



SEVENTH INTERNATIONAL TOURISM FORUM  
FOR PARLIAMENTARIANS AND LOCAL AUTHORITIES

Puerto Vallarta, Mexico, 16-18 November 2010

**Plenary session 1**

**General overview of economics and tourism**

Keynote speaker:

Alex Izurieta

Senior Economic Affairs Officer

Development Policy Analysis Division

UN Department of Economic and Social Affairs

[afi20@cam.ac.uk](mailto:afi20@cam.ac.uk)

**The world economy: situation, prospects and policy challenges that matter for the tourism sector (Summary)**

A full recovery from the deep global crisis of 2008-2009 is pending, and subject to serious risks. A revival of economic growth for the world as a whole took place in 2010. But the estimated 3.6 per cent growth rate is far below the strength that should be normally expected after a recession of the order of 2.0 per cent. Furthermore, the United Nations forecasts that growth will likely decelerate in 2011 and 2012. The impact of these outcomes, recession in 2008-2009 and inadequate recovery in 2010-2012, on employment is monumental. The International Labour Office (ILO) estimates that more than 30 million workers in the world remain 'officially' unemployed, with even more people who have fallen in situations of either vulnerable employment or are permanently discouraged from participating in formal labour markets.

The risks are many, and the probability that any combination of these materialize is non-trivial. For example, as Governments are proposing to unwind fiscal stimulus and shift into spending cuts in many areas like infrastructure, social services, state and local government support, etc, the recovery is likely going to come to a halt or even reverse. Another set of risks could emanate from the financial markets themselves, whose implosion triggered the previous crisis. For example, the lack of sustained activity in the real economy, with worsening real estate markets, weak consumer demand, etc, may shift resources into risky portfolio allocations which would not help to restore balance sheet

strength of the banking sector and would moreover create further instability. Another set of risks emanate from the international policy environment. The prospects for greater international coordination are fading away, with Governments of major countries entangled in debates about currency manipulation, quantitative easing and carry-trade flows, capital controls, etc, unable to find common grounds for policy action. Thus, the risks of competitive devaluation wars, protectionism, etc. rise the spectrum of memories of beggar-thy-neighbour policies which have emerged in the aftermath of earlier global crisis, most notably the Great Depression.

Against this background, there remains considerable room for hope that policy makers and private agents persevere on their ability to change course and to focus on the areas which are proven to be effective at ensuring economic recovery. Across these areas the tourism sector has a lot to strive for and a lot to offer as well. To begin with, the tourism sector and international tourism in particular have shown relatively more resilience during the crisis and early recovery, as indicated by the recent analysis of the UNWTO, to be published in the UN/DESA World Economic Situation and Prospect, 2011 (forthcoming). In so far as the tourism sector comprises of a wide range of participants, from informal and small-scale entrepreneurs to large firms, they are both creators of employment and unique beneficiaries of employment creation in other sectors. Also, there is a robust interconnectedness of the tourism sector with international trade in good and services. Hence, the resumption of international trade, which so far has been one of the strongest pillars of the turn-around of growth in 2010, seems to be an essential factor in what the tourism sector is to expect. Also, the recovery of credit and financial stability is an essential piece of the puzzle for a full recovery of tourism. On the one hand, credit contraction from the supply side may have affected, and continue to affect, providers in the tourism sector, particularly small entrepreneurs. On the other hand, demand for credit has faded away in many sectors during the periods of financial instability and crisis, as grim prospects for sales have discouraged investors. This is an aspect where participants in the tourism sector may show greater dynamism as their activity seem to be more flexibly adapted to changing investment horizons. Finally, the stability of exchange rates matter significantly for this sector. Even if individually each participant in the sector may think to benefit from a currency depreciation, such gains prove not to be lasting, particularly when accompanied by greater volatility and rapid swings of expectations.

The presentation of UN/DESA at the VII International Tourism Forum for Parliamentarians and Local Authorities will elaborate on the above mentioned aspects, with a focus on the situation of the world economy and its prospects and policy challenges. By narrowing the scope of the analysis on the challenges that matter significantly for participants in the tourism sector, the presentation will pave the road for other panelist to elaborate further on the specifics of the tourism sector through the crisis and recovery.