakeholders involved in the sector.[159] In order to meet this challenge, data must be at hand for informed decisions to be made. Since current information-gathering practices are faulty, increased funding is needed to upgrade them.

**Assessments must be carried out to explore the possible consequences of trade policy initiatives on sustainable development, particularly with respect to services, including tourism.** As identified in this study and other studies quoted here, international trade in tourism has positive and negative impacts on sustainable development. These services bear a close relationship to government regulatory policies and instruments. There is also a close relationship between various services (e.g., tourism, transport, communications and construction), highlighting the importance of comprehending the effect of liberalization on these other sectors. Since this is a fairly new issue, there is still a great deal of work to be done. The form and style of the assessments will likely according to funding and technical capabilities. Sophisticated and costly (mathematical) assessments are not always necessary, or even possible. A preliminary analysis, like this study, can offer an overview of the issues that merit further attention and analysis.

**Communication and coordination between trade negotiators and key stakeholders in tourism must be improved.** This project has revealed that there is virtually no relationship between those responsible for the negotiation of trade deals and tourism stakeholders. The latter are largely ignorant about the developments of trade negotiations and the potential implications for their sector. This has resulted in distrust of the government's actions in trade matters. Although, as previously indicated, few liberalization opportunities remain, establishing permanent communication channels between these two sectors would be very beneficial as it would foster a greater mutual awareness of the implications of international trade on tourism and its sustainable development. Such communication could also prevent and resolve misunderstandings, eradicate existing myths and facilitate potential trade negotiations with explicit sustainability objectives in the future.

**Rural tourism (or agrotourism) has significant potential as a poverty alleviation tool, but participants must meet a series of prerequisites in order to enjoy its benefits.** Unfortunately, not all producers can meet these prerequisites. This makes rural tourism an unlikely focus of wide-reaching social policies. Therefore, current policies supporting this kind of venture tend to focus more on promoting the services offered by participating small and medium-sized enterprises. On the other hand, the success of the agrotourism cluster strategy also depends on the strength of a series of factors, including the association between stakeholders, the level of trust within these relationships, domestic competitiveness, investment, and the role played by local and regional governments.

Regarding the role of government, work must be coordinated and consistent if it is to make important strides in agrotourism development. This coordination is hindered by the unresolved debate concerning the objective of agrotourism development—diversification of agricultural activities or an opportunity for rural development (not necessarily linked to agricultural producers or the diversification of the tourism offer). Defining a clear objective should help strengthen inter-agency coordination.

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159 "*Evaluaciones del desempeño ambiental – CHILE,*" OCDE, (2005).

**There are unresolved strategic issues that hinder the effectiveness of credit support for tourism development.** The agency responsible for tourism in the country should participate more actively in the financial support of the sector, or at least in setting guidelines for such funding. The agency's expertise and networks could substantially contribute to more effective ways of supporting sustainable tourism endeavours. In terms of this connection, support initiatives should be addressed to enhance the capacity of potential beneficiaries, particularly in the case of rural and disadvantaged actors. Training program on managerial skills, as well as general advice to improve the quality of the services in order to effectively meet (international) tourists' preferences and demands would be highly useful.

**Sustainable tourism should be developed based on the concept of learning and appreciation, with nature as the central point of its activities.** Profits are secondary in such an approach. Tourism, as a service, is about enabling tourists to experience cultures and places. The extent of such experience is not to be defined by tourists' wallets, but by carrying capacity limitations and the costs associated with each unit of output produced. This will ensure the enjoyment of the same experiences by generations to come.

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# 8. Annexes

## 8.1 Chile's map

## 8.2 Basic information on survey in San Pedro de Atacama

A survey of enterprises, tourists and the SPA local authorities was carried out in an attempt to describe the distribution of benefits from tourism and the perceptions of the main stakeholders in the sector. The survey was done in July 2005 by using a questionnaire specific to each kind of stakeholder as an interview guide. The following provides basic information on this survey.

### 8.2.1 Sample design background information

- high heterogeneity in tourism services provided in SPA (size, quality and enterprises origin);
- great competition in tourism services offer;
- existence of informal tourism services businesses (not registered in SERNATUR);
- significant levels of distrust in disclosing information. Private sector fears commercial threats and public sector depends upon the willingness of the local authority (few, if any, established procedures for disclosing information are available); and
- this context is a challenging backdrop to the implementation of the survey.

### 8.2.2 Sample typology and size

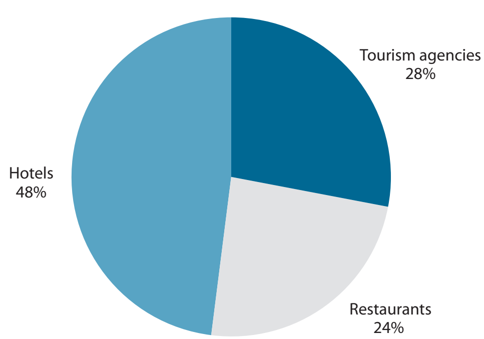
*Municipality*

Two municipal departments were interviewed: municipal rents and finances. A formal request was addressed to the Mayor in order to have access to the relevant information.

*Local businesses*

Given the context described above and time and budget restrictions, a non-probabilistic approach was followed. This means the results will represent an exploration of the main issues without the possibility of estimating sample errors and confidence levels.

The target population involves three main segments: hotels, restaurants and tourism agencies. According to SERNATUR's businesses records (the frame sample), the distribution of these segments, as to the total universe of 95 establishments, is:

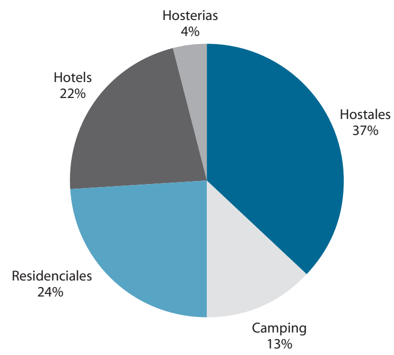



In turn, within each segment, there are diverse types of establishments according to different variables relevant to this study:

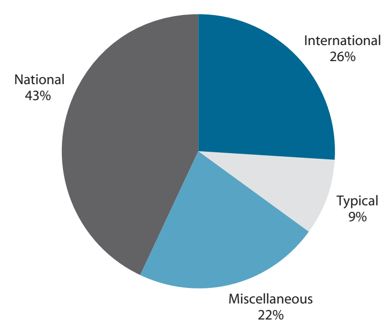
| Establishments (total) | Variables |
|---|---|
| Hotels (45) | Class: from hotel to camping services<br>Capacity: number of beds (8–100) |
| Restaurants (23) | Specialty: international food, national, typical northern, miscellaneous<br>Capacity: seats (12–100) |
| Tourism agencies (27) | Amount of sales: wholesale/retail |

According to these variables, each segment is composed as follows:

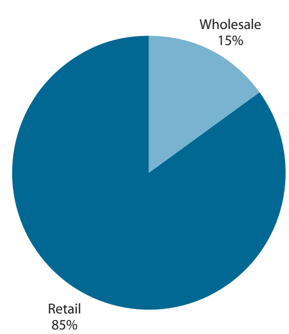
**Hotels**




**Restaurants**




**Tourism agencies**



The survey sample looked to resemble the distribution of these categories. The size of the sample, limited by the availability of time and resources, was 33 per cent:

| Segment | Category | Quota | Subtotals |
|---|---|---|---|
| Hotels | Hotel | 3 | 15 |
| | Hostería | 1 | |
| | Hostal | 5 | |
| | Residencial | 4 | |
| | Camping | 2 | |
| Restaurants | International | 2 | 9 |
| | National | 4 | |
| | Typical | 1 | |
| | Miscellaneous | 2 | |
| Agencies | Wholesale | 1 | 9 |
| | Retail | 8 | |
| | | Sample total | 33 |

Actually interviewed establishments were finally 28.

*Foreign tourists*

It is important to interview the tourist once he/she has already hired the diverse services in SPA and not before. Accordingly, it was decided to conduct the survey on the shuttle/bus that takes them back to the airport or to Calama, the main city 100 km away. The sample is defined by a quota and the chosen segment is: "foreign tourists who leave SPA by land transportation." The survey was translated to English (attached below). A local assistant was hired to apply the survey. Drivers were also asked (and paid) to assist in the application of the survey.

The original sample size was:

- airport shuttles: 25 tourists;
- buses to Calama: 25 tourists;
- sample total: 50 tourists.

Applying the sample to tourists proved to be quite difficult. In fact, only 21 proper responses were collected. Additionally, tourists from the five-star hotels (two) have their own private means of transport which are not accessible to the general public. This means that this segment of generally wealthy tourists was not covered at all in this survey. Although it is difficult to state the implications of this in the survey results, it is highly likely that these tourists are, in general, in less direct contact with SPA's restaurants and general businesses, and come to the area with a package that might be purchased abroad.