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**Draft report of the Trade and Development
Commission on its second session**

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Chair's summary

The contribution of tourism to trade and development

(Agenda item 5)

1. The Commission's deliberation was facilitated by a high-level panel followed by interactive debate, moderated by the Deputy Secretary-General of UNCTAD. The panel was comprised of (a) Mr. Márcio Favilla Lucca de Paula, Executive Director for External Relations and Partnerships, United Nations World Tourism Organization (UNWTO); (b) Mr. Bekir Temucin Sayar, Head of Foreign Relations and European Union Coordination, Department at the Ministry of Culture and Tourism, Turkey; (c) Mr. Dinesh Bhattarai, Ambassador of Nepal to the United Nations Office and Other International Organizations; and (d) Mr. Ronald Saborio, Ambassador of Costa Rica to the World Trade Organization.

2. The discussion was supported by the note by the UNCTAD secretariat TD/B/C.I/8 entitled "The contribution of tourism to trade and development". The note was commended for analysing in an excellent manner (a) the importance of the sector for many countries, including developing and least developed countries; (b) the recent trends, successes and challenges related to tourism development; and (c) the impacts of the crisis on the sector. It deliberated on the contribution of tourism to trade and development and on strategies for addressing the impact of the financial and economic crisis on the sector given its key role in terms of economic development, employment generation, foreign exchange earnings, remittances and poverty reduction.

3. It was noted that tourism was one of the fastest-growing sectors and that countries of all levels could potentially benefit from the sector. Globally, the sector's contribution to gross domestic product (GDP) exceeded 5 per cent and its annual turnover had grown at a faster pace than GDP. In most countries, tourism was one of five top export earners, while in many developing and least developed countries it was the number one export. Growth of world tourism was a major component of services trade growth. It was currently a \$1.1 trillion business (representing 30 per cent of world wide exports in services) that all countries at all levels of development could potentially benefit from. While the sector offered countries multiple development benefits, sustainable management of the sector also posed significant challenges. Successful tourism development required meeting economic challenges and also enhancing social responsibility and fostering transformation into the green economy to ensure long-term sustainability. Moreover, countries which relied heavily on tourism should be mindful of the fact that tourism flows were highly vulnerable to external shocks. This past year could probably be considered among the most challenging in tourism's history. In addition to the financial and economic crisis, the H1N1 scare and more recent disruptions to air traffic due to the eruption of the Icelandic volcano had significantly affected the sector. UNWTO estimated that the five-day closure of airports brought a negative impact of 0.3 per cent to 2010 figures of international arrivals.

4. Beginning in 2008, the global financial and economic crisis had negatively affected the tourism sector with Europe and the Middle East being especially hard hit. Arrivals declined by 4.3 per cent, tourism receipts by 5.8 per cent and exports by 6.0 per cent. This nonetheless had to be viewed in the context of consistent growth of the sector since the 1950s. In many destinations, domestic tourism had been less affected, allowing some countries to partially compensate for the falling international demand. The Chinese Government, for example, made a swift shift to promote domestic tourism by stimulating tourism awareness and enthusiasm through a strong national campaign which featured a "tourism advocacy week" in 186 cities. Data collected by UNWTO confirmed that tourism returned to growth in the last quarter of 2009 and it was forecasted that growth would

continue in 2010. Tourist arrivals for the first two months of 2010 grew by 7 per cent. Cautious optimism for 2010 was therefore warranted in this respect.

5. It was noted that an encouraging trend of tourism's strong performance in recent years was that growth in arrivals was greatest in developing countries, accounting for about 40 per cent of total international tourist arrivals. Positive developments included not only the emergence of new destination and source countries, but also the development of new tourism products and better access to tourism destinations. It was estimated that by 2020 there would be 1.6 billion international tourists. At the international level, trade and cooperation agreements could help boost intraregional and interregional tourism, particularly among developing countries. The importance of intraregional tourism was emphasized and note was taken of the fact that South-South tourism represented an important channel for the future growth and development of developing countries' tourism sectors. For example, the emergence of India and China as engines of growth, with 40 per cent of global population, was considered to be a huge potential for neighbouring Nepal's tourism industry. With respect to LDCs in particular, the tourism sector was considered a decisive factor supporting graduation from LDC status. The National Services Policy Review of Nepal on tourism was appreciated, and request was made for UNCTAD's support in implementing its action plan with donor support.

6. One critical concern that remained in relation to the recovery that seems to be setting in was that this had been a jobless recovery in many places. Given the role of the sector as a primary source of income-creating jobs – tourism and tourism-support activities created a high proportion of employment opportunities at all skill levels – this was an area that policymakers should devote particular attention to, including in terms of decent jobs. They also represent a vast array of opportunities for self-employment and entrepreneurship.

7. Attracting foreign direct investment (FDI) remained an important requirement for the sector in those countries where domestic resources were limited. Investment requirements covered primary facilities such as hotels, restaurants and recreational amenities, as well as supportive physical infrastructure and basic services. However, common perceptions that a large share of FDI flows to developing countries targeted tourism and that foreign investment dominated their tourism industries were largely unfounded. Instead, it had been shown that FDI inflows into developing countries' tourism sector accounted for only around 10 per cent of global FDI inflows.

8. Despite the many positive trends identified, developing countries still encountered significant economic, social and environmental challenges in maximizing the gains from their national tourism industries, including the need to strengthen weak intersectoral linkages that could contribute significantly to reducing the revenue leakages. Due to a large and diversified supply chain, the tourism sector had the potential to impact positively on many other sectors of the economy, thereby creating a multiplier effect that generated broad-based economic benefits at the national level as well as employment opportunities and poverty reduction at the local level. Without strong tourism linkages, such benefits did not materialize.

9. There were several challenges to be addressed at the national level to improve the performance of the tourism services sector. Addressing those required ensuring effective national strategies comprising policy, regulatory and institutional frameworks that were in place with sufficient incentives to stimulate the development of supply capacity in national markets. Mainstreaming tourism in national and international agendas remained a challenge, including due to the diverse and highly fragmented nature of the industry which made coordinated, industry-wide action difficult to achieve. Tourism sector stakeholders should be better involved in decision-making processes which had a major impact on the industry, such as employment, planning, investment, transport, taxation, visas and development. The mainstreaming of tourism needed to be included in poverty alleviation

programmes just as it was felt that poverty alleviation should become a key focus of tourism development initiatives.

10. Several participants described the policies they had implemented in the past decades to capitalize on their cultural, artistic, wildlife, landscape and climatic assets. Among the strategies and policy responses to maximize the positive impacts of tourism on development and minimize the negative ones the most frequently cited included addressing sustainability issues, ensuring diversification of the tourism product, tackling anti-competitive business practices and promoting poverty reduction in the poorer segments of populations which often did not automatically benefit from tourism development mainly due to leakages.

11. Protecting the environmental and cultural heritage of countries was perhaps still a relatively recent policy objective in certain countries, but new tools such as the conduct of environmental impact assessments were being applied to tourism investment projects and increasing attention was being paid to environmental education and awareness programmes. One example of a measure developed to guarantee long-term sustainability of the sector was Costa Rica's Tourism Sustainability Certificate, through which tourism services and tourism firms were classified on a scale ranging from 1 to 5 in function of the way in which the natural and social resources were used (measured by the interaction of the firm and the surrounding environment, internal procedures for waste disposal and management, energy savings, etc.), the degree of participation of local communities, and the competitiveness of firms. The firms joining the programme benefited from incentives designed by Costa Rican Tourism Institute and this in turn strengthened the image of the country as an authentic natural destination. It was noted that decisions on conservation policies in the long term did not necessarily imply a cost or a lost opportunity but proved a valuable source of revenue.

12. Several participants indicated that their policy to *promote the diversification* of their tourism products focused on niche sectors such as medical and spiritual tourism and naturopathy methods including exercise, yoga and meditation; rural tourism focused on inclusive development at the community level and putting forward assets such as ethnic diversity, religious heritage and folklore. Tourism diversification also was related to shifting focus from traditional source destinations to countries closer by. The South Asian Association for Regional Cooperation (SAARC), for example, had underscored the need for promotion of tourism in the region, including as a tool for citizens to better know each other. One participant noted the high degree of competition among tourism destinations offering similar products. This constituted another reason for seeking diversification.

13. Addressing anti-competitive business practices that constrained the development of the tourism sector by increasing the costs of doing business in the country and compromising the quality of local goods and services was considered crucial. Another set of important strategies that developing countries should focus on were those which reduced the need for imported goods and services and sought to boost the bargaining power of smaller or domestically-owned airlines, tour operators and hotels in terms of their negotiations with larger foreign tour operators and travel agencies. In that regard, it was suggested that the full benefits of tourism development would not be achieved as long as there is a lack of efficient and affordable maritime and air transportation, including at regional and subregional levels.

14. Some countries, such as Turkey, opted to shift the emphasis from the State, driving the tourism development process to a greater role assumed by the private sector. While the State still provided support to tourism growth through the provision of infrastructure and infrastructure-related services, the strengthening of domestic regulations, the provision of national training facilities and the facilitation of domestic private investment, it had strongly encouraged the establishment of professional tourism organizations with the aim of increasingly transferring functions assumed by the State to the private sector. The

Government retained, however, a critical role with respect to planning, licensing and standardizing tourism facilities and supervising their operations, as well as promoting and marketing the Turkish tourism product through its offices abroad.

15. Countries could be assisted in their efforts by various international initiatives such as the Roadmap for Recovery that the UNWTO put in place in 2008 to address the global economic crisis and promote tourism as primary vehicle for job creation and a green transformation of the economy. Similarly, through its programme on Sustainable Tourism for the Elimination of Poverty (ST-EP) UNWTO had identified 150 technical cooperation projects that it hoped to assist, some 40 of which were finalized last year. ST-EP encompassed seven mechanisms to address poverty through tourism which included (a) employment of the poor in tourism enterprises; (b) supply of goods and services to tourism enterprises by the poor; (c) direct sales of goods and services to visitors by local communities; (d) the use of Government revenues from tourism activities in favour of the poor; (e) voluntary sponsorships or donations by tourism enterprises for poverty reduction initiatives; and (f) investment in tourism-related infrastructure which could also benefit poor localities. UNWTO stressed the importance of working with UNCTAD to tackle common challenges and delivering as “One” to ensure that tourism would contribute to MDGs, job creation and climate change mitigation.

16. Individual donors were also active in supporting developing countries in developing their tourism potential, whether individually or jointly with international organizations. Japan, for example, provided assistance to tourism development in Africa through the Tokyo International Conference on African Development (TICAD), which was supported by the United Nations Office of the Special Advisor on Africa (UN-OSAA), the United Nations Development Programme and the World Bank, and which involved stakeholders in all African countries and development partners, including Asian countries, donor nations, international agencies, civil society organizations, the private sector and parliaments. TICAD had become a major global framework for Asia and Africa to collaborate in promoting Africa’s development and developed an action plan in 2008 to help Africa countries address security, hospitality, management, infrastructure and environmental constraints through training programmes and knowledge exchange.

17. Appreciation was stated for UNCTAD’s work relating to tourism under the three pillars. Those included its E-tourism Initiative, Train for Trade programme, Sustainable tourism programme within the BioTrade Initiative, Special activities for LDCs and SIDS, tourism and investment in LLDCs, and its National Services Policy Reviews, which helped build national capacities to advance development of national services sectors, including the tourism services sector. Participants highlighted a number of areas in which UNCTAD – including in collaboration with UNWTO – could undertake further research and provide technical assistance to developing countries to assist them in reaping the maximum development benefits from tourism.

18. It was suggested that the links between migration/migrant workers and the tourism sector were important and needed to be further researched and discussed in an annual UNCTAD intergovernmental expert meeting on migration and tourism. Several delegates also expressed appreciation to the UNCTAD secretariat for the publication of UNCTAD/DITC/TNCD/2009/2, “Contribution of migrants to development: trade, investment and development linkages”, and expressed their wish that UNCTAD continue to analyse this issue further. Research by UNCTAD on investment in the tourism sector was considered important for designing programmes for tourism in developing countries. It was also suggested that UNCTAD could play a role in supporting and promoting bilateral and regional tourism cooperation through dialogues between countries and technical assistance at the intergovernmental level, thereby allowing countries to forge partnerships and learn from each other. A particular area for the exchange of experience between countries was

tourism-related policies, institutions and rules and regulations. Finally, it was suggested that the outcome of the Trade and Development Commission could provide inputs for the Fourth United Nations Conference on the Least Developed Countries action plan.
