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Tourism and the G-20: T.20 Strategic Paper

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FINAL VERSION

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Overview and Conclusions

The main objective of this report is to identify the contribution of Travel and Tourism to economic growth and development. In particular, it will consider the actual and potential role of tourism in the recovery from the economic crisis, its sustained growth and the future transformation to sustainable development and a Green Economy. In so doing it seeks to demonstrate why the sector can be helpful to G-20 initiatives to respond to economic crises and encourage stable, sustainable growth.

Part One examines the current economic situation and considers the significance of the establishment of the G-20 and its contribution to stabilising the global economy. It will show how deep the crisis has been, and highlight its lasting negative impact on employment and growth, both in the more advanced and emerging economies. The actions of the G-20 will be identified and the prospects for these resolving the crisis discussed. It will be shown that the recovery remains uneven and fragile and that more action is required both at the global G-20 level and at the national level.

Part Two looks at the historical and comparative experience of Travel and Tourism, showing the scope and scale of the sector. It places particular emphasis on the G-20 economies and also the world's poorest countries. It distinguishes between domestic and international travel and tourism and address both the short-term impact of the recent economic crisis as well as the longer term prospects. In recent years, Travel and Tourism have grown rapidly in terms of economic significance and public awareness. We show that the globalisation of tourism has provided significant growth and employment opportunities particularly for developing and emerging markets and we highlight its even greater potential impact.

Part Three shows how different actors may facilitate a greater contribution of Travel and Tourism to the global economy and the G-20 initiatives. It builds on the *Roadmap for Recovery* and stimulus measures identified by the UNWTO (UNWTO 2009a), with a focus on the potential for Travel and Tourism in creating employment opportunities, contributing to economic growth, trade and development as well as in transition to a Green Economy. It also reflects on the linkages of a sector which has powerful old and

new media engagement, mega event linkages and unique opportunities for helping to bridge the digital divide. In so doing, it highlights the common interests of industry players, governments, international organisations and civil society in a resilient and sustainable sector capable of resisting systemic risk and maintaining its contribution to the broader economy.

The report considers the ways in which Travel and Tourism may support the evolving international architecture (the G-20 and related UN Strategy), with the objective of positioning Travel and Tourism in the global agenda as a sector that can seriously contribute to jobs, economic growth, and development. It identifies potentially relevant actions from the G-20, the World Bank and development assistance institutions, particularly with regard to trade, infrastructure, technology, and investment policies.

The report concludes with an Agenda for Action, summarising key measures which could increase the contribution of the Travel and Tourism sector to promote a more inclusive globalisation. It highlights the even more powerful role the sector could play in addressing the economic crisis, ensuring sustainable growth, employment, development and the longer term transformation to a green economy.

Key contributions identified in the report which could be communicated to the G-20 concerning Travel and Tourism are the sector's:

- Ability to help deliver on G-20 goals and initiatives;
- Significant scale/scope across the economy and its resilience/growth potential;
- Proven multipliers from inclusion in stimulus packages and policy structures;
- Particularly powerful capacity for employment generation and skills enhancement;
- High value in contributing to the development agenda, the Millennium Development Goals (MDGS) and poverty reduction;
- Catalytic linkage with infrastructure, communications, technology and investment;
- Key role in Green Economy transformation and in responding to Climate Change;
- Potential to strengthen G-20 socio economic policy initiatives; and
- Public and Private leadership commitment to support G-20 goals and programs.

1. The Global Economy

The world is recovering from a global economic crisis – albeit with evident fragility. Global recovery is proceeding better than expected but at varying speeds – tepidly in many advanced economies but solidly in most emerging and developing economies. World growth is now expected at 4.5% in 2010 (IMF,2010b), as the Chinese, Indian and other emerging economies are expected to grow by an average of 6.8% and pull the USA, the European Union (EU) and Japan out of recession. Policy support was essential to jump-start the recovery. The G-20 played a crucial role in reviving the global economy, with expansionary stimulus packages and massive injections of liquidity. Economies around the world remain unstable and the repercussions of the crisis have been felt in high-deficit nations such as Greece, which has required massive emergency loans to avoid sovereign default.

Economic recovery remains a top priority for governments across the world but with deficit reduction an increasingly important factor. The economy took centre stage on the campaign trail leading up to the UK and other elections in 2010 with economic growth and recovery pivotal elements, along with near term budget balancing. Increasing emphasis is placed on economic stimulus packages that embrace a 'Green New Deal' addressing the challenges of climate change, environmental degradation and poverty reduction. The International Monetary Fund (IMF), the World Bank and the Organisation for Economic Co-operation and Development (OECD) have provided valuable contributions towards understanding economic crises and achieving sustainable economic growth. However the role of Travel and Tourism is missing from this debate despite its great potential as a driver of development, employment, trade and investment.

The Travel and Tourism sector has for many years stressed the key role that it plays in the economy, emphasising its significant untapped potential as an engine of growth. Despite its efforts, the role of the sector is still not widely appreciated by policymakers. This report aims to close that gap with an external appraisal. It will examine, the contribution, suggest measures which would enhance its role in broad economic stimulation and identify the potential for the

G-20 and the evolving global institutions in capitalising on the sector's contribution.

1.1. Crisis and Recovery

The economic crisis evolved at the turn of the 21st century and was fuelled by the development of an increasingly complex 'financial network' where the speed, value and volume of financial transactions increased sharply both domestically and internationally (Goldin and Vogel, 2010). In particular, the pace of change and innovation in financial markets between 1998 and 2007, the 'Golden Decade', saw the explosive growth of sophisticated financial instruments such as credit default swaps, collateralised debt obligations and an increase in resale markets for capital. Whereas the trading of derivatives had been marginal in the three previous decades, by the turn of the century the global over-the-counter derivatives market had reached US\$100,000 billion of outstanding deals. By the end of the 'Golden Decade' in 2007, the market had expanded to US\$600,000 billion, 16 times global equity market capitalisation and 10 times global gross domestic product.

Globally integrated markets and innovation had led to the transformation of the financial landscape. Integration and new networks greatly increased the robustness of the finance system, but interdependence, complexity and the growing gulf between oversight and market innovators simultaneously made global finance more brittle and fragile. Failure to regulate and supervise financial institutions effectively combined with weaknesses in internal risk management and control created vulnerabilities in the financial system which eventually triggered a global liquidity crisis. This crisis was spearheaded by the burst of the US real estate bubble in August 2007.

Activity slowed in the face of tightening credit conditions, with advanced economies falling into mild recessions by the middle quarters of 2008, but with emerging and developing economies continuing to grow at fairly robust rates by past standards. However, financial wounds continued to fester, despite policymakers' efforts to sustain market liquidity and capitalisation, as concerns about losses from bad assets increasingly raised questions about the solvency and funding of core financial institutions (IMF, 2009). The situation deteriorated rapidly after the dramatic escalation

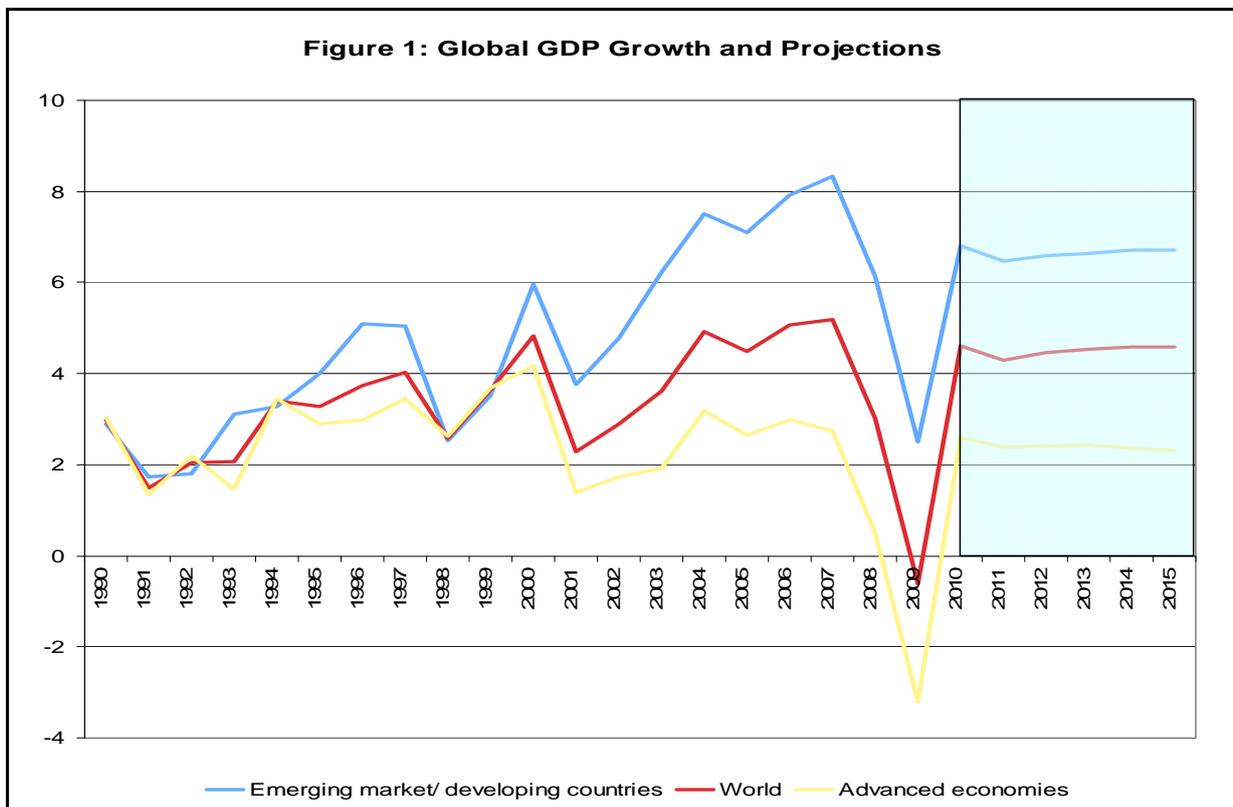
of the financial crisis in September 2008, following the default by a large US investment bank (Lehman Brothers), the rescue of the largest US insurance company (American International Group, AIG), and intervention in a range of other systemic institutions in the USA and Europe. These events prompted a huge increase in perceived counterparty risk as banks faced large write-downs, demand for liquidity jumped to new heights, and stock market volatility surged.

The crisis spread rapidly across the world resulting in a severe economic recession, considered by many economists to be the worst financial crisis since the Great Depression of the 1930s. The crisis contributed to the failure of key businesses, declines in consumer confidence, substantial financial commitments incurred by governments, and a significant decline in economic activity. Commodity prices fell sharply along with industrial production and merchandise trade. Purchases of investment goods and consumer durables such as autos and electronics were stunted by credit disruptions and rising anxiety. Figure 1 illustrates the decline of world Gross Domestic Product (GDP) with advanced economies experiencing deep contractions of 7.5% during the fourth quarter of 2008. Emerging and developing economies also suffered with an abrupt contraction of 4%. In the course of 2009 the crisis bottomed out in terms of global economic growth with estimates of -1.4% in July 2009 as depicted in Figure 1. As further highlighted in Figure 1, output growth is projected to re-emerge in 2010 at a better than expected 2.5% in advanced economies and, due to the resurgence of growth in emerging markets, global growth is projected to be 4.5% in 2010 and 4.25% in 2011 (IMF, 2009 and 2010b). Although this is very much subject to close and continuing review,

1.2. Continuing Challenges

Economic indicators from the OECD Economic Outlook (2009b) and IMF (2010a and 2010b) suggest that the most acute phase of the global recession has passed and recovery is underway with most of the world experiencing real GDP growth in 2010. However economies are still very fragile and face numerous headwinds and uncertainty. In Greece, the impact of the financial crisis combined with rising national debt levels has weakened the economic muscle forcing the government to request a €110 billion (US\$146 billion) package of emergency loans from the IMF and other euro-zone

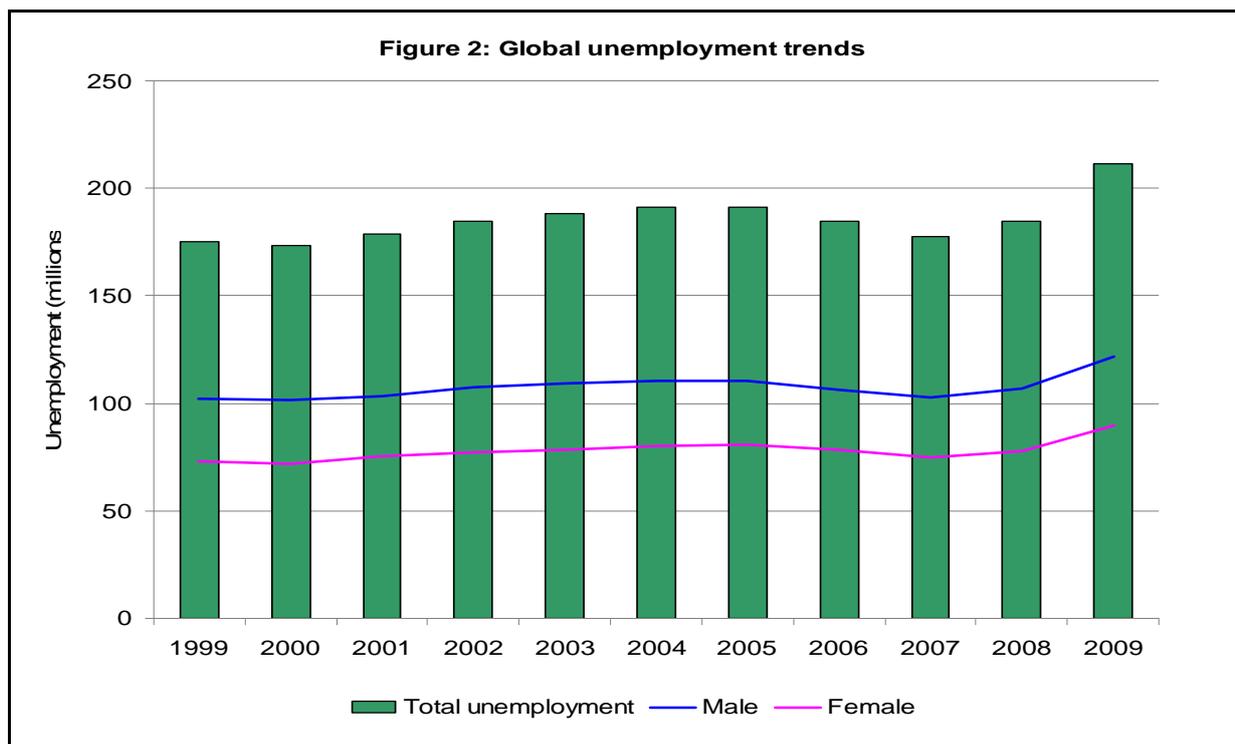
countries. The loans are aimed at averting a sovereign default by Greece and require the adoption of tough austerity measures to correct its excessive budget deficit from 13.6% of GDP to below 3% by 2014. The package also includes tough measures to reduce the size of Greece's bloated public sector, cuts in public sector salaries and pensions, a rise in value added tax and an increase in fuel, alcohol and tobacco taxes. The impact of the crisis has also aggravated other high-deficit European nations such as Spain, Portugal and Ireland. Contagion from the Greek crisis threatens the future of the EU and euro. To convince the markets of the viability of the European project, governments throughout Europe have launched dramatic deficit reductions, which for the coming years will result in sharp reductions in government spending and increasing unemployment.



Source: IMF WEO Database, 2010; IMF WEO, 2010b

There is no doubt that an area of great structural concern is employment. The collapse of global growth throughout the crisis quickly translated into sharp reductions in employment and, in some cases, unprecedented increases in unemployment (OECD, 2009a). The OECD (2009a) highlights that labour market conditions have weakened throughout the OECD area and between December 2007 and July 2009, the downturn

had caused more than 15 million workers to join the ranks of the unemployed, a 51% increase. Figure 2 illustrates global unemployment rates and the disparities between males and females. It reveals that after four consecutive years of decreases, the global unemployment rate started increasing in 2008, which was followed by much sharper increases in 2009. It further highlights that the impact of the economic crisis has been almost equally detrimental for both men and women. Between 2008 and 2009 the unemployment rate for women increased by 0.8 percentage points and 0.7 percentage points for men (ILO, 2010). The experience of previous severe economic downturns, such as the 1997/98 Asian financial crisis suggests that it will take many years to reabsorb large pools of unemployment and there is a risk that cyclical increases in long-term unemployment and worker discouragement can lead to a permanent increase in structural unemployment and inactivity.



Source: ILO, 2009

Employment losses, in addition to being devastating for the individuals concerns, place a high burden on society beyond the obvious decline of output and income. Joblessness can have adverse effects on physical and mental health, crime rates and subjective happiness. Long spells of unemployment can lead to a loss of valuable skills,

thereby reducing the earnings potential of the affected workers and increasing their risk of becoming disconnected from the labour market. Skilled formal sector workers are moving into informal makeshift activities and facing more constrained working conditions. Disadvantaged groups in the labour market such as low-skilled youth, immigrants, ethnic minorities, and persons with health problems, are most at risk. The compositional shift in unemployment towards vulnerable groups in a recession reflects their greater vulnerability to becoming disconnected from the labour market (OECD, 2009a).

Developing countries are particularly vulnerable to a host of fall-out effects resulting from the economic crisis which affects their export markets, employment, currencies and aid flows. These negative impacts may be expected to exacerbate inequality and jeopardise progress towards the MDGs, pushing the achievement of the 2015 goals further away (European Commission, 2009). The poorest countries continue to need assistance to move beyond the crisis, but with budgets under pressure, the omens of the majority of OECD countries meeting their aid commitments are not good.

While developing countries have demonstrated that they have learnt the bitter lessons of previous crises, and have emerged stronger, growth has nevertheless suffered and poverty reduction has slowed or been reversed in many countries, not least the poorest. **For both developed and developing countries it is vital to restore confidence and growth. The Travel and Tourism sector with its scale and scope, as well as its major role in trade, employment, technology and communications can significantly help this process.**

1.3. The Group of Twenty

In September 1999, the finance ministers and central bank governors of the Group of Seven countries (the G-7) announced their intention to 'broaden the dialogue on key economic and financial policy issues among systemically significant economies and promote co-operation to achieve stable and sustainable world economic growth that benefits all' (G-7, 1999). This announcement marked the official birth of what subsequently became known as the Group of Twenty countries (the G-20). This new international group was launched primarily in response both to the financial crisis of the late 1990s and to a growing recognition that key emerging-market countries were not

adequately included in the core of global economic discussion and decision making. The growing importance of emerging economies, along with the increasing integration of the global economy and financial markets, underscored the importance of broadening the scope of international economic and financial cooperation (G-20, 2008).

By contributing to the strengthening of the international financial architecture and providing opportunities for dialogue on national policies, international cooperation, and international financial institutions, the G-20 aims to support growth and development across the globe. The G-20 also seeks to foster the adoption of internationally recognized standards through the example set by its members in areas such as the transparency of fiscal policy and combating money laundering and the financing of terrorism. To this end in 2004 G-20 countries committed to new higher standards of transparency and exchange of information on tax matters in efforts to combat tax evasion and illicit activities. In 2008, to tackle the financial and economic crisis, the G-20 members were called upon to further strengthen international cooperation. In response the G-20 coordinated the largest macroeconomic fiscal stimulus plan in history (US\$5 trillion) and sought to enhance financial regulation, including through the establishment of Financial Stability Board. It further strengthened the IMF and other international financial institutions with the expansion of resources and the improvement of precautionary lending facilities (G-20, 2009).

Although the initial focus of the G-20 relates to issues of international financial stability, the G-20 has also examined a broad range of longer-term economic issues of interest to its membership. The G-20 plays an important role in support of globalisation, with a commitment to sharing the benefits of growth more widely. Other subjects on the G-20 agenda include the effectiveness of aid programmes, development of domestic financial markets, regional economic integration, demographics, and resource security. The G-20 has not however focused explicitly on the potential for travel and tourism to contribute to economic recovery nor on of any other sector. Nonetheless, given tourism linkages with several of the issues on the G-20 agenda there is a clear opportunity to highlight the capacity of the sector to contribute to the objectives set by the Group of Twenty.

Several countries, as well as UNWTO are working to address that issue. In an effort to revive the tourism sector post-crisis and to place it on a long term sustainable (Green Economy) growth, the UNWTO created a Tourism Resilience Committee to support government and industry response to the crisis. As an outcome of the work undertaken by the Committee it launched the *Roadmap to Recovery* (2009a) which outlines how the sector can play a pivotal role in economic recovery at the international, regional and national level contributing in particular in terms of sustainable jobs and trade. It details a series of recommendations that can stimulate tourism growth and employment in the short term and guide its longer term transformation to the Green Economy. These are summarised below:

RESILIENCE	STIMULUS	GREEN ECONOMY
Retain jobs	New Jobs	Green Jobs
Understand the Market	Include in Stimulus Packages	Climate Response
Boost Partnerships	Tax and Visa Barriers	Green Economy Strategies
Advance Innovation	Promotion and Major Events	Green Travel Infrastructure
Regional Support	Aid for Trade and Development	Green Travel Culture

Subsequently UNWTO integrated the *Roadmap* into its work program as its lead priority, conveyed its messages worldwide and sought partnership support from across the sector. The Secretary General has formally given the *Roadmap* to a number of Heads of State and Government (including, as of writing, Brazil, Dominican Republic, Jordan, Slovenia, Republic of South Africa and Spain). He sought and received their support for the initiative and recognition of the sector as a primary vehicle for job creation and economic recovery.

At the same time, a member driven initiative was launched with the support of UNWTO and other international organizations to specifically engage Tourism Ministers of the T.20 Nations to consider the possibilities to support the G-20 work through a stronger engagement of the Travel and Tourism sector in their recovery, stimulus and green economy initiatives. This report is an integral part of that on-going process which is summarised in the Communiqué released after the first T.20 meeting in February 2010 in South Africa (see Annex I).

2. Travel and Tourism – An Economic Dynamo

2.1. The Sector and its Impacts

One of the challenges in approaching this issue, is the lack of a widely accepted understanding on what *tourism* really means and hence what its economic (and social) impacts are. The very word has come to have a connotation of leisure activity and consequently an implication for policymakers that it is less relevant in economic terms than analysis shows to be the case.

This is compounded on the supply side, where key elements of the travel value chain – like transport, hospitality or events – have long been organized along their own discrete industry lines, and where national statistical accounts have always dealt with them in a similar fashion. Furthermore for policy, positioning and lobbying reasons each group has valid reasons for protecting its own role as the driver of the travel and tourism phenomenon.

International bodies like the International Labour Organization (ILO) and the World Trade Organization (WTO) for example deal separately with hospitality and transport in their analytical and policy activity. The World Economic Forum (WEF) and the International Air Transport Association (IATA) place a focal emphasis on air transport and derive a broader extended and induced tourism element. Others argue that from the demand side the consumer is looking for a domestic or international trip for business or leisure purposes and the various supply components are simply integrated parts of that trip. It was for this precise reason the World Travel & Tourism Council (WTTTC) was established to bring the various components together and it is why the UNWTO has been leading an international effort involving the OECD and the UN family to create and develop a so called Tourism Satellite Account to isolate the Tourism related elements, in the framework of the existing national accounting structures.

According to the definition set in the UN and UNWTO International Recommendations of Tourism Statistics (2008) 'Tourism is a social, cultural and economic phenomenon which entails the movement of people to countries or places outside their usual environment for personal or business/professional purposes. These people are called visitors. A visitor is a traveller taking a trip to a main destination outside his/her usual

environment, for less than a year, for any main purpose (business, leisure or other personal purpose) other than to be employed by a resident entity in the country or place visited’.

We use UNWTO definitions and data where applicable and the most valid, referenced available resource material in other cases. Our goal is as much as possible to demonstrate the impacts of the sector using the available information from the various sources. This paper takes a pragmatic approach, tourism ‘economic’ activity includes booking, transport, hospitality, and all related destination services that travellers consume. It counts domestic and international travel, as well as business and leisure. It covers non routine trips (not commuting). It tries to reflect direct/indirect economic impacts – noting that different actors present these in different ways.

As a rule of thumb we have observed the following general characteristics of the sector that are noteworthy and are often lost in the sub-sector or industry specific analysis.

- Tourism supply is predominantly fragmented as it is split into major global, regional or national operators who reflect some 20% of the economic activity and small/medium enterprises (SMEs) who account for some 80%, dependent on market. Demand tends to be in the order of 20-30% business and 70-80% leisure and others dependent also on the market, season and location.
- The direct effects on economies vary from 2.5% to 8% of GDP dependent on the structure of the economy of the country, the development cycle, the nature of the product and market access. In most developed economies it is typically closer to the lower figure and in tourism centric regions like the Caribbean it is closer to the upper.
- The sum of the indirect and induced effects in the economy range from some 30% to 100% above the direct impact, dependent on the nature of the markets and on the chosen methodology. What is clear is that tourism intersects with and stimulates a wide number of other sectors in the supply chain, especially agriculture, infrastructure, communications, construction and handicrafts.
- The sector’s growth tends to track that of GDP – tourism tends to grow at a higher level in periods of sustained economic growth while it tends to decline

slightly faster but to recover more rapidly in times of overall economic weakness. That being said, growth has been substantially ahead of GDP over the past half century – traditionally in developed markets but the recent and projected 21st century growth engine is in emerging markets and developing countries.

- The employment impacts are substantial – particularly because of the broad supply chains as well as relatively lower barriers to entry and exit. It is a major employer of youth, minorities and women.
- The trade and development impact is also much greater than widely recognized – with foreign visitors representing an important export for both developed and developing states. In the case of the latter it is predominantly the largest service sector and a significant factor in Foreign Direct Investment; Infrastructure; Information and Communication Technologies (ICT) and Capacity Building.
- It is also an increasing element in tax policy with visitors and domestic travellers representing important revenue sources and because visitors are not voters it represents a potential revenue source with a less obvious political downside.

The substantial growth of Travel and Tourism is clearly one of the most remarkable economic and social phenomena of the past century (UNWTO, 2007). In recent decades, benefiting from increased capacity and declining costs for passenger air transportation, and increases in real household incomes, the global tourism sector has grown and diversified to become one of the fastest-growing economic sectors (UNCTAD, 2010).

Tourism is a key component of international trade. The overall export income generated by international tourism including passengers' transport reached an estimated US\$ 1.1 trillion in 2008, or an average of US\$ 3 billion a day. Tourism exports account for as much as 30% of the world's exports of commercial services and 6% of overall exports of goods and services. Globally, as an export category, tourism ranks fourth after fuels, chemicals and automotive products (UNWTO, 2009b). More than 80 countries earned over US\$ 1 billion from international tourism in 2008 and the UNWTO (2010c) estimates that worldwide receipts from international tourism reached

US\$ 942 billion in 2008¹. In 2009, under the impact of the global economic crisis, and in line with other sectors, international tourism receipts declined by 6% (in real terms) to US\$ 852 billion, a significant decline but still smaller than that of global trade.

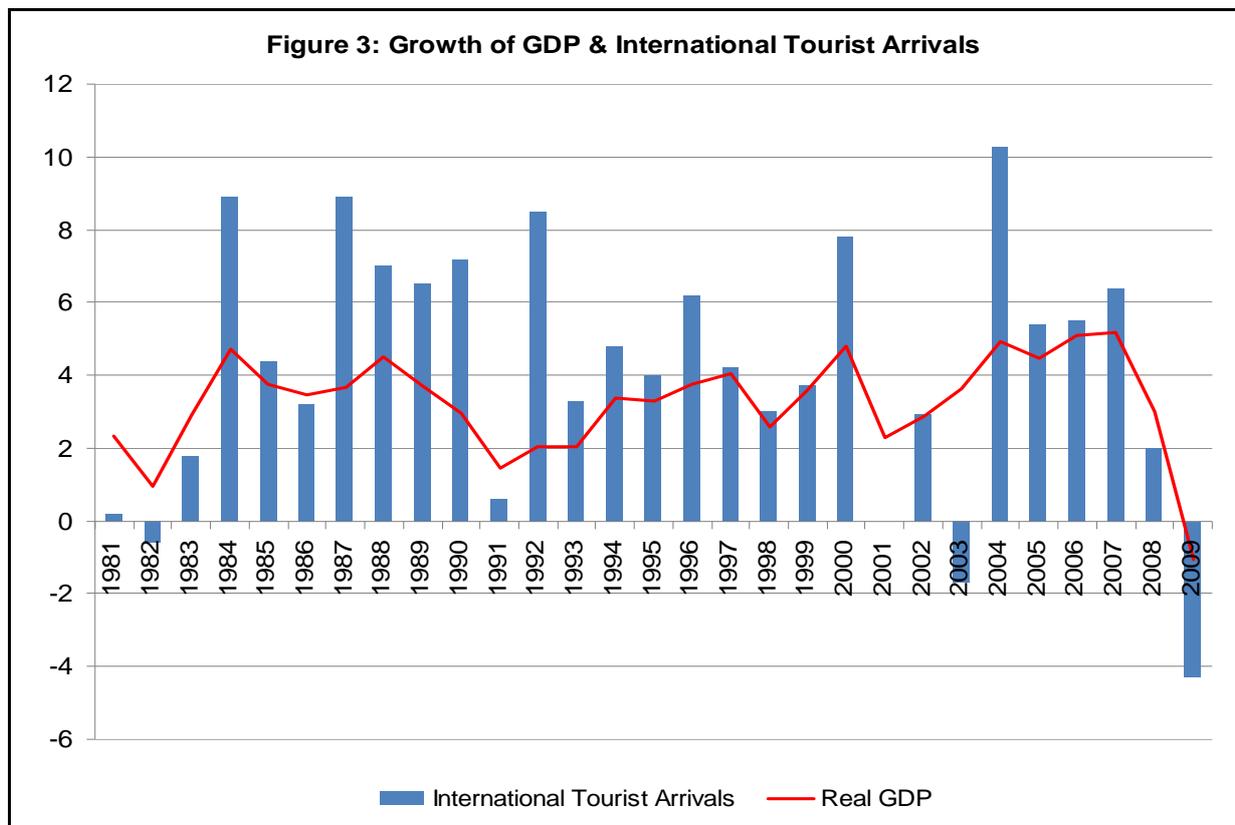
Visitor expenditure on accommodation, food and drink, local transport, entertainment and shopping is an important pillar of the economies of many destinations. For many developing countries it is one of the main income sources and the number one export category, creating much needed employment and opportunities for development and poverty reduction. In 2009, international tourists spent US\$267 billion in developing countries – over five times the level of official development assistance which goes to these countries. Mitchell & Ashley (2010) describe tourism as the world's largest voluntary transfer of resources from rich people to poor people.

There are many developing countries, such as Ethiopia and The Gambia, which are relatively small destinations in international terms, but for whom tourism makes an important contribution to the economy of 30% and 33% of total exports respectively (World Bank, 2009). A similar situation exists in small island developing states (SIDS) generally and in the Caribbean it is by far the largest services export across the entire region. Growing tourism levels in developing countries have stimulated increased tourism supply capacity and higher levels of investment in infrastructure, human capital and technologies to manage and efficiently provide for higher levels of tourism activity. In these countries, foreign direct investment (FDI), particularly in infrastructure services, can help support and propel the Travel and Tourism sector. Analyses by UNCTAD (2010) indicate current FDI flows to developing countries predominantly invest in services. The share of annual FDI inflows to their services sector climbed from 31% in 1990 to 57% in 2007 (UNCTAD, 2010).

As highlighted above, the prosperity of international tourism is closely linked to economic conditions of major tourism generating markets. When economies grow, levels of disposable income rise. A relatively large part of discretionary income is spent

¹ International tourism receipts are defined as 'expenditure of international inbound tourists including their payments to national carriers for international transport. They also include any other prepayments made for goods/services received in the destination country' (Medlik, 2003:96). According to UNWTO definition 'tourism expenditure refers to the amount paid for the acquisition of consumption goods and services, as well as valuables, for own use or to give away, for and during tourism trips'.

on tourism, in particular for the rapidly growing middle income groups in the emerging economies. In contrast, declines in income, arising from economic downturns, result in a decrease of tourism. Figure 3 demonstrates the strong relationship between the economic climate and the growth in international tourism worldwide. It reveals that the growth of international tourist arrivals significantly outpaces that of economic output as measured by GDP. In years when economic growth exceeds 4%, the growth of tourism tends to be higher. When GDP growth falls below 2%, tourism growth tends to be even lower (UNWTO, 2007).

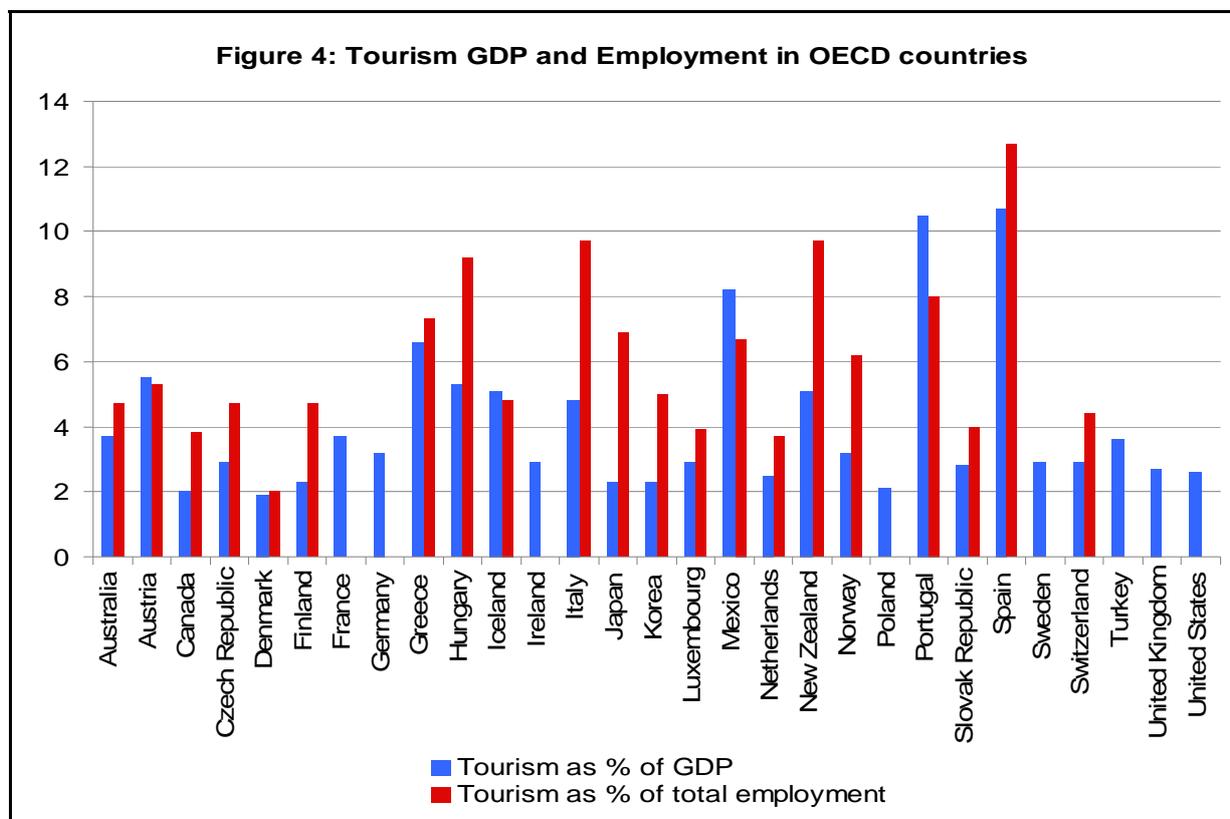


Source: UNWTO, 2010a; IMF WEO Database, 2010

According to the UNWTO (2009b), travel and tourism represents some 5% of world's GDP and 30% of the global services trade. Tourism is a primary vehicle of job creation representing around 6-7% of the total job market worldwide. For the G-20 economies it currently accounts for some 27% of their trade in services, an important part of jobs and a strong multiplier effect on related service, manufacturing and agriculture sectors, which depend on travel demand. Tourism is one of the largest employment sectors in

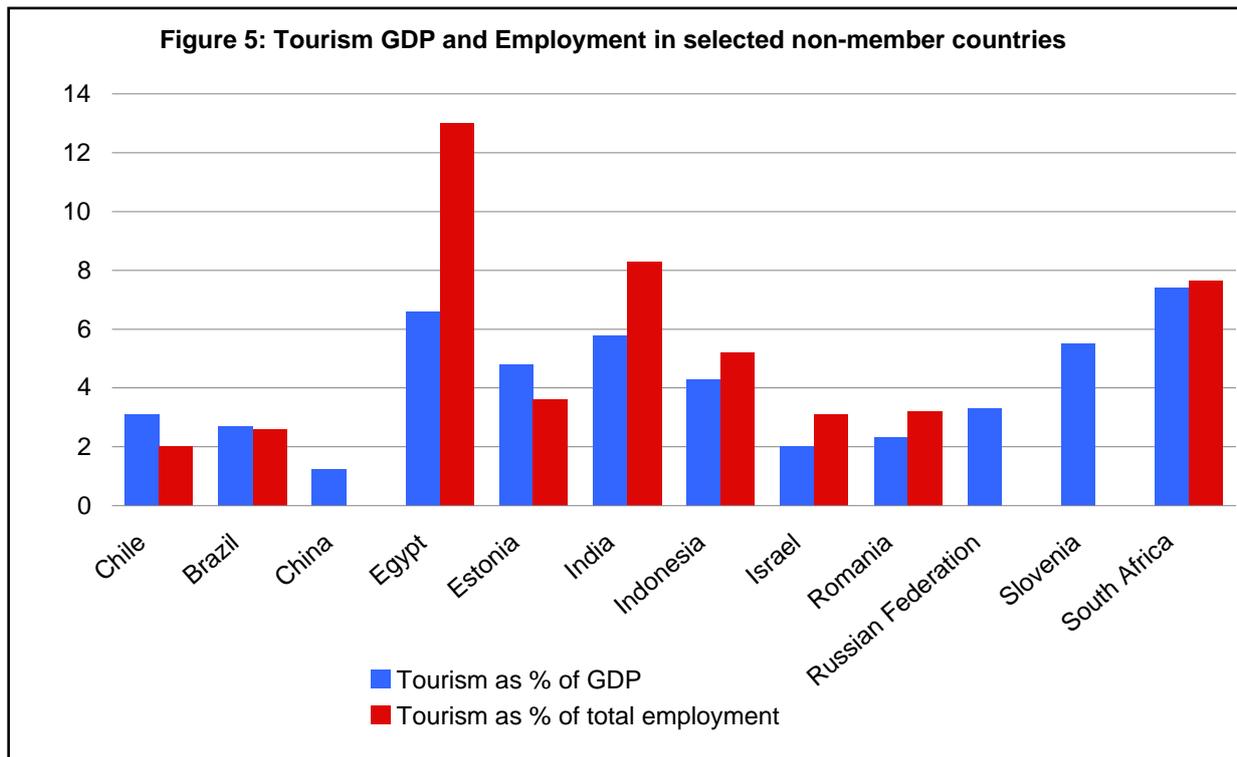
most countries. It is a particularly fast-entry vehicle into the workforce for young people and women in urban and rural communities.

Tourism has now become crucial to sustain employment and generate foreign currency receipts. In the OECD area, for example, the employment growth rate in the hotel and restaurant industry exceeded 2% per year between 2000 and 2007, more than a percentage point ahead of the total employment growth rate (OECD, 2010:7). An overview of tourism's economic importance in the OECD economies is given in Figure 4.



Source: OECD, 2010

Many of the 12 non-member economies included in the OECD report have a tourism economy representing significant shares of GDP and of total employment (Figure 5). They are also among the fastest growing countries as international tourism destinations.



Source: OECD 2010

Oxford Economics also undertake analysis for WTTC, whose projection of the tourism sector suggests a global total GDP contribution of 9.2 % in 2009 with the direct impact representing some 3.2% and indirect some 6%. It shows equally significant impacts in terms of employment, identifying 225 million people employed directly (2.8%) or indirectly (6.3%) in the sector. They forecast that the GDP contribution will grow at some 4% per year over the next decade and that employment will grow at 2.8%.

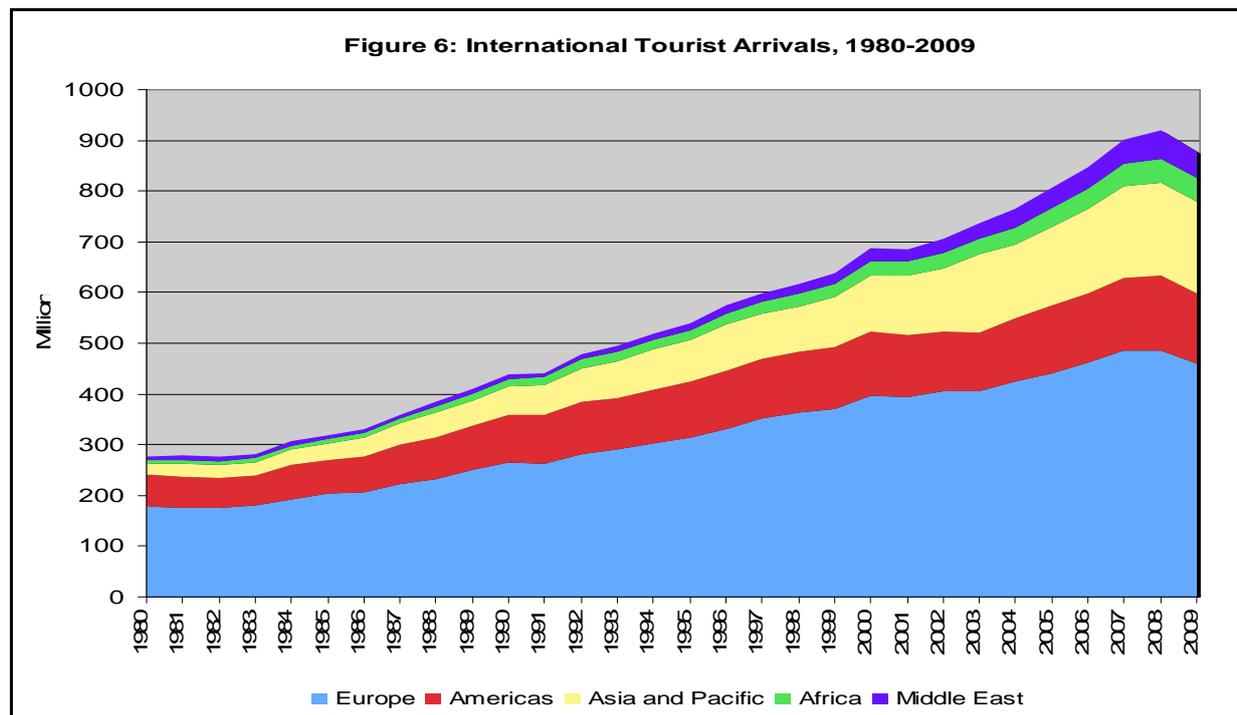
The WEF working with many parties makes the following points in its latest work on Carbon Neutral Skies: “Aviation is an enabler for trade of goods, tourism, services and for socioeconomic development of nations”. According to Oxford Economics, in 2007 aviation contributed US\$426 billion to global GDP directly and an additional US\$490 billion indirectly as well as US\$620 billion through induced/catalytic (tourism) effects. The contribution to employment equaled 5.6 million jobs directly and 33 million jobs in total (direct, indirect, induced and catalytic). The value added per employee is 4 times higher than in the economy overall.”

As noted earlier from a number of different perspectives, Travel and Tourism is one of the world's largest and fastest growing sectors of the economy and a major generator of jobs.

2.2. International and Domestic Tourism

Figure 6 illustrates the evolution of international tourist arrivals from 298 million in 1980 to an estimated peak of 922 million in 2008, before the collapse of the financial markets and the subsequent recession (UNWTO, 2010a).

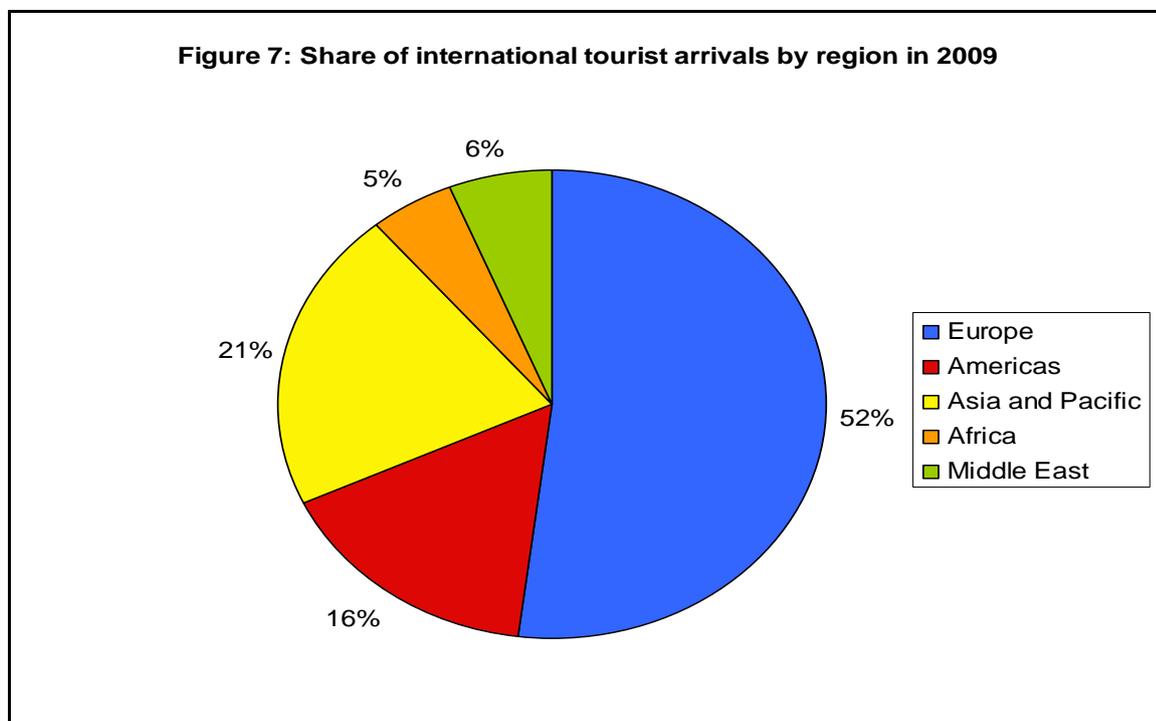
During this period, development was particularly strong in Asia and the Pacific (13% on average a year) and in the Middle East (10%) while the Americas (5%) and Europe (6%), grew at a slower pace and slightly below the world's average growth (UNWTO, 2010a). Growth patterns in emerging markets – both as sources and destinations – are generally much more dynamic, with some countries registering double-digit increases in successive years.



Source: UNWTO, 2010a

Figure 7 reveals the market share of international tourist arrivals by region in 2009. Europe and the Americas were the main tourist-receiving regions between 1950 and 2006. Both regions represented a joint market share of over 95% in 1950, with this

falling to 82% in 1990, 70% in 2006 and 68% in 2009. The decreasing trend reflects the emergence and growth of new developing destinations such as countries within Asia and the Pacific which represented 21% of international arrivals in 2009. Their tourism exports are driven by growing consumer interest in leisure tourism and non-traditional destinations, alongside increased business travel as their national economies globalize (UNCTAD, 2010). What should also be noted here is the comparatively low share of the world's poorest countries – predominantly in Africa at some 3% of arrivals and an even lower 2% of revenues, despite the widespread recognition that tourism is one of the greatest potential economic assets, nation builders and export brand promoters for these countries.



Source: UNWTO, 2010b

Domestic tourism deserves far greater attention when analysing the sector's contribution to economic growth, recovery and employment in G-20 and in developing countries. In terms of tourist arrivals, it significantly outweighs international tourism.

In 2008 UNWTO undertook an analysis of the relationship of domestic and international tourism. It estimated that globally domestic tourists account for at least 4 times as many as international.

Table 1: International and domestic tourist trip volumes			
(billion)	Total		
		Domestic	International
Total trips	9.75	8.00	1.75
Same-day trips	5.0	4.00	1.0
Over land/water	5.0	4.00	0.99
By air	0.05	0.04	0.01
By air (%)	1	1	1
Tourist arrivals	4.80	4.00	0.80
Trips	4.75	4.00	0.75
Over land/water	3.93	3.52	0.41
By air	0.82	0.48	0.34
By air (%)	17	12	46

UNWTO, 2008 base year 2005

The global figures mask some important variations at a regional and national level. Domestic trips in the EU have been estimated at 510 million per year (Peeters *et al.*, 2007) The US domestic market is much larger at 1.2 billion domestic trips (WTO, 2005). Domestic tourism in India has experienced rapid growth with 650 million domestic trips in 2009 with main tourist destinations like Rajasthan, Goa, Agra, Kerala and Delhi receiving ten times more domestic tourists than international tourists (MoT-Gol, 2010). In China the number of domestic tourists substantially exceeds the number of international tourists, as shown in Table 2. Chinese tourists took 1.9 billion domestic trips in 2009, compared to 280 million in 1990 (CNTA 2010).

Table 2: Domestic versus international tourism in China			
Year	Domestic (000)	International (000)	Ratio Domestic: International
1990	280,000	620	452:1
1995	629,000	4,521	139:1
2000	744,000	10,473	71:1
2005	1,212,000	20,255	60:1
2009	1,900,000	50,900	38:1

Source: CNTA, 2010

It is not only the sheer number of trips that is so significant but rather the economic patterns that result with potential to reduce risk in the sector and the economy as a whole. Nationals travelling abroad are exports for the countries they visit and generally, a 'negative' trade factor for their countries of origin. People travelling domestically do not adversely impact trade balance and are helping to create national economic activity and jobs.

Domestic tourism also tends to outgrow international tourism during periods of economic crisis. As disposable income is tightened, UNWTO has observed that many tourists seem to still chose to travel but to stay closer to home. The word 'staycations' has been coined to describe this phenomenon of the redirection of foreign trips to domestic destinations as a result of the current economic crisis and going forward, by new austerity budgeting.

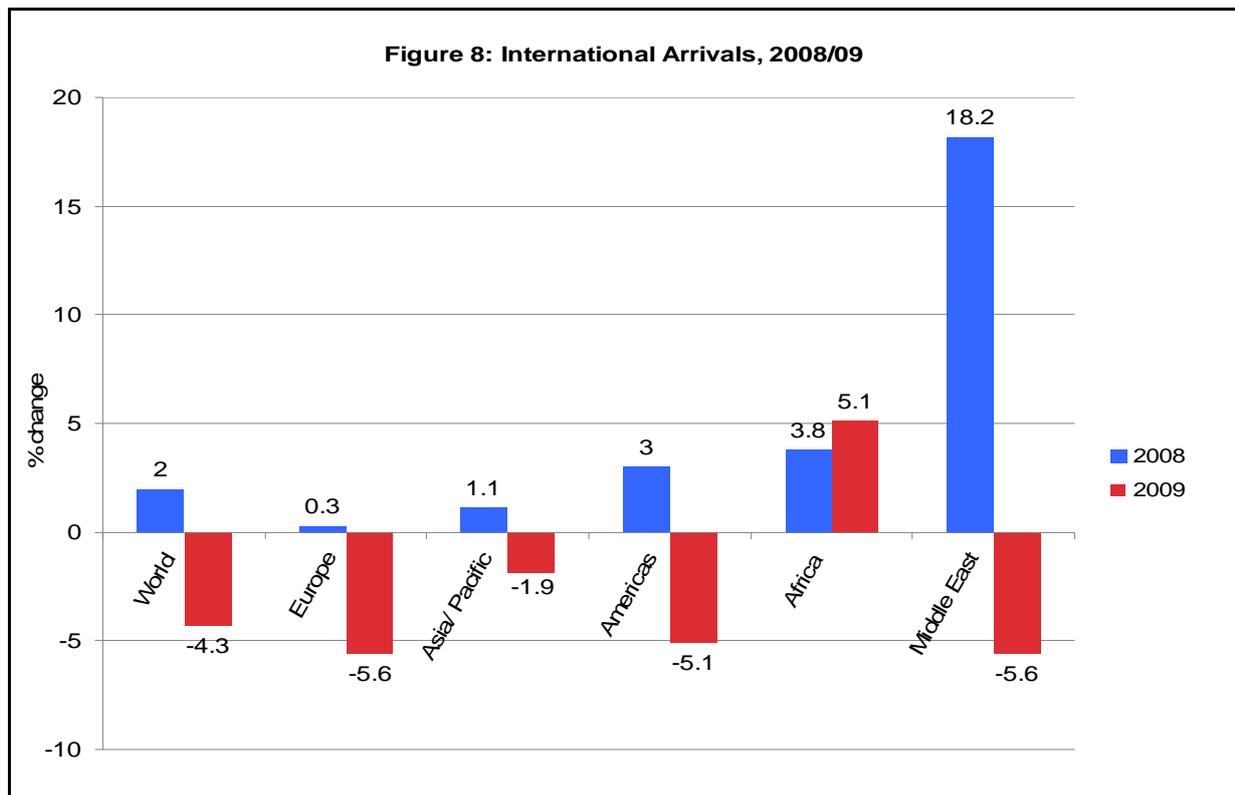
Despite this importance, domestic travel and tourism remains a comparatively invisible portion of total tourism activity. This is largely due to poor data, inadequate comparative research and its fragmentation in statistical systems. In addition there are the practical fact that borders are 'natural' points to gather travel data, currency exchange information is widely available and so too is data on foreign visitors in hotels. Most importantly, as only international tourism is regarded as relevant to determine trade balances and import-export flows tourism statistics tend to be directed to these international economic and finance objectives which are prioritised by international agencies, such as the IMF and the World Bank (Eijgelaar *et al.*, 2008).

2.3. Tourism and the Economic Crisis

Tourism, like other sectors, has suffered in the wake of the 2007-2009 world economic crisis and as noted earlier international tourist arrivals declined worldwide by 4% to 880 million in 2009 (UNWTO, 2010b). This after several years of solid growth at levels above GDP globally and reaching double digits in the Middle East and Asia particularly.

Figure 8 reveals that for the full year 2009 growth was negative in all world regions except for Africa which countered the global trend and negated the sharp increase of 2008. Growth progressively returned in the last quarter of 2009, after 14 months of

negative results. The UNWTO (2010b) reveals that for the first six months of 2010 (January-June), international tourist arrivals increased by 7%. Arrivals grew faster in emerging markets (+8%) than in advanced economies (+6%). Asia and the Pacific and the Middle East led the recovery with growth having already turned positive in both regions in the second half of 2009.



Source: UNWTO 2010b

IATA has released figures showing parallel trends with passenger traffic forecast to rise by 7.1% in 2010 with the industry moving back into profitability and associated jumps in airline stocks. They note however that emerging markets are estimated to grow at up to 10% with large developed economies still sluggish. Independent reports from PWC and Deloitte on hotel performance reveal a similar pattern with concerns around profitability. Cruise forecasts point to the same growth expectations of some 6% with profitability looking better by 2011. If the broader economic recovery stays on track with the IMF and World Bank forecasts there is every reason to look to a continuing recovery in the sector. The major caveat remains around unemployment in the economy as a whole and the impact of this on consumer and business confidence.

In terms of revenues, international tourism receipts reached US\$852 billion (611 billion euros) in 2009 corresponding to a decrease in real terms of 5.7% on 2008, which shows that receipts and arrivals were slightly more affected by the economic crisis (UNWTO, 2010b). This abrupt downturn is unusual for an industry that is accustomed to continuous growth. However, tourism has shown significant resilience, as it has in previous downturns and seems to have resisted the adverse economic impacts better than other sectors, such as construction, real estate and car manufacturing.

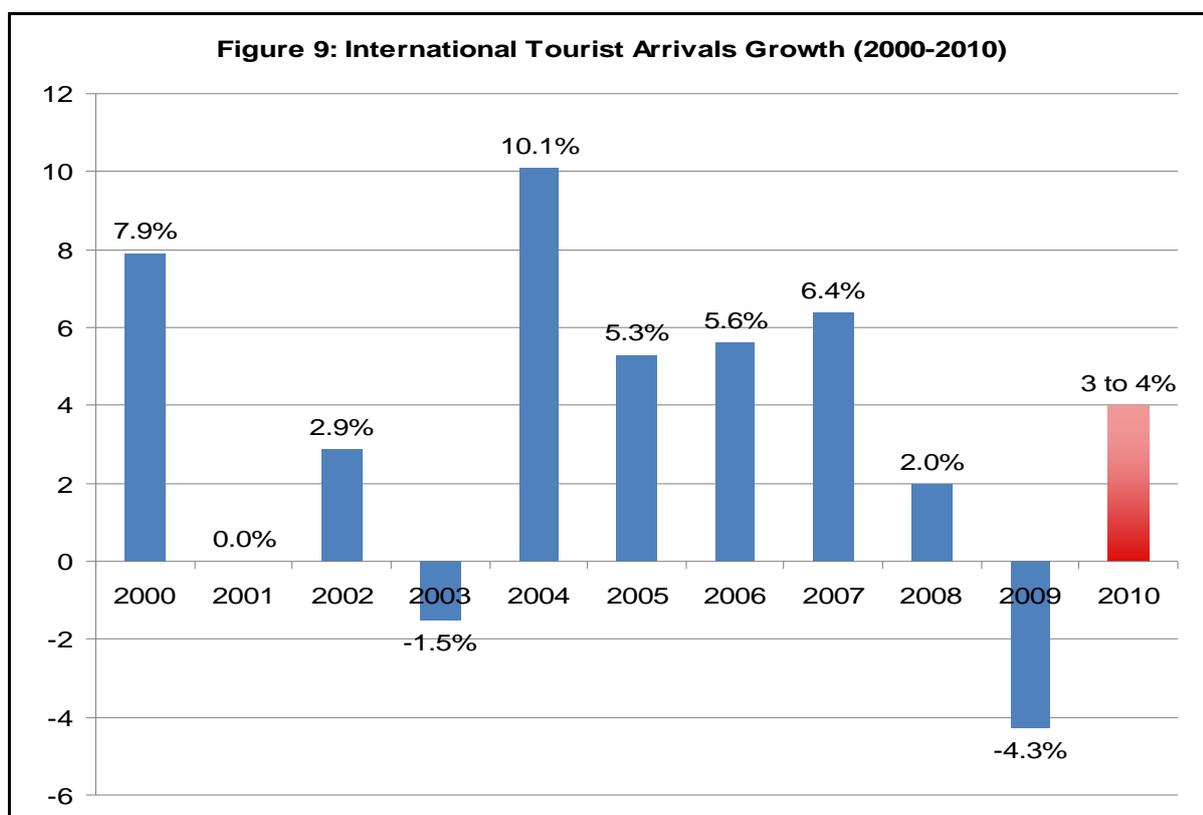
2.4. Tourism and Economic Recovery

For many national economies, including G-20 Members, the tourism sector provides a key engine for post-crisis recovery and is in fact often integrated into general economic response policies but without necessarily identifying the sector's key role.

In its analysis of the on-going international response to the current crisis, UNWTO has catalogued more than 50 national and regional programs covering areas such as employment, travel facilitation, fiscal incentives, green economy, marketing, monetary support, public/private partnerships, regional cooperation. It has observed that these cover G-20 States and sought to highlight the individual and collective impacts. It has also highlighted the most innovative and significant of these strategies including infrastructure investment, collaborative public/private sector marketing, regional destination funding, tax reduction and visa facilitation. Perhaps noteworthy because of its scale, scope and specific targeting was the decision by China to respond to the crisis by investing massively in travel infrastructure (high speed rail, airports and superhighways) to stimulate domestic tourism and to continue to encourage Chinese outbound travel for regional stimulus support. This was followed by the landmark decision to make Tourism one of the key economic development pillars, integrating it into the National Strategy.

Given the recent upturn in overall economic indicators, UNWTO (2010a) forecasts a growth in international tourist arrivals of between 3% and 4% in 2010 as highlighted in Figure 9. This outlook was not altered by air traffic disruption in European airspace following the eruption of Iceland's' volcano Eyjafjallajökull. (UNWTO (2010b) estimates

that the closure of European airspace for 5 days in April 2010 caused a loss of less than 0.5% of the yearly volume of international tourist arrivals in Europe and 0.3% of the total count of the world (UNWTO, 2010b). The disruption to travel, tourism and economies and associated financial loss for a number of firms cannot be readily absorbed. IATA has estimated that the airline losses were in the order of US\$1.7billion. The overall economic impact in Europe alone, according to the European Commission amounted to some 2.5 billion Euro (US\$3.5 billion) of which tourism (without aviation) was some 1 billion euro (US\$1.39 billion).



Source: UNWTO, 2010a. Note that the figures for 2010 are a forecast range of 3-4% growth

While projections beyond 2010 are challenging in the current general economic scenario, based on current macroeconomic forecasts the outlook for 2011 for the sector, is promising. Looking even further ahead, UNWTO's *Tourism 2020 Vision* as shown in Table 3 forecasts that international arrivals are expected to reach nearly 1.6 billion by the year 2020. This will be 2.5 times the volume recorded in late 1990s, and 1.7 times the number recorded in 2008 (922 million). Of these worldwide arrivals in 2020, 1.2 billion will be intraregional and 378 million will be long-haul travellers. The

total tourist arrivals by region shows that by 2020 the top three receiving regions will be Europe (717 million tourists), Asia and the Pacific (416 million) and the Americas (282 million), followed by Africa, the Middle East and South Asia. As highlighted in Table 4, Asia and the Pacific, the Middle East and Africa are forecasted to record growth at rates of over 5% year, compared to the world average of 4.1%. The more mature regions Europe and Americas are anticipated to show lower than average growth rates while developing markets of Africa, Latin America and Asia will increase their shares.

Table 3: Average annual growth rate (%) 1995-2020						
	Base Year	Forecasts		Market Share (%)		Average annual growth rate (%)
	1995	2010	2020	1995	2020	1995-2020
	(Million)					
World	565.4	1006	1561	100	100	4.1
Africa	20.2	47	77	3.6	5.0	5.5
Americas	108.9	190	282	19.3	18.1	3.9
Asia /Pacific	85.6	206	416	15.1	26.6	6.5
Europe	338.4	527	717	59.8	45.9	3.0
Middle East	12.4	36	69	2.2	4.4	7.1
Intraregional	464.1	791	1183	82.1	75.8	3.8
Long-haul	101.3	216	378	17.9	24.2	5.4

Source: UNWTO, 2001

As noted earlier the domestic tourism can be expected to increase at least at similar levels of that of international tourism. Taken together this provides a strong potential for enhancing overall economic growth, trade and development. A key question is how will this expansion be encouraged and used by governments and the private sector in their quest for long term sustainable growth. And how might the sector as a whole contribute to the targeted initiatives of the G-20 in this regard.

In simple terms the sector can be recognized and promoted through continuing support initiatives. Obstacles to growth can be identified and reduced and fair

competition can be encouraged. Developing economies can be particularly supported in their national and international pro-growth tourism strategies. Investment can be targeted for travel infrastructure and human capacity building. Public-Private collaboration can be enhanced and include a meaningful role for civil society, particularly for local communities. And the sector can be developed as a pillar of the green economy and green growth strategies.

3. Realising the Full Potential of Travel and Tourism

Because of its strength, resilience and catalytic cross sector intersect across global and national economies Travel and Tourism can play a far greater role in general socioeconomic development than has been the case to date. We look at the critical areas of jobs, trade, development and the green economy already identified in G-20 programs.

3.1. Employment, Trade and Investment

Employment

Given that

- a top priority of many governments in the next two years is likely to be reducing trenchant unemployment;
- the scale of the direct and indirect jobs driven by Travel and Tourism;
- the scope of those jobs around the world generally and in developing countries specifically;
- the ease of the Travel and Tourism sector to provide entry level jobs for a wide spectrum of social groups;

there is a very strong case for putting the growth of the sector at the heart of G-20 employment strategies

The global political leadership, particularly the G-20, acting through the World Bank, WTO and other international agencies, could engage in a series of actions which would:

- a. seek to reduce evident barriers to the growth of tourism and related employment, through reducing specifically discriminatory taxes and seeking to address inadequate infrastructure and other obstacles to the development of the sector identified in this report;
- b. enhance the capacity of the tourism sector to create better quality (sustainable and skilled) jobs.

For example focused support for *skill development and capacity building* to improve the quality of delivery and service. Raising the capacity of human resources ensures that the tourism sector has access to the skills and hospitality services it needs to develop and grow. An increasing number of academic and vocational institutions offer training courses in the tourism sector. This is an area that could be developed further, both for their tourism's own benefit and as a source of support for international job creation. This is particularly important for developing states where one of the most fundamental challenges to competitiveness is lack of trained and skilled personnel. Once trained to tourism's quality service level, people will be capable of filling many jobs as they become available across the entire economy. The extension and broadening of curriculum and the provision of on-line and language skills will be vital elements and will also help provide the quality service that tourists are increasingly expecting.

Similarly in this context it is clear that with unemployment becoming a dominant economic concern there will be a growing number of bright young graduates emerging from colleges and universities around the world, particularly in the developed countries who will simply be unable to get decent work in their own countries. Yet their knowledge, enthusiasm, eco-consciousness, vitality and skills (particularly in ICT) would be a massive boom to the nascent tourism sectors in the world's poorest countries. The creation of what has been termed a 'Gap and Trade' scheme should be considered – graduates take a *gap* year or two in a tourism *trade* development role and go back to a guaranteed internship on return. This could be launched in both developing countries and in poorer regions of industrialised countries. It would stimulate the exchange of skills/knowledge and diversify employment opportunities. It could be supported by new public/private sector matching fund initiatives.

Programs of this kind have existed in the past or on an *ad hoc* basis today – they could be readily linked and ramped up rapidly. And a concerted global thrust would make a huge difference and send a powerful message to young people, developing states and to the sector.

Another area where capacity building would be especially beneficial is to *enhance the capacity of ICT skills* in the Travel and Tourism sector. ICT is a source of sustainable

competitive advantage and a strategic weapon, especially in the tourism and hospitality industries, owing to the pivotal role information plays in the description, promotion, amalgamation, organisation and delivery of tourism products (Poon, 1993). The rapid development of the Internet and online bookings through electronic media introduces several opportunities for innovative tourism enterprises that use ICT to develop their virtual size and communicate with clientele and partners. Despite the technological revolution experienced in the Travel and Tourism industry, hospitality organisations have traditionally been reluctant to utilise ICTs due to a lack of training (Buhalis & Main, 1998). Further training and support should be provided to tourism enterprises to make more effective use of ICT with the promotion of online bookings, website development and virtual tours to distribute products. The development of the necessary broadband and other infrastructure is a prerequisite for such capacity building. To the extent that this may also help to overcome the digital divide, it provides a broad base for development.

Trade

As noted by both WTO and UNWTO Travel and Tourism accounts for some 6% of global trade and close to 30% of services trade. And for the world's poorest countries it is substantially higher. For many countries this sector offers the potential to be a sustainable and fast growing source of foreign exchange. Greater *accessibility to tourism destinations* would make a significant difference, as would support from development institutions and aid agencies for trade facilitation and capacity building.

Secondly there should be a concerted effort to *reduce, simplify and modernize visa processes* – the more so given rising security and immigration concerns which threaten to greatly increase the friction associated with border control and adversely impact tourism. Use of electronic visa issuance and tentative pre-clearance has worked well for Australia for years. Visa on arrival processes also work effectively in many countries. Simplified forms, systemized border and security checkpoints with adequate machines and staff would help encourage travel. One area of action would be to seek to extend the range of visa waiver programs. For example, the USA introduced the Visa Waiver

Program in 1986 which allows citizens of 36 specific countries² to travel to the USA for tourism or business for up to 90 days without having to obtain a visa (US Department of State, 2010). The Asia- Pacific Economic Cooperation (APEC) introduced a widely used 'Business Card' which facilitates high trade value travel and promotes the borderless travel vision of its members. The Southern African Development Community (SADC) Members of Southern Africa have developed a similar 'Borderless' concept within the context of FIFA 2010.

The *reduction of discriminatory taxes and duties* imposed on tourism would be highly beneficial and increase foreign exchange earnings as well as stimulating jobs. Excessive taxes on hotels and tourism businesses, rising landing fees imposed on airlines and uneven imposition of duty free allowances and rebates has a negative impact on travel and tourism. While fiscal responsibility requires even and widely applied taxes on all sectors including Travel and Tourism, there are many examples of taxes which apply only to this sector. Instead of these taxes being reduced in response to the crisis, in a number of countries they have been increased in an opportunistic and inequitable manner. There are numerous examples identified in UNWTO's resilience monitoring programs that could be held up as models and equally there are examples of unfair taxes which should be targeted for change. This will be particularly important as governments seek to raise revenues to overcome their debt crises and achieve budget balance. This need should not deter objective analysis, dialogue and shared efforts to seek more balanced approaches.

Governments should also work to *promote and market* their tourism sector – as they do with other exports – optimising their spend by cooperative campaigns with the private sector. Numerous examples abound of successful collaboration of this kind all over the world from the Australian and New Zealand media initiatives, to the Canadian structural changes and the US visitor levy. UNWTO is well placed to identify and analyse the different approaches – particularly in the context of resilience to economic shifts and together with private sector groups like WEF, WTTC and PATA suggest replicable good practise

² All countries selected by the US government are high-income economies with a high Human Development Index and are regarded as developed countries.

Investment

Financing institutions have historically been unwilling to invest in tourism unless they see good returns, a degree of economic stability, solid government support for the sector and sound infrastructure. They look for government investment and enabling policies in good airport and road infrastructure and the availability of affordable basic services such as power, water, sewerage, electricity, and telecommunications, which make tourism investments economically viable.

But the gap between good infrastructure supply and demand is growing, as population and economic growth exceeds the fiscal and management capacity of countries to provide the necessary infrastructure resources. In this context, understanding the Travel and Tourism multipliers arising from infrastructure investment is an essential element in considering priorities and developing appropriately sized and maintained investments.

While investment in infrastructure is and will remain primarily dependent on public finance, the growing potential for public private partnerships (PPP) is evident in a widening variety of infrastructure sectors and growing number of countries. There is now over twenty years of experience with different forms of PPP arrangements. The evidence is mixed, with a spectrum bounded by spectacular successes as well as catastrophic failures. In a period of renewed austerity, when public finances are under pressure throughout the world, it is important to draw on the lessons of this experience when considering the potential for infrastructure investment in the Travel and Tourism sector. Drawing on international institutions, such as the International Finance Centre (IFC) and the European Bank for Reconstruction and Development (EBRD) with a deep experience in this area as well as the capacity to mobilise finance holds considerable potential. In this context, the G-20 could encourage these institutions to support infrastructure which is beneficial to the Travel and Tourism sector. This should be done from both public sector financing through investment loans and budget support, as well as PPP financing through the private sector parts of the global development finance system.

There are a variety of approaches that the G-20 and the World Bank could take to help stimulate the tourism sector and enhance its longer-term role in job creation and economic growth. One of the major constraints to tourism enterprises is liquidity and *access to credit*. The World Bank could play a pivotal role in facilitating access to credit by establishing a borrowing facility for the poorest countries under International Development Association (IDA) terms to support investment in the sector. Similar initiatives could be taken by the Asian, African and Inter-American Development Banks. For middle income countries, the International Bank for Reconstruction and Development (IBRD) terms could apply, with a new form of investment and budget support loans being provided.

Loans could be made available to promote tourist infrastructure and training in specialist areas required for the sector such as accounting and catering. Precedents for this include the 2009 Ethiopia facility, where the World Bank approved a US\$35 million IDA credit to the Government of Ethiopia in support of a sustainable tourism development project. The Ethiopian tourism sector, which accounts for about 15% of foreign currency earnings, represents the third largest export earner and has significant growth potential. Since 2005, the government has given increased attention to the sector and aims to put the country among the top 10 African tourist destinations by the year 2020 (World Bank, 2009b).

The multilateral lenders invest in longer term development projects but could also be mobilised, if the G-20 so decided, to provide credit facilities for rapid dispersal in times of crisis to help protect and create jobs. Rapid disbursement budget support is primarily the preserve of the IMF. Increasing the recognition within the IMF concerning the foreign exchange and growth impact of the tourism sector would be helpful to the sector. This would also increase the potential for IMF emergency credit loans and other credit facilities being applied in support of the Travel and Tourism sector in times of crisis.

3.2. Risk Management

A major challenge for economic growth and development is the natural or man-made disasters, such as pandemics, floods, terrorism or even simply related media hysteria

which can lead to dramatic economic downturn and social disruption. This is emphasised in the case of travel and tourism which is so linked in to consumer or business confidence and so well covered on global news networks.

On a worldwide basis travel and tourism has been comparatively resilient to such events. The lower time lag for the market to return to normality after national and regional crises has demonstrated both the high sensitivity of the sector and its capacity to absorb and recover from these shocks. Nevertheless these disasters, such as the UK 2001 foot and mouth disease, the Indian Ocean Tsunami in 2004, Hurricane Katrina in 2005, the AH1NI Pandemic in 2009 and more recently the BP Gulf Oil spill in the USA and the Eyjafjallajökull Volcano all had immediate and severe impacts on the Tourism sector costing billions of dollars.

They have also shown the lack of coordination amongst the authorities and the industry engaged in different parts of the tourism supply chain, as well as the incoherence of regulatory systems for travel operations, hospitality and communications. UNWTO Secretary General Taleb Rifai has called for international cross sector coordination and leadership in this area to minimise system cost and disruption and above all to protect consumers.

A key factor in the speed of recovery is the degree of preparedness of the stakeholders, their coordination channels and their willingness to share information, while respecting confidentiality. The intensive UN response to AH1N1 from 2009 to 2010 showed the complexity of coordination and its immense importance in speedy response. The Tourism Emergency Response Network (**TERN**) is convened and managed by UNWTO. It allows more than 30 public and private organizations to share views, pool information and develop common messages on a real time basis. They in turn provide better public information through their individual networks and the media.

This collaboration could be strengthened and expanded to include interested stakeholders beyond the direct travel and tourism industry and who can contribute to a more effective system response. The WEF for instance has developed comparative risk management partnerships in different sectors that could be

drawn on to enhance the processes. The insurance sector has a direct interest and sophisticated information in the progress of such events. It also has financing tools that can help mitigate adverse impacts. It is exploring new methods of underwriting systemic risks and a number of members of the Lloyds of London insurance syndicate are developing products which would help the industry survive downturns occasioned by what often are considered 'force majeure' risks which generally cannot be insured against in an affordable manner.

Because of the scale of exposure and the rising incidence of systemic risk and in disasters public private partnerships in this area are very important. Governments could create provisions and funding to support customer compensation, where appropriate, to underwrite a segment of the losses and to engage the industry in products which help build resilience. Other issues which require a similar approach are provision of funds for marketing, helping to increase security in the systems and providing ICT support for rapid response networks.

Building a more resilient travel and tourism industry which is able to respond proactively and counter system risks is an essential element in enhancing the role of travel and tourism in creating sustainable jobs and growth.

3.3. The Green Economy

The world is moving towards a 'Green Economy'. The UN, OECD and G-20, including pivotally China, India, Brazil and South Africa, recognize the imperative to shift away from fossil fuel dependency to low-carbon renewable energy (DeLacy & Lipman, 2010). The travel and tourism sector can play a key role in this shift towards a green economy, by recognizing the need and working to progressively reduce its carbon footprint and shift to a low carbon lifestyle. Travel and Tourism currently accounts for some 5% of total carbon emission (UNWTO, 2008).

The objectives of the Green New Deal are to revive the world economy, create employment and protect vulnerable groups; reduce carbon dependency, ecosystem degradation and water scarcity; and further the UN Millennium Development Goal of ending extreme poverty by 2015 (UNEP, 2009).

The transition will involve *large-scale investments in new technologies, equipment, buildings, and infrastructure*, which will provide a major stimulus for new employment and an opportunity for retaining and transforming existing jobs into green jobs (Renner, 2008). Green jobs reduce the environmental impact of enterprises and economic sectors, ultimately to levels that are sustainable. Specifically, but not exclusively, this includes jobs that help to protect ecosystems and biodiversity; reduce energy, materials, and water consumption through high efficiency strategies; de-carbonize the economy; and minimize or altogether avoid generation of all forms of waste and pollution (UNEP, 2008, UNWTO, 2009b). As the transformation deepens, all jobs will have to meet green economy norms. UNEP (2008) estimates that over 2.3 million green jobs exist today in industrialized countries, emerging economies and developing countries as highlighted in Table 4.

Table 4: Estimated Employment in Renewable Energy, Countries and World, 2006			
R/E Source	World*	Selected countries	
Wind	300,000	Germany	82,000
		USA	36,800
		Spain	35,000
		China	22,200
		Denmark	21,000
		India	10,000
Solar PV	170,000	China	55,000
		Germany	35,000
		Spain	26,449
		USA	15,700
Solar Thermal	624,000	China	600,000
		Germany	13,300
		Spain	9,142
		USA	1,900
Biomass	1,174,00	Brazil	500,000
		USA	312,000
		China	266,000
		Germany	95,400
		Spain	10,349

Hydropower	39,000	Europe	20,000
		USA	19,000
Geothermal	25,000	USA	21,000
		Germany	4,200
Renewables Combined	2,332,000		

**Countries for which information is available.*

Source: UNEP, 2008

Clean technologies are already the third largest sector for joint venture capital after information and biotechnology in the USA, while green venture capital in China more than doubled to 19% of total investment in recent years (ILO, 2008). China is now the top producer of wind turbines and solar panels in the world from a standing start less than five years ago.

In January 2009 the Republic of Korea launched the world's first 'Green New Deal' stimulus package planning over US\$38 billion in spending on various green projects; China is completing a US\$440 billion package to support wind and solar energy as well as invest in tourism infrastructure; the Obama Administration aims to create 450,000 'green collar' jobs; Germany aims for a total renewable energy workforce of 900,000 by 2030 (OECD Observer, 2009).

Climate Change

According to the latest evaluations, the average temperature at the surface of the planet has increased by 0.6°C during the twentieth century. The Intergovernmental Panel on Climate Change (IPCC) concludes that observed temperature increase can be attributed to increasing concentrations of GHGs resulting from unsustainable anthropogenic activity such as fossil fuel burning and deforestation. Furthermore, climate model projections summarized in the latest IPCC (2007) report indicate that global surface temperature is likely to rise a further 1.1°C during the 21st century. Given that actions are not being undertaken at the pace or intensity required, we view this as being a conservative estimate of the likely impact.

Increasing global average temperatures are likely to be associated with a wide range of other climate change impacts. These have the potential to trigger at least three significant consequences that will impact tourist destination ecosystems and infrastructure, with consequent loss of amenity for visitors and economic benefit for hosts (UNWTO 2009b)

- Firstly, sea levels are likely to rise as a result of ice caps melting and glacial retreat which will inundate low-lying island states and coastal regions. Already rising sea levels in the South Pacific have forced residents of the Carteret Islands to relocate to nearby Bougainville, becoming the world's first environmental refugees (Guardian, 2005).
- Secondly, in many regions desertification will be exacerbated in arid and semi-arid regions, which will amplify a broader set of resource scarcity issues such as food, energy, land and water. Already in the Mediterranean and elsewhere desertification is leading to land degradation and abandonment, soil erosion and sterility, and loss of biodiversity (WWF, 2002).
- Thirdly, climate change is expected to lead to increased frequency and intensity of extreme weather events such as floods, heat waves, droughts and precipitation and these will impact on travel and tourism. These effects may already be occurring. Indeed, there are some suggestions that the manner in which the recent volcanic ash cloud from Iceland has drifted over European flight paths has been influenced by changes in the atmosphere induced by climate change.

The impact of climate change is not evenly distributed as poor people and poor countries are at greatest risk. Low or negligible savings, poor infrastructure and inadequate or non-existent state services all diminish the resilience and coping mechanisms of the poor. There is some scope for adaptation but policy also must focus on mitigation of climate change impacts.

The *Davos Declaration: Climate Change and Tourism, Responding to Global Challenges* highlights the urgent need to adopt a range of policies which encourage sustainable tourism and travel patterns that reflect a 'quadruple bottom line' of environmental, social, economic and climate responsiveness.

A sharp *reduction in emissions associated with tourism* will require large scale deployment of renewable energies alongside the adoption of low-emission building technology (WEF, 2009). It is necessary to increase the energy efficiency of existing buildings that serve the tourism industry such as hotels, lodges and resorts. This could play an even bigger role in reducing the sector's footprints than actions on new buildings or even transport. *Energy performance building codes* should be enforced in such buildings to measure buildings in terms of their energy use and efficiency. Hotels should also increase the energy efficiency of appliances through appliance standards and retrofitting of energy-efficient products for lighting, heating and cooling, water and personal computers (UNEP-SBCI, 2009).

This can be further complemented by labelling and certification to define and monitor targets for energy efficiency and to help inform and encourage behavioural change. There are a wide variety of such labels that have sprung up at global, regional and local levels. Some are in the public sector like the European or Costa Rican Eco labels, some are in the private sector like Green Key for hotels. Some are targeting energy efficiency and others broader sustainability goals – all are helping to advance long term lifestyle change in the marketplace

For example, since 2003 tourism accommodation operators in the EU, from large hotel chains to small farmhouses, can apply for the European Eco-label. The operators must meet strict minimum standards with regard to environmental performance and health standards. These should include the use of renewable energy sources, an overall reduction in energy and water consumption, measures to reduce waste, environmental policy setting and the provision of non-smoking areas.

Technologies that reduce the carbon emissions of vehicles should be widely promoted. The auto industry is slowly making the transition to the development of hybrids, plug-in hybrids and the use of bio fuels. Carbon pricing, regulatory and other incentives are required to accelerate this transition. Increasing research and development into cars powered by electricity, fuel cells or hydrogen. It is important to highlight here that clean cars are dependent on clean power generation. Making progress on decarbonising

power generation can have significant long term impact on reducing emissions from car transport, and making them environmentally as sustainable as bus and rail transport (WEF, 2009b). Cutting carbon emissions requires changes in consumer behaviour. It is estimated that 10% to 15% of carbon emissions could be reduced by choosing the most fuel-efficient vehicles, use of public transports and car sharing (T&E, 2010).

Changes in behaviour could be encouraged by economic incentives such as subsidising more carbon efficient transport forms. Modern high speed trains, for example, are able to carry up to 1,000 passengers each, Japanese bullets trains up to 1,600 each and European trains, such as Eurostar, 750 passengers each. One Eurostar journey between London and Paris, Brussels or Amsterdam has the passenger equivalent capacity to five aircraft flights on these routes. The most practical rail routes which allow trains to compete most effectively with cars and planes are on journeys of between 300 and 600 km (CfIT, 2009). Domestic aircraft have CO₂ emissions per passenger km that are many times higher that of high-speed rail. Domestic aircraft have emissions of 200-300 gCO₂/passenger km compared to around 40gCO₂/passenger km for high-speed rail (Watkisss *et al.*, 2001). Accordingly, domestic journeys should be encouraged by investments and incentives to use public transport and rail infrastructure to avoid cars (especially for journeys over 300km) and domestic flights (especially for travel up to about 600km).

Air transport requires a special focus. It is an important element in the emission reduction picture, because of its exclusion to date in International Climate Agreements, the currently limited options for alternative fuel use and the media visibility given to its impacts. The aviation industry transports 2.2 billion passengers annually and 35% of interregional exported goods (by value) generating 32 million jobs worldwide (IATA, 2008). The IPCC Fourth Assessment Report (2007) indicates that total aviation (domestic and international) CO₂ emissions are approximately 2% of all global CO₂ emissions. This is estimated, without radical change in behaviour, to increase to 4.5% by 2050 with scheduled air traffic to grow at an average 4.6% per year (ICAO, 2010). What is clear is that aviation has to be included like any other sector of the economy in emission reduction programs. At the same time it is a fact that many countries – particularly small island developing states require air transport for economic

development. Many routes over water or difficult terrain or long distance could not be served without air transport and aiming to do so would have catastrophic economic, social, trade and communications impacts on the isolated societies. For many such economies and Island communities, tourism dominates the local economy and represents the main source of income (DeLacy, 2009). If implemented, such aviation limiting policies could seriously hinder poverty reduction targets and associated strategies contained in the MDGs, as well as hamper the pace of transformation to a green economy.

Table 5 shows the results of the emissions for global tourism in 2005. It shows that in 2005 of tourism's share, transport generated the largest proportion of CO2 emissions (75%) from global tourism, with approximately 40% of the total being caused by air transport alone.

Table 5: Estimated emissions from global tourism (including same-day visitors), 2005³	
	CO2 (Mt)
Air transport	515
Car	420
Other transport	45
Accommodation	274
Activities	48
TOTAL TOURISM	1,302
Total World⁴	26,4000
Share (%)	4.9

Source: UNWTO, 2008

In the EU, GHG emissions from aviation increased by 87% between 1990 and 2006 (EUROPA, 2006), a result of the establishment of low-cost, budget airlines. In December 2009 in terms of the CO2 emissions from aviation for EU countries, the UK, Germany and France emitted a combined total of over 10 million tons and accounted for over half of the emissions (RDC Aviation, 2009). Although the contribution of

³ Estimates include international and domestic tourist trips, as well as same-day visitors (base year 2005).

⁴ Annual fossil carbon dioxide emissions (including those from cement production) (IPCC, 2007)

aviation emissions to total global CO₂ emissions is relatively small, the anticipated growth in aviation traffic and in Travel and Tourism raises concerns regarding future contributions of aviation activity to climate change.

Significant effort has been undertaken by aircraft manufacturers to make aircraft lighter and more aerodynamic. These advances together with improvements in engine technology have resulted in a 70% reduction in fuel burn and thus CO₂ emissions per passenger km for jet-engine powered aircraft over the past 50 years⁵ (SBAC, 2010). IATA's Technology Roadmap (2009a) identifies future technologies that could reduce emissions 20% to 35% per aircraft and outlines an action plan focusing on short, medium and long term measures. In the short term, the potential exists to realise emissions reductions by applying product enhancements and modifications for the current fleet. Modifications to the existing fleet using current technologies (winglets, drag reduction, etc.) could achieve an extra 1% overall emissions reduction by 2020 (IATA, 2009b). Shortening of routes and waiting times would produce even more significant improvements in the short term. For the medium term, possibilities must be explored to accelerate fleet renewal and to introduce planes with greater passenger capacity. Commercialisation of sustainable bio fuels must also take priority as they have the potential to reduce CO₂ emissions by 80%, on a full carbon life-cycle basis (ATAG, 2009:2). For the longer term, joint initiatives should be launched to identify and develop radically new technologies and aircraft designs such as the 'Two Pro Green' and 'Flying Wing' aircraft concepts that aim to achieve a fuel burn reduction of 25% per seat per km (SBAC, 2010). Another example is Spain's use of previous military routes to reduce flight time. Measures were taken by the Ministries of Defence and Development aimed at enhancing the flexible use of airspace and its restructuring, which will allow airlines to save 11.5 million euros in fuel per year, reducing CO₂ emissions by 27.5 million kilos and reducing flight distance by 1.17 million miles.

Government and the industry are responding to this situation at many levels. Governments in the ICAO and UNFCCC are trying to create a framework for inclusion of aviation in the Kyoto Successor Agreement in 2012. And at national and regional level

⁵ Aircraft entering today's fleet, such as the Airbus A380 and the Boeing 787 consume 3.5 litres per passenger per 100km.

Air Transport stakeholders led by IATA have created an ambitious 1.5% a year emission reduction target today, looking to carbon neutral operation by 2020, zero carbon aircraft by 2050 and demanding removal of operational air route impediments to efficiency. Manufacturers are producing increasingly efficient aircraft and engines, and looking for alternative fuels. The WEF has for its part created a multi-stakeholder project entitled 'Carbon Neutral Skies' to identify and seek long term reductions through a combination of market, operational and technology partnership solutions.

Sustainability

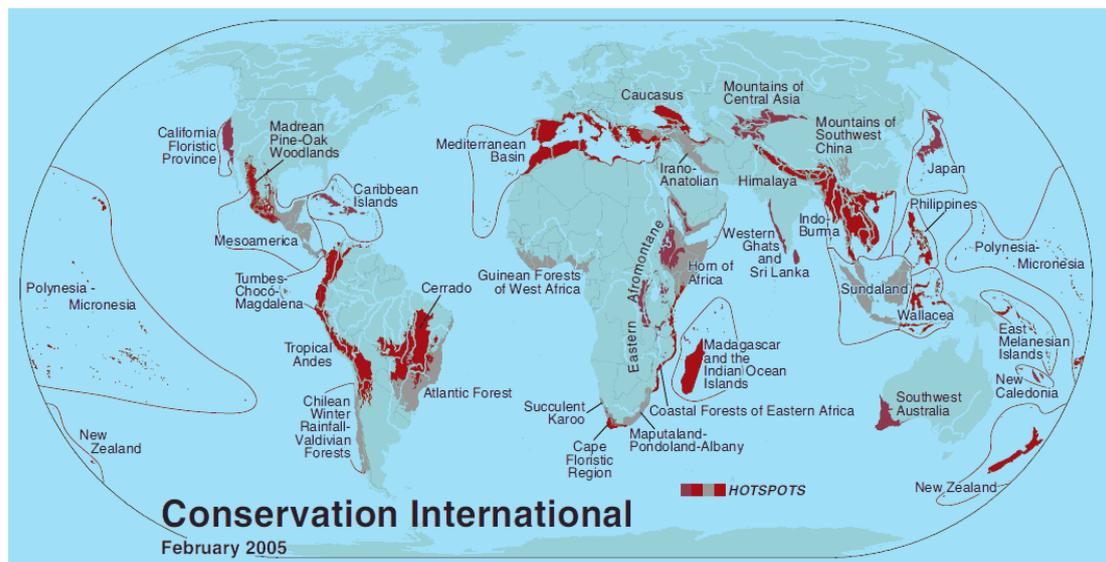
Environmental sustainability, beyond climate issues is also a pivotal part of a broader concept of a green economy. For almost than 20 years since the Rio Earth Summit, there has been a continual increase in the emphasis placed by countries, corporations and increasingly consumers on concepts of sustainable, responsible, pro poor fair trade and eco-tourism. It is a vital complement to a low carbon operating strategy to ensure the resources of the planet – including its species and its people – are not exploited and remain available for future generations.

Consumer attitudes and resultant demand for travel and tourism is changing, with consequent implications for operators and destinations that need to deliver more sustainable, ethical and carbon-neutral products and experiences. Sustainable tourism, also known as eco-tourism or green tourism, is defined by the UNWTO as tourism which should: 1) Make optimal use of environmental resources that constitute a key element in tourism development, maintaining essential ecological processes and helping to conserve natural heritage and biodiversity; 2) Respect the socio-cultural authenticity of host communities, conserve their built and living cultural heritage and traditional values, and contribute to inter-cultural understanding and tolerance; and 3) Ensure viable, long-term economic operations, providing socio-economic benefits to all stakeholders that are fairly distributed, including stable employment and income-earning opportunities and social services to host communities, and contributing to poverty alleviation.

Sustainable tourism development requires the informed participation of all relevant stakeholders, as well as strong political leadership to ensure wide participation and consensus building. Achieving sustainable tourism is a continuous process and it requires constant monitoring of impacts, introducing the necessary preventive and/or corrective measures whenever necessary (UNWTO 2010c).

According to the Global Sustainable Tourism Criteria (2008), tourism destinations are considered sustainable if they do not adversely affect habitats, local communities, or cultural heritage. Ecotourism is a growing source of revenue for the long-term management and conservation of biodiversity hotspots (Figure 10) representing more than 33,000 protected areas worldwide (Conservation International, 2008). In many destinations within hotspot developing countries, biodiversity is the major eco-tourism attraction. Biodiversity is essential to human development because of the goods and services it provides. An estimated 40% of the global economy is based on biological products and processes with an estimated value of US\$33 trillion per year (Costanza et al, 1997). However, on a global scale, biodiversity is being lost at a rate many times higher than that of natural extinction. Eco-tourism, when properly managed and directed, can contribute to biodiversity conservation and poverty reduction, both directly by capitalizing on biodiversity assets and indirectly by reducing the vulnerability of the poor to environmental degradation through biodiversity conservation (UNEP, 2003).

Figure 10: Biodiversity Hotspots



Source: Conservation International, 2005

The international development finance institutions have a powerful potential to enhance the transition of the Travel and Tourism sector towards a more sustainable model. Support from the World Bank could bolster education and capacity-building in the sustainable tourism with the creation of a lending facility from the IFC (which is part of the World Bank Group) to help establish 'green-tourism' enterprises that, for example, target biodiversity conservation. There is already some precedent for this. For example, the IFC is to invest US\$8 million in Inka Terra Peru, a pioneer eco-tourism company in the country. IFC's support will allow Inka Terra to expand its lodging network to Cuzco and Lake Titicaca in the Andes, while strengthening its current operations, which provide eco-tourism and cultural heritage experiences in the Machu Picchu area and in the Peruvian Amazon. With the approval of the Peruvian Government, Inka Terra has taken on responsibility for the oversight and protection of 10,000 hectares of rain forest adjacent to its property in the Amazon. Inka Terra's lodging facilities are also recognised internationally as locations for scientific research, and the group offers ecological study programs that provide academic credit for universities in Peru and in the United States (IFC, 2001).

The Global Environment Facility (GEF) together with UNEP is also helping developing countries fund projects and programs that protect the global environment. GEF grants support projects related to biodiversity, climate change, international waters, land degradation, the ozone layer, and persistent organic pollutants. For example, in Cambodia the GEF awarded a grant of US\$1,152,000 to support community-based activities in the flooded forest conservation areas of Tone Sap Lake through the development of sustainable ecotourism operations and reforestation projects. The community-managed ecotourism project is an additional sustainable livelihood activity for the fishing community of Kompong Phluk (GEF, 2006). In addition to institutional support, efforts should also be made by governments of the G-20 to deliver carbon-neutral and sustainable tourism destinations. For example, the Earth Lung concept, initiated in 2007 by the Sri Lanka Ministry of Tourism, aims to decrease net emissions of CO₂ into the atmosphere thereby creating a carbon neutral Travel and Tourism destination. It will achieve this through land use activities and carbon offsetting programs that will mitigate GHG emissions. Strategies include the conservation of

existing carbon pools, reforestation and afforestation, along with substitution of fossil fuels with modern bio fuels (DeLacy & Lipman, 2008).

The importance of the natural environment for providing an attractive location for tourism cannot be overstated, and it is clear that policies and factors enhancing environmental sustainability are crucial for ensuring that a country is an attractive destination and remains so in the future. Support for green-tourism tends to particularly benefit rural communities and is therefore a particularly powerful means to promote rural development, overcome poverty and reduce the pressure to urbanise.

For many societies, the natural environment is among the most precious but also most threatened of the tourism resources. Governments should implement and enforce stringent environmental regulations for the conservation of the natural environment along with the establishment of national parks for biodiversity conservation. An example is the Department of Environmental Affairs and Tourism in South Africa which supports South African National Parks, the leading conservation authority for managing 20 national parks with a combined area of 37,000 km² (SANParks, 2010). The establishment of National Parks has contributed to the success of Travel and Tourism in South Africa attracting a record 9.2 million visitors in 2008 (WTTC, 2010).

The international community, through the UNESCO World Heritage Convention aims to ensure the protection of natural and cultural heritage. Destinations that have received UNESCO world heritage site recognition have witnessed positive socio-economic and environmental impacts. For example, Stone Town on the island of Zanzibar off the coastline of Tanzania received UNESCO recognition in 2000 (UNESCO, 2010). Since inception the tourism industry in Zanzibar has witnessed dramatic growth and is now the most important sector of the economy in terms of foreign exchange earnings providing many direct and indirect economic linkages throughout society (ZATI, 2010).

Poverty Alleviation, Inclusion and New Dimensions

Over the past decade, with the establishment of the Millennium Development Goals and inspired by the World Summit on Sustainable Development, the international Community has made major strides in seeking to reduce extreme poverty around the

world. The Doha Trade Round has focused on development with a major Aid for Trade package as one of the goals. Although the conclusion of the Round remains elusive, its ambitions reflect a continuing common commitment to trade facilitation. The Copenhagen Climate Summit had technology transfer and financing for poor countries as priority agenda items as well as planning a U\$100 billion a year Adaptation Fund for developing countries. OECD countries have pledged 0.7% of annual GDP for development support and there are new UN led programs to help fight diseases such as Aids, Malaria and Tuberculosis.

There has also been a concerted effort by developed and developing States to maintain these commitments even under the pressure of economic crisis as evidenced by the Gleneagles Agreement. And the reason is the increasingly accepted view that the age of globalization, fed by computerization and Travel and Tourism, amongst other activities, has to shift to incorporate inclusion as a fundamental integral component. Inclusion moves the goal from alleviating poverty to creating socio economic harmony between rich and poor states by seeking to establish fair and equitable global outcomes through International Agreements and practices.

Travel and Tourism, more than other sectors, offers a path to inclusive outcomes. It encourages people to people communication and understanding. It promotes two way trade. It transfers funds from developed to developing and it creates wealth and jobs through the creation of enjoyable opportunities for tourists and travelers. UNWTO is a key organization to advance such strategies as the leading and decisive agency for tourism across a UN system, which is the enabling framework for the MDGs. Through its Global Code of Ethics and its ST-EP program (**Sustainable Tourism Eliminating Poverty**) the organization has established Principles, Strategies and Community based Action programs to attack Poverty through the power of Tourism.

In pursuing goals in this area there are at least two new major areas of activity that can help particularly the Tourism aspirations of these countries

First is new media – web 2.0, cloud computing, social networks and mobile communications devices. With these new interrelated tools the ability for a tourism company or community to engage successfully in world markets increases exponentially. The cost of access also is reduced dramatically. The challenge in terms of development and inclusion is the need to ramp up skills, technology and infrastructure so that desirable tourism centres can get on the world map, attract more visitors, provide quality experiences and at the same time, be able to manage their carbon and carrying capacity impacts. UNWTO's PPP with Microsoft is designed exactly to make this kind of development agenda work and to help bridge the digital divide.

Second is the increasing importance for Tourism of mega events – particularly Sporting Events like the Olympics and the FIFA World Cup. Not only do these have a major tourism spending dimension, but they provide the window of opportunity for highly significant upgrades in infrastructure, human resources, products and quality. They provide an increasingly defined baseline standard for environment and climate sustainability. They also create a new instantaneous global Brand visibility and world wide TV/broadcast impressions. Most importantly the 2010 FIFA World Cup has shown how an emerging state in a developing continent can be host and do it with dignity and success. Brazil in 2014/2016 will have the opportunity, the experience and skills to achieve similar successes. Here UNWTO's recent links with FIFA and the International Olympic Committee (IOC) and its working relationship with engaged corporations like Microsoft and VISA provide opportunities to help countries enhance the tourism related benefits,

It is noteworthy that there are few other market creating mechanisms where poor countries have the product and the export and quality channels via Mega events and new media.

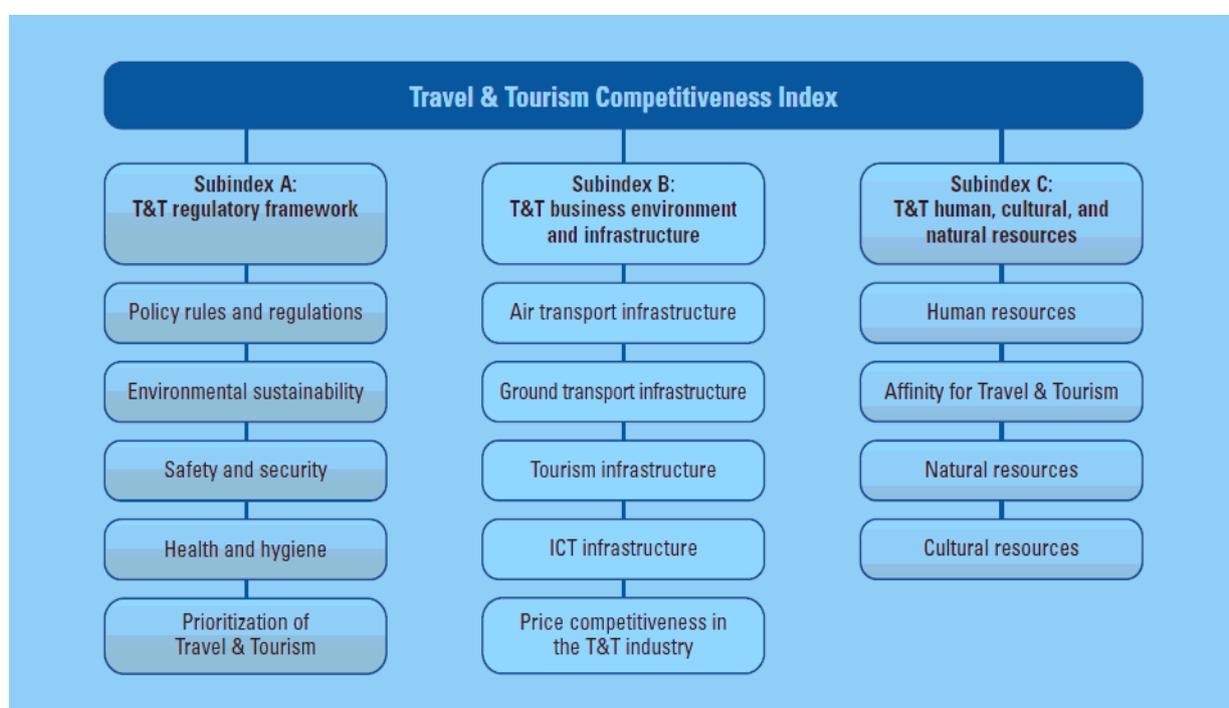
Finally there are two useful analytical tools already available to help bring these recommendations together

- the Stimulus Response Analysis of UNWTO which highlights positive initiatives to use Tourism for stimulus response and;

- the Travel and Tourism Competitiveness Index of the World Economic Forum which aims to measure the many different regulatory and business related issues that have been identified as levers for improving Travel & Tourism competitiveness in countries around the world (WEF, 2009a)

The former is a very useful tool developed in UNWTO for analysing national initiatives in relation to economic stimulus. The latter is equally useful to target areas of strength and weakness in national policy. **Applied together they can enhance substantially the way in which destination transformation is managed**

Figure 11: Composition of the TTCI



Source: World Economic Forum, 2009a

3.4. Supporting the G-20: Agenda for Action

This paper has revealed how both domestic and international Travel and Tourism – business and leisure – **has evolved to become one of the largest industries in the world today**. It is a major pillar of many local and national economies. It makes highly significant contributions towards the MDGs and poverty reduction. It contributes to economic growth and development. We have also highlighted key measures to better

harness its potential to help address the economic crisis while supporting job creation, sustainable growth, climate response and a transition to the green economy.

The contribution of tourism is not adequately recognised and a key objective of all stakeholders in the sector is to change this to help realize the even greater potential of the sector. **Travel & Tourism needs to be seen by the G-20 and related decision making bodies as providing the potential to support the achievement of their objectives.** While there is no silver bullet, this sector has an extraordinary ability to help the G-20 because actions which enhance Travel and Tourism translate more rapidly and broadly into growth and employment than comparable actions in most other sectors.

This report proposes a number of measures to help this process. It is not anticipated that all these actions would be taken up immediately, as some require considerable development and international discussion.

Establishing links between organisations is an explicit objective. In particular, it would be helpful for the achievement of certain objectives for the authorities at the national and global level responsible for Travel and Tourism to meet with those responsible for economic growth, trade and employment. **A joint meeting of Tourism, Transport, Finance and Trade ministers would be of value, not least in highlighting and advancing the contribution of the entire sector to global growth. Similarly sessions with Ministries responsible for Environment, Sustainability and Climate would be fundamental.**

The examples provided are also indicative rather than exhaustive. Our hope is that they provoke the necessary exploration of further options and help advance the recognition of the role of Travel and Tourism in addressing critical challenges of the 21st Century.

What is clear however is that UNWTO is uniquely placed to explore this potential with its pivotal position in the sector and the UN family. This is particularly the case for the G-20 based on the member driven T.20 specific initiative.

Key Issues to be communicated to the G-20 concerning Travel & Tourism are its:

- **Ability to help deliver on G-20 goals and initiatives**
- **Significant scale/ scope across the economy and its resilience /growth potential**
- **Proven multipliers from inclusion in stimulus packages & policy structures**
- **Particularly powerful capacity for employment generation and skills enhancement**
- **High value for the development agenda and MDGs**
- **Catalytic linkage with infrastructure, communications, technology & investment.**
- **Key role in Green Economy transformation, Climate response & Poverty alleviation**
- **Potential to strengthen G-20 socio economic policy initiatives**
- **Public and Private sector commitment to support G-20 goals and programs**

In terms of employment, it needs to be stressed that Travel and Tourism is one of the largest global generators of jobs – directly within the sector and across a whole range of related sectors indirectly. Some argue that this reaches to one in every 8-10 jobs worldwide. As up to half of these jobs are held by under 25 year olds and as there is a high share of women and relative ease of entry into the sector it is especially important in terms of addressing short-term crises of unemployment and youth unemployment. **Stimulus measures and other actions to encourage employment in this sector should accordingly be given high priority by governments who wish to have a high impact on employment.** Increasing training for human resources is vital to ensure that the tourism industry has access to the collaborators it needs to develop and grow. In this context, the idea of internships and a possible Gap year scheme for supporting development and employment was introduced. The link with ICT skill sets to gain competitive advantage in the Travel and Tourism sector and the necessity for training to utilise ICT effectively was also discussed.

Travel and Tourism is estimated to account for up to 5% of global GDP directly and a similar amount indirectly with associated services and industries. The significance of

the health of this industry to **growth and overall economic development** is much higher than its profile in national and global policy would suggest. The G-20 and other international and national organisations by adopting the actions identified would underpin its own growth strategies. Moreover, laying the foundations for a vibrant tourism sector provides a strong pillar for future growth and employment. This is particularly the case if resilience is developed to support the sector to better withstand the impact of shocks. Strengthening of the Tourism Emergency Response Network (TERN) has also been proposed to disseminate information and to better support Travel and Tourism destinations effected by disasters such as pandemics or natural catastrophes.

Travel and Tourism must be a key element in the **trade strategy**. The foreign exchange derived from travel and tourism accounts for up to 30% of service exports – much higher in many poor and developing countries. **Measures to facilitate travel and tourism** are available which will deal with some of the frictions which currently threaten to undermine the growth of this vital source of foreign exchange and export sales. Travel facilitation, for example Visa Waiver programmes, have been also identified as a means to facilitate travel. Advertising and marketing of the sector to domestic and international tourists to promote trade and investment should be further encouraged.

Public Investment in appropriate infrastructure such as transport, accommodation, and technology, is also critical to satisfy tourist demand and encourage private sector investment. We have highlighted how tourism infrastructure is increasingly placed high on government agendas.

Travel and Tourism can play a vital role in contributing to **more sustainable and shared growth and the green economy**. We noted vulnerability to a host of climate change risks, many of which are attributed to the goods and services the industry relies on. We have shown that the sector is in a unique position to respond to such risks and has the potential to mitigate the impacts of climate change and play a leading role in promoting a transition to a green economy which also addresses poverty and social inclusion. Several climate response measures have been discussed, with an emphasis on the fundamental changes needed to green accommodation and transport

The growth of a new green-tourism is associated with many tourists looking for more sustainable, green and ethical products and experiences. Accommodation and services give the largest opportunity to provide different types of green jobs with the rising demand for eco-hotels, lodges and resorts. **Measures to support green tourism enterprises should be encouraged with the World Bank, regional development banks and the GEF playing a key role.** The importance of environmental and cultural sustainability has been given emphasis in this paper. Creation of National Parks and recognition of UNESCO sites has served to attract tourists to destinations along with protecting biodiversity and cultural heritage.

There is also a **need for continued research and development for technologies** that will reduce emissions from road transport including through hybrid, solar and hydrogen powered vehicles. The idea of high speed rail for journeys up to 600 km has also been noted in efforts to encourage a shift to the most energy efficient competitive modes. The aviation industry requires support in establishing more direct and efficient routes. Meanwhile, the airline industry should be encouraged to make a more rapid transition to more carbon efficient fleets and designs that incorporate the use of light materials, bio fuels and engine technology to reduce GHG emissions.

In conclusion, there is great potential for Travel and Tourism to be incorporated in G-20 actions for sustained economic recovery. This report has identified a number of actions which if implemented would benefit global growth, employment and trade and accelerate the transition to the green economy. In so doing it has aimed to stimulate an awareness regarding the vital importance of the travel and tourism sector and its potential role in contributing to G-20 stimulus and growth objectives.

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Note: Exchange rates are calculated at the average rate for the 12 months September 2009 to August 2010.

Annex I

T.20 joint communiqué

1. The T.20 Ministers' Meeting is a *member-driven initiative*, acting as a forum for the growth and development of sustainable tourism by promoting dialogue and the exchange of knowledge and best practices amongst the T.20 economies.
2. At the invitation of the Republic of South Africa, *the T.20 tourism ministers and high officials convened in Johannesburg* for a first meeting at a time when the world starts to emerge from an unprecedented global economic recession, which impacted on all economic sectors, including tourism.
3. The meeting had the full support of the United Nations World Tourism Organisation (UNWTO), and was enriched by expert contributions from the International Labour Organisation (ILO), the World Travel and Tourism Council (WTTC), the United Nations Environment Programme (UNEP), the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) and the International Trade Centre (ITC).
4. *Considering* that travel and tourism is an important sector of the global economy, representing a direct contribution of between 6% and 7% of the global gross domestic product, with an even higher contribution when tourism-related sectors are taken into consideration;
5. *stressing* that the sector should be recognised as a significant economic and development driver nationally and on multilateral economic platforms;
6. *recognising* that the sector plays an important role in employment in all countries of the world, providing 75 million direct jobs worldwide; has the capacity to accelerate job creation, and offers fast entry into the workforce, particularly for youth and women in urban and rural communities;

7. ***understanding*** that the sector is particularly important as a source of export revenue, contributing 30% of the world's services exports, amounting to US\$ 1 trillion a year, and 45% of the total services exports in developing countries;
8. ***mindful of*** the sector's great potential to encourage the transformation towards a greener and more sustainable economy;
9. ***taking into account*** its ability to strengthen local economies, and promote and enhance local identities and cultural heritage to the benefit of future generations, and to build mutual understanding and tolerance between people in a stable and equitable world;
10. ***believing*** that, as the world economy re-energises following the recession, the tourism sector's contribution required for the global economic recovery stretches far and wide, and that growing an economically, environmentally as well as socially sustainable travel and tourism sector on an ethical basis can play a meaningful role to stimulate growth, create jobs, develop infrastructure and rural economies, promote trade, alleviate poverty, and particularly facilitate development in the least developed and emerging economies;
11. ***bearing in mind*** that, although the process of recovery is under way, this is still fragile and uneven, and growing gross domestic product and employment remain the key challenges; and
12. ***convinced*** that the economic crisis, and the coordinated international efforts that followed, demonstrated the importance of strengthened international cooperation and engagement to tackle global issues, and recognised, in this context, the need for tourism ministers and high officials to speak in a coordinated manner;
13. ***now therefore, the T.20 meeting explored*** the synergies between strengthened global economic cooperation and the tourism sector's efforts to build resilience and stimulate new, sustained and responsible growth.
14. ***Following a constructive and future-oriented meeting, ministers and high officials concluded with the following recommendations:***

- a. To strengthen the analytical base that underpins the economic and development case for travel and tourism
- b. To intensify collaboration to position tourism as a key driver of sustainable economic and social development
- c. To enhance the role of tourism to contribute towards creating new, decent employment opportunities, boosting trade, renewing infrastructure, and above all, accelerating ethical and sustainable development, thereby expanding the reach of the economic benefits of tourism to a larger segment of the world population
- d. To continue to examine broad international economic frameworks that have a significant impact on global tourism development
- e. To increase cooperation between countries, working closely with stakeholders, with a view to facilitating international movement of tourists, addressing restrictive travel barriers, and fostering mutual understanding and collaboration
- f. To engage and partner with the international community, including the UNWTO; G20; international and intergovernmental bodies such as UNEP, the ITC and ILO; private sector organisations and associations such as the WTTC; national governments and regional organisations, and the European Commission, in order to advance tourism's role in stimulating the global economy, enhancing employment, creating decent jobs, alleviating poverty, supporting development, and transforming progressively into a greener, more sustainable economy

15. ***Ministers and high officials expressed their appreciation*** to the South African Minister of Tourism, Mr Marthinus van Schalkwyk, and the South African Government for the leadership in hosting the first T.20 Ministers' Meeting, and to the Republic of Korea for their gracious invitation to convene the second T.20 Ministers' Meeting before November 2010 to review progress and continue this constructive dialogue.