REPORT OF THE SECRETARY-GENERAL

Note by the Secretary-General

The Members of the Council will find below, for their consideration, the report of the Secretary-General, which discusses the situation of the world tourism industry and the life of the Organization.
REPORT OF THE SECRETARY-GENERAL

This year, 2005, the United Nations will take stock of the progress made over these last five years since the adoption of the Millennium Declaration, and the international community is called to attend a great gathering in the context of the General Assembly set for 14-17 September in New York. There remains a long and arduous road before we reach the finish line in 2015.

As a new specialized agency of the United Nations, the World Tourism Organization will be present at the New York meeting. Its new status has naturally led it to reposition its actions within the global framework that is now its ambit.

On 24 March, the Secretary-General of the United Nations presented his report looking forward to the forthcoming Summit. Echoing the words of the Charter, he gave the document the title: "In Larger Freedom: Towards Development, Security and Human Rights for All".

None of the components of this triad is alien to tourism, and the third element, human rights, has been amply laid out for our sector through the Global Code of Ethics for Tourism.

Setting it aside for now, it is interesting to take a closer look at the dialectic relationship that exists between the first two terms: security--both individual and collective--and development. "Indeed", writes Mr. Kofi Annan in his report, "all people have the right to security and to development."

1. Security

For four years now, international tourism has lived in a climate of insecurity and uncertainty: 11 September, Iraq, the Israeli-Palestinian conflict, the avian flu and SARS epidemics, hurricanes in the Caribbean, and the Indian Ocean tsunami--it has been spared no difficulty. Tourists have become routine targets of groups seeking publicity for their dreadful acts, and the black marks indicating the places of such attacks are proliferating on the world map: Bali, Cairo, Mombasa, Djerba, Luxor, Istanbul, Taba...

Nevertheless, the tourism industry has not collapsed: between 2000 and 2004, it experienced a succession of fits and starts; there were times of "zero growth", but at no point did it go into recession. And in 2004, the potential demand was once again able to express itself as the skies cleared in the world economic situation. The result was a spectacular 10 per cent jump in international arrivals. An additional 69 million visitors arrived from another country. This is as if Africa and the Middle East together suddenly appeared on the world tourism map. Asia in particular, with the SARS epidemic already behind it, experienced strong expansion.

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Despite the handicap resulting from high oil prices, at the end of 2004 all signs indicated that the world tourism industry was on the way to a new growth phase. But yet another setback awaited.

The unusually powerful tsunami that hit the countries in the Indian Ocean on the morning of 26 December 2004 was the worst disaster in the history of world tourism, causing the biggest loss of lives ever recorded among tourists and tourism industry workers alike.

Although the tragedy was unprecedented in terms of human lives lost and the severity of damage to physical infrastructure, its direct effects on tourism facilities mainly limited to three countries, namely, Thailand, Sri Lanka and Maldives. In the case of Indonesia, only a small island, Nias, near Sumatra, was affected. The east coast of India is only lightly visited by tourists, while other coastal areas of the country were spared. Malaysia and Seychelles were only marginally hit by the tsunami.

But above all, the impact of tsunami on the local populations of the affected tourism areas goes beyond the direct human and material damage. Although the affected area of Thailand accounted for only 9 percent of the tourism flows received by the country, its population was just emerging out of poverty thanks precisely to tourism activities, and thus the disaster wiped out one of their principal means of subsistence. The consequences for Maldives were equally severe as tourism takes considerable proportion of its GDP. It should be noted that just a few days before the tsunami, the Republic of Maldives had been taken out of the list of the least developed countries (LDC). In Thailand and Sri Lanka, the damage was especially severe for those SMEs in the tourism sector, and for poor communities. This justified the urgency of the reaction of the international community in our sector.

To make things worse, following the tragic shock of the natural disaster came a sort of “second tsunami”, as a consequence of the message of widespread devastation projected by the media, resulting in the association of all tourism destinations in the region with images of destruction and death. A typical example is the island of Bali, Indonesia, where there was a dramatic drop in tourist arrivals despite the fact that the destination is more than 2,000 km away from Aceh, the country’s worst-hit province. Indonesia suffered another blow three months later when a new earthquake hit the island of Nias, reinforcing the image of insecurity of the archipelago as a whole. Moreover, tourism suffered from the indirect repercussions of the catastrophe in parts of Thailand not on the Andaman coast, in the interior of Sri Lanka, and even in destinations that escaped the disaster such as Singapore, Hong Kong, and the Philippines.

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The World Tourism Organization responded rapidly and in a manner commensurate with the magnitude of the disaster. In the days that followed the tragedy, it carried out a series of immediate measures.

On 29 December 2004, the support of the international tourism community was rallied by convening an emergency session of the WTO Executive Council in order to assess the situation and its impact on tourism. Phuket, Thailand, being the “tourism epicentre” of this tragedy, was chosen as the venue for this extraordinary meeting.

The second decision was to immediately dispatch two internationally reputed experts to the four hardest-hit countries, namely, Thailand, Indonesia, Sri Lanka and Maldives. These two special envoys of WTO accomplished the mission of assessing the extent of the tsunami disaster on the tourism destinations of these countries.

The third decision, based on the experience acquired by WTO on crisis management following the 11 September 2001 terrorist attacks, was the constitution of an Emergency Task Force composed of senior tourism officials, industry leaders, high-level experts, and regional and international institutions. The members of the task force, who were called upon to assess the extraordinary situation, drew up an outline for a global tourism recovery action plan.

For the first time in the history of the Organization, the Executive Council held an emergency session, on 1 February 2005. The Emergency Task Force submitted the draft action plan, which was unanimously adopted by the Executive Council as the Phuket Action Plan. At this meeting WTO brought together government representatives from 42 countries, private-sector leaders, and representatives of regional organizations and financial institutions. The Prime Minister of Thailand, Mr. Thaksin Shinawatra, personally attended the meeting.

Leaving the task of taking care of humanitarian needs and reconstruction of infrastructure up to other international agencies and organizations whose mission it is to do so, the Phuket Action Plan concentrated on the human element of the recovery. The Plan is divided into five operational areas: marketing and communications in order to restore consumer confidence in the affected destinations; community relief focusing on saving tourism jobs and re-launching small and medium-sized enterprises; professional training or re-training of the tourism workforce; re-development and repositioning of the tourism product to be more sustainable and less vulnerable; and risk management in the tourism sector.

To implement the plan, the World Tourism Organization, in collaboration with the international tourism community, has initiated a series of activities including familiarization trips for the media and tour operators, communication campaigns, assistance in channelling international aid funds to tourism SMEs, workshops on risk management and repositioning of tourism products.
A second meeting of the WTO Emergency Task Force was held during ITB Berlin on 10 March 2005. It reviewed the progress made in the implementation of the Phuket Action Plan with a view to rallying more international support and speeding up the recovery efforts. The meeting confirmed that the tourism situation in the affected areas had been much improved, with faster recovery than expected. Generally speaking, over 80 percent of hotel establishments were back to normal. In the Maldives, out of a total of 246 hotels in Sri Lanka, over 200 are already operational and only 5 suffered structural damage. In the Maldives, out of a total of 87 resorts, only 19 were affected, many of which have already reopened. In the case of Phuket, business is almost entirely back to normal, although it should be acknowledged that other zones of the Thai coast, such as Khao Lak, will need much time for reconstruction.

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The WTO’s actions have helped the international community to understand that the best way to provide assistance to the people in the tsunami-affected areas is to return to these destinations, as Chancellor Schroeder of Germany underlined in his inaugural speech at ITB Berlin. Our message consisted in saying that the destinations of Asia remain as attractive and welcoming as ever.

Overall, we are confident that towards the end of this year the world tourism industry will have overcome this terrible misfortune and will be back to a situation very near to normal. The impact of the tsunami, as far as tourism to the region is concerned, should not be an obstacle to the pursuit of the objectives of the Millennium Declaration for the countries concerned.

It has to be noted in this regard that the tsunami-affected destinations account for only 3 per cent of the world’s total tourist arrivals and if we only look at the affected areas within these countries, their share of the world total is less than 1 per cent. Therefore, this disaster is not expected to have any significant consequences whether for Asian tourism or world tourism as a whole.

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Once again, with the response that it deployed following the tsunami through the WTO, the world tourism industry is demonstrating its capacity to overcome a major crisis. Coming on top of the other difficulties that preceded it, this new setback prompts four considerations.

The first is that, in our sector, security concerns should be understood in a broad sense. Regardless of the origin of external shocks, whether natural or manmade, their consequences are often similar since they lead potential travel consumers to eschew visiting destinations they perceive as dangerous. The successive shocks suffered by Asia (the financial crisis of 1997-1998, the Bali attacks, the SARS epidemic, the tsunami), perfectly illustrate this new fact. Under such circumstances, in addition to the objective fact of insecurity, we must take into account the effect of the perception of risk, whether amplified or not, depending on the way in which the situation is reported by the media.
The second lesson is that over the past few years, non-tariff barriers to travel resulting from the developments described above have become more important than purely economic or commercial obstacles. The SARS epidemic hurt travel more than the rise in oil prices has. The main difficulties now have to do with the sense of apprehension resulting from the risk of attack during travel, with the unreasonable proliferation of travel advisories issued by governments in response to such risks, and which your Council discussed at its last session, with the increased number of security measures, the imposition of stricter visa requirements, restrictive practices adopted in immigration matters and in the case of visitors travelling for education purposes.

The third consideration derives from the previous two: the industry and governments have to learn how to act in an uncertain world. Crisis management and media use during difficult periods are things that are being learned. The WTO must further reinforce its effort to assist its members who are faced with such situations, and our future programme of work is aimed at putting into place the necessary tools for this purpose. Our institution should encourage its members to show solidarity. Little by little, they are realizing that in a crisis situation, they cease to be competitors and become partners.

Lastly, it is important to enhance compatibility between security obligations and the facilitation of border crossings. These two concerns are not necessarily contradictory, and this issue must also be given increasing priority in our activities, and should be reflected in our programme of work for 2006-2007.

2. Development

Security and development concerns are intrinsically linked to one another. Sustained economic development cannot be envisaged in the absence of reasonable security; but neither is security possible in a world where frustrations are stoked by intolerable gaps in development.

We must take into account this complex interaction between security and development when considering the contribution—which may well be decisive—of tourism to wealth creation, to the fight against poverty, and to sustainable development, and the way in which the World Tourism Organization can do its share towards the achievement of the Millennium Development Goals.

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The considerable and sustained rise of tourism over the past fifty years constitutes one of the most notable developments of our time. The shock of 11 September and various other crises over the past few years have shaken this major activity, but already, it is back on the path of strong growth. The number of international tourist arrivals has gone from 25 million in 1950 to 760 million in 2004. This increase in physical flows is equivalent to an average annual growth of 7 percent.
The revenues generated by these arrivals—not including airline ticket sales and revenues from domestic tourism—have risen by 11 percent a year (adjusted for inflation) over the same span of time. This rate of growth far outstrips that of the world economy as a whole. International tourism receipts reached 523 billion dollars in 2003, making it one of the largest categories of international trade. Depending on the year, this trade volume equals or exceeds that of oil exports, that of food products, or even that of cars and transport equipment.

Tourism, taken in the narrow sense, represents one quarter of all exports of services—40 per cent if we include air transport. Its share of direct foreign investment flows, though still limited, has increased spectacularly between 1990 and 2002.

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These exchanges primarily benefit the countries of the South, but this does not mean that they are not profitable for consumers and enterprises of the North as well.

Over the past decade, the annual growth of tourist arrivals in developing countries has been higher than the world average. In the 1990s, such countries experienced stronger growth in their international tourism receipts than the industrialized countries, which demonstrates the existence of a competitive advantage in their favour. Developing economies and those in transition enjoy a surplus in their tourism trade balance with OECD countries, something that can be said about few other segments of the services sector.

Although still at a low level, the tourism receipts of the least developed countries (LDCs) have more than tripled between 1990 and 2003, from 1 billion to 3.6 billion dollars. Tourism has become the main source of foreign exchange revenues for the 49 LDCs, not counting the oil industry, but the latter is mainly concentrated in only three of these countries. Tourism represents a considerably larger part of their exports than raw cotton or textiles, areas in which we are all aware of the importance of the World Trade Organization negotiations.

Contrary to a common misconception, revenues from tourism in most developing countries are much larger than the “leakages” in the form of induced imports or repatriation of profits that it may generate.

These considerations, along with others, were taken into account at the Brussels Conference on Least Developed Countries, and at the World Summit on Sustainable Development in Johannesburg, where a strong emphasis was given to this sector.

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Up to now, tourism has not been accorded a substantial role in poverty-reduction strategies, if it has been given a role at all. This is an opportunity that has been neglected for too long and perhaps the time has come to seize it.
In all developing countries, tourism has shown itself to be a highly labour-intensive activity that opens up opportunities for the small businesses that provide products and services to the tourism industry. Its impact is particularly strong in the local farming and fishing industries, handicrafts and even the construction industry. In these countries, tourism creates many direct and indirect jobs. It represents fertile ground for private initiative. It serves as a foothold for the development of a market economy where small and medium-sized enterprises can expand and flourish. In poor rural areas, it often constitutes the only alternative to subsistence farming which is in decline.

Furthermore, in all of these countries, we can see the crucial contribution of tourism-generated foreign exchange receipts to the balance of payments. Such revenues reduce the country’s foreign debt and their dependence on a single export sector, in most cases a raw material with low value and fluctuating price.

Due to the above reasons, tourism can play a major role in improving the standard of living of disadvantaged populations and help them lift themselves above the poverty threshold.

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The above considerations particularly apply to Africa.

Considering this continent’s potential, we cannot be satisfied with the fact that Africa receives just four per cent of arrivals and two percent of the receipts of international tourism, and that out of these four and two per cent, more than half goes to just three countries: South Africa, Morocco and Tunisia, leaving a derisory share to sub-Saharan Africa.

It is in order to respond to this imbalance that the WTO has been carrying out since 2003 a specific programme for tourism development in favour of sub-Saharan Africa, based on six areas: the measurement of the impact of tourism in African economies, the implementation of the Global Code of Ethics for Tourism, ecotourism and nature reserves, the introduction of new information technologies, human resources development, and building Africa’s image as a destination.

The first phase of the programme has been completed with highly satisfactory results. At the end of April 2005, eleven development assistance activities have been successfully carried out, benefiting 40 countries and 1200 African tourism-sector workers. The specific programme is now in its second phase, which will last two years. At the same time, we are working to channel these efforts through other mechanisms as well. The WTO thus contributed last year to the preparation of the “tourism development action plan” of NEPAD. It has just proposed to the British Government to do the same for the implementation of the report of the Commission for Africa, whose creation it had called for. At the same time, it continues to be active in Africa as an executing agency of UNDP, as it is in other parts of the world, especially in Asia and the Middle East.

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An initiative with an even larger scope was launched by our General Assembly two years ago, known as ST-EP, Sustainable Tourism for Eliminating Poverty. Its foremost focus is on Africa, but it is also aimed at other extremely disadvantaged countries and regions of Asia or the Americas.

This programme constitutes a novel approach based on the interaction between projects specifically aimed at the poor communities of LDCs, and university research projects carried out in parallel to elaborate specific development methodologies, giving priority to the development of ecotourism and cultural tourism resources in landlocked rural areas. A foundation based in Seoul has been set up with the help of the Republic of Korea and strategic cooperation established with the development agency of the Netherlands, SNV. Other public and private sector partners are expected to join this initiative shortly. Ethiopia, Cameroon, Mali, Zambia, and in all probability Nigeria and Tanzania as well, will be among the first beneficiaries of the ST-EP programme in Africa, but ST-EP actions are also expected to be carried out poor rural areas or island countries of Latin America (Dominican Republic, Haiti) and Asia. Two coordination units will be established, one in Ethiopia and the other in Cameroon, to cover the eastern and western parts of the continent, respectively. For Latin America, the same kind of unit will be established in Ecuador.

During this Council session, we will take stock of the progress of our ST-EP initiative, and I intend to give a report on this programme in September in New York, when the entire System evaluates the extent to which the Millennium Development Goals have been achieved five years after their adoption. The ST-EP initiative will be one of the central themes of our Assembly, which in the latter part of the year is to convene for the first time on African soil.

It is well known, in matters of religion, that it is the newly converted who are most fervent in their faith. The WTO, a new specialized agency of the United Nations, is fully committed to the fight being waged by all the members of the United Nations system against world poverty, through sustainable development.

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It is a stronger Organization that will be training its efforts on the two objectives discussed above, security and development.

The Organization is now in a consolidation phase following its transformation into a specialized agency of the United Nations, a year and a half ago. During the present session, it will take stock of what has been done to follow through on this transformation, in matters such as our participation in the system's coordination mechanisms, the modification of the Organization's acronym, and the establishment of a Joint Headquarters Committee with the host State.

The Organization has also become stronger insofar as it has been able to resolve, during the last session of the Council, the issue of how it is to work with regional and local authorities, a problem that it had grappled with for a long time.
A proposed revision of Articles 6 and 7 of the Statutes, drawn up by a Working Group chaired by France, was adopted at the last meeting of your Council. It will be submitted, with the support of the Secretary-General, to the General Assembly at its forthcoming session. It should be mentioned that the Ministry of Foreign Affairs of the host country, Spain, notified the Secretary last March of its wish for the text adopted by the Council to be amended slightly. The two modifications proposed have to do with the harmonization of the wording, and do not introduce any substantive changes. Consequently, after consulting with the Chairman of the Working Group, the Legal Adviser and the Chairman of the Executive Council, the Secretary-General proposes that the Council take them into consideration. The proposed amendment thus revised, which, if you agree with it, will be submitted to the Assembly, is attached as Annex 1 to this document.

Another way in which the Organization has grown stronger is through an increase in the number of its Members. The forthcoming General Assembly is expected to admit the States of Timor-Leste, Papua New Guinea and Belarus as new Members. Moreover, after lengthy dialogue with the Government of the United Kingdom and Great Britain, it was highly gratifying to learn of the intention of this country's Government to join the Organization. The text stating this intention, which still requires an official communication to come to fruition, is provided in Annex 2.

Lastly, it should be noted that contacts with the United States of America are continuing. The prospects of the return of this important country remain highly favourable, although no concrete decision can be announced yet.

The Organization continues to be in very good financial health, thanks in part to exchange rate conditions in its favour. It is proposed to you to close the 2002-2003 budgetary period posting an operating surplus of some 653,000 euros. Financial affairs went satisfactorily in 2004: 82 per cent of expected contributions were collected, amounting to a total of around 7.9 million euros, along with almost one million euros in arrear contributions. The level of expenditure was high, but an operating surplus was nevertheless achieved. There was a nearly three-fold increase in voluntary contributions. Lastly, the situation bodes well for the year in progress. As at 28 April 2005, 56 per cent of contributions have already been received, as well as 342,000 euros of arrears, which is half the amount expected for the entire year. Expenditures are on a slightly lower trajectory.

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This session of the Executive Council will be an important one in the life of the Organization.

Your Council is to, first of all, adopt the draft programme of work and budget for the period 2006-2007, as well as its "Agenda 2010". It will follow up on the efforts already made to bring to full effect the consequences of our transformation into a specialized agency of the United Nations. It will take stock of the activities undertaken in favour of the tsunami-affected countries. It will review the actions taken to implement our ST-EP initiative. It will take a look at the preparations for the sixteenth session of the General Assembly planned in Dakar. With regard to this matter, the Secretary-General dutifully reports that as of the date of preparation of this report, he has not yet been in a position to sign the necessary agreement with the Government of Senegal.
Finally, the Council is to recommend a candidate for the post of Secretary-General for 2006-2009. As of 31 March 2005, the deadline for the submission of candidatures, three candidates have come forward, two of whom did so on the deadline itself. The mechanisms that we have put into place in the past to govern the election procedure should make it possible to carry out the process in a democratic and transparent manner, and in a way that contributes to the further strengthening our Institution.
ANNEX 1

Article 1

The World Tourism Organization, hereinafter referred to as “the Organization”, is hereby established as an international organization of intergovernmental character. It is a specialized agency of the United Nations.

Article 4

Membership of the Organization shall be open to:

(a) Full Members
(b) Associate Members

Article 5

1. Full membership of the Organization shall be open to all sovereign States that are members of the United Nations.

2. Such States may become Full Members of the Organization if their candidatures are approved by the General Assembly by a majority of two-thirds of the Full Members present and voting provided that said majority is a majority of the Full Members of the Organization.

3. States that have withdrawn from the Organization in accordance with the provisions of Article 35 shall have the right to become Full Members of the Organization again, without requirement of vote, on formally declaring that they adopt the Statutes of the Organization and accept the obligations of membership.

Article 6

1. Territories already holding associate membership on 24 October 2003 shall maintain the status, rights and obligations belonging to them as at such date. The list of such territories is annexed to these Statutes.

2. Members enjoying the status of Affiliates, up to at the date of entry into force of the Amendments to the present Statutes adopted on ____________ shall become as of right Associate Members at that date.

3. Associate membership of the Organization shall be open to intergovernmental and non-governmental organizations, tourism administration bodies without political power subordinate to territorial entities, professional and labour organizations, academic, educational, vocation training and research institutions and to commercial enterprises and associations whose activities are related to the aims of the Organization or fall within its competence. The participation of Associate Members in the work of the Organization shall be of a technical nature, with decisions and votes being the exclusive prerogative of the Full Member.
4. Such entities may become Associate Members of the Organization provided that their requests for membership are presented in writing to the Secretary-General and that the candidature is approved by the General Assembly by a majority of two-thirds of the Full Members present and voting provided that said majority is a majority of the Full Members of the Organization. Except in the cases of international organizations, the candidatures of the entities mentioned in paragraph 3 above shall be introduced by the State on whose territory their headquarters is located.

Article 7

1. A Committee of Associate Members shall be constituted which shall establish its own rules and submit them to the Assembly for approval by a majority of two-thirds of the Full Members present and voting provided that said majority is a majority of the Full Members of the Organization. The Committee may be represented at meetings of the Organization’s organs.

2. The Committee of Associate Members shall be composed of three boards:

(i) a board of destinations, composed of the tourism bodies, without political power subordinate to territorial entities

(ii) an education board composed of academic, educational, vocational training and research institutions; and

(iii) a professional board composed of all the other Associate Members.

Intergovernmental and non-governmental organizations may participate in whichever board or boards correspond to their competences.

General Assembly

Article 9

1. The Assembly is the supreme organ of the Organization and shall be composed of delegates representing Full Members.

2. At each session of the Assembly each Full Member shall be represented by not more than five delegates, one of whom shall be designated by the Member as Chief Delegate.

3. Associate Members as of 24 October 2003, the list of which is annexed to the present Statutes, shall be represented by not more than five delegates, one of whom shall be designated as Chief Delegate. These delegates may participate, without the right to vote, in the work of the Assembly. They shall have the right to speak but may not participate in decision-making.

4. The Committee of Associate Members may designate three spokespersons, one representing the board of destinations, one representing the professional board and the other representing the education board, who shall participate in the work of the Assembly, without the right to vote. Each Associate Member may designate one observer, who may attend the deliberations of the Assembly.
Executive Council

Article 14

1. The Council shall consist of Full Members elected by the Assembly in the ratio of one Member for every five Full Members, in accordance with the Rules of Procedure laid down by the Assembly, with a view to achieving a fair and equitable geographical distribution.

2. Associate Members as of 24 October 2003 may have a spokesperson who may participate, without the right to vote, in the work of the Council. Such spokesperson may not participate in decision-making.

3. The three spokespersons of the Committee of Associate Members may participate, without the right to vote, in the work of the Council. Such spokespersons may not participate in decision-making.
"But we need to think even bigger. So I am truly delighted to announce today that we will be joining the World Tourism Organisation by 2005/06. This United Nations Specialised Agency has 141 member nations. I am convinced that this is the time to join them. Not least because the WTO includes two of our biggest new markets in China and Russia. Its 350 affiliates include the private sector, educational institutions, and local tourism authorities across the globe. Its work includes tourism data, knowledge management and IT. And its key international programme - Sustainable Tourism-Eliminating Poverty - aims to stimulate economic growth and job creation, while providing incentives for protecting the environment and the cultural heritage, in line with its Global Code of Ethics for Tourism.

"That sits well with what we are trying to achieve in tourism. And is in full accordance with our foreign policy and international development agenda - including the Commission for Africa. Membership will give us a real opportunity to be at the heart of international tourism development.

"Recent events make this the right time to join. The Asian tsunami demonstrated the value of international co-operation in specialised areas. In disaster relief, of course, but also in re-building vital tourism infrastructures. The WTO has been given the international lead in this effort as part of the United Nations' larger reconstruction programme. We need to be part of that. And, from the next WTO General Assembly in November, we will."