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REPORT OF THE SECRETARY-GENERAL

Note by the Secretary-General

The present report of the Secretary-General deals mainly with the situation of international tourism.

It discusses the policy conducted by the Organization concerning security and crisis management, as well as its strategy with regard to development and poverty-reduction.

Regarding the life of the WTO, it provides an account of how the WTO has become stronger following its conversion into a United Nations specialized agency, specifically, as manifested in its increased number of Members and its good financial health.

Report of the Secretary-General

The two years since our Assembly in Beijing lead us to consider international tourism under two perspectives. First, the immediate situation calls for the examination of the issue of safety and security in travel and crisis management. And secondly, our long-term view is focused on choosing a mode of development that reduces vulnerabilities, increases sustainability and maximizes the benefits of tourism for the most disadvantaged communities.

Thus it is around these two great axes--security and development--that we naturally structure our sixteenth session here in Dakar. They will constitute the themes of our round tables on Wednesday.

In doing so, we shall be touching on issues whose scope exceeds our own. This year, 2005, the United Nations is taking stock of the progress made over these last five years since the adoption of the Millennium Declaration, and 180 heads of state and government representing the entire international community gathered together in a major meeting on 14-17 September in New York.

As a new specialized agency of the United Nations, the World Tourism Organization was present at this New York meeting. Quite naturally, it has been called upon to reposition its actions within the global framework that is now its ambit. The Secretary-General of the United Nations, in his report to this Summit, echoed the words of the Charter giving this 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 pertinent to take a closer look at the dialectic relationship that exists between the first two terms: security--both individual and collective--and development. "*Indeed*", as Mr. Kofi Annan wrote in his report, "*all people have the right to security and to development.*"

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1. Security and crisis management

For four years now, international tourism has been living in a troubled environment: September 11, Iraq, the Israeli-Palestinian conflict, and their repercussions, have created a climate of insecurity and uncertainty. Tourists have become routine targets of groups seeking publicity for their dreadful acts, and the black marks indicating the places of such attacks are multiplying on the world map: Bali, Cairo, Mombasa, Djerba, Istanbul, Taba, Sharm el-Sheikh... Large metropolitan areas have also been attacked: New York, Casablanca, Madrid, London...

But manmade disasters have not been the only ones to blame. The SARS and avian flu epidemics, hurricanes in the Caribbean—including the terrible Hurricane Katrina and the immense destruction caused to tourism destinations such as New Orleans and Biloxi—floods in central Europe, and the Indian Ocean tsunami... the world tourism industry has been spared no difficulty.

But despite it all, it 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. Clearly, although terrorism can kill tourists, it cannot kill tourism. 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 11 per cent jump in international arrivals. An additional 74 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. But yet another major setback awaited.

The unusually powerful tsunami that hit the countries on the Indian Ocean on the morning of 26 December 2004, a humanitarian tragedy that caused the death of 280,000 people, was also the worst catastrophe in the history of world tourism, causing the biggest loss of lives ever recorded among tourists and tourism industry workers alike, not to mention the enormous material damages.

However, its direct effects on tourism facilities were mainly limited to three countries, namely, Thailand, Sri Lanka and Maldives. In the case of Indonesia, only a small touristic island, Nias, near Sumatra, was affected. The eastern coast of India, the worst hit area of the country, is hardly visited by tourists, and other coastal areas, such as Kerala, were relatively untouched. Malaysia and Seychelles were only marginally hit by the tsunami.

But the impact of tsunami on the communities of the affected tourism areas goes far beyond the direct human and material damage, since in many cases, people were just emerging out of poverty thanks precisely to tourism activities, and the disaster wiped out one of their principal means of subsistence. It is worth pointing out that, for example, just days before the tsunami, the Republic of Maldives had been taken off the list of least developed countries (LDC), thanks precisely to the benefits it had derived from its tourism development.

To make things worse, with 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 many 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 it is more than 2,000 km away from Aceh, the country's worst-hit province.

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The World Tourism Organization responded rapidly and in a manner commensurate with the magnitude of the disaster. As early as 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 mount a response. Phuket, Thailand, being the "tourism epicentre" of this tragedy, was chosen as the venue for this extraordinary meeting.

Based on the crisis management experience acquired by WTO following the terrorist attacks of September 11, 2001 it was decided to set up an Emergency Task Force composed of senior tourism officials, industry leaders, high-level experts, and regional and international institutions. Faced with this unprecedented situation, the members of the task force drew up an outline for a global tourism recovery action plan. On 10 March, they met again in the context of the ITB fair in Berlin to measure the progress made and to intensify efforts.

On 1 February, the Executive Council held an emergency session for the first time in the history of the Organization. The Emergency Task Force submitted the draft action plan, which was unanimously adopted by the Executive Council as the Phuket Action Plan. 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, whose implementation continues, 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-definition of the tourism product to be more sustainable and less vulnerable; and risk management in the tourism sector.

One important aspect of the WTO's actions has been to help the international community understand that the best way to provide assistance to the people in the tsunami-affected areas is to return to these destinations. Our message has been that the destinations of Asia remain as attractive and welcoming as ever.

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We can be proud of what we have done, but we must be careful not to slip into complacency. This past fall, despite our efforts, despite the efforts of governments and the responsiveness of a dynamic private sector, the recovery has been slower than we had hoped. It is true that the media repercussion has been unprecedented, and that the earthquake that once again struck the area last March, when the recovery was just getting under way, did not help matters.

We are nevertheless convinced that, as we approach the first anniversary of this tragedy, the tourism sector has for the most part overcome this terrible misfortune, and that at the regional level, it is gradually returning to a near-normal situation. The impact of the tsunami should not pose an obstacle to the pursuit of the objectives of the Millennium Declaration for the countries concerned. At the global level, the performance of world tourism in 2005 will not be affected.

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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 five considerations, which should serve as lessons for the future.

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 since 1997, caused by terrorism, or by natural phenomena, perfectly illustrate this new state of affairs. 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.

In this regard, it is worth pointing out that, leaving aside the outsize shock of September 11, a distinction must be drawn between attacks on large cities (the latest ones being those of 7 and 21 July in London) that are not fundamentally perceived as being targeted against visitors or tourism facilities and whose impact on our sector remains slight, and acts that are specifically aimed at tourists, accommodations, or means of transport, which generally have a much larger impact on tourism.

The second observation has to do with the fact that, paradoxically, the proliferation of crises tends, perhaps, to attenuate their impact. In the summer of 2005, reports and images of the attacks in London and Sharm el-Sheikh were pushed off TV screens and people's minds by coverage of a series of air disasters and the spread of avian flu, which in turn was quickly swept away by the focus on Hurricane Katrina, which ravaged the southern coast of the United States on 28 and 29 August. People end up becoming inured to the unacceptable, and potential travel consumers simply try to take into account security considerations when choosing their travel destinations instead of forgoing travel altogether. The fact that attacks have been perpetrated in large cities, and not just at holiday destinations or against the means of transport used by travellers fosters the sentiment that travelling is not any riskier than staying home. If this is the case, why not travel?

The third lesson is that over the past few years non-tariff barriers to travel resulting from the developments described previously have become more important than obstacles of a purely economic or commercial nature. 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, the increased number of security measures, the imposition of stricter visa requirements, and restrictive practices adopted in immigration matters and in the case of visitors travelling for education purposes. This Assembly will have to address the complex issue of travel advisories because, as we have pointed out in our Global Code of Ethics, while it is altogether normal for States to inform and guide their citizens in order to protect them, it is also evident that recommendations made in this regard, if they are even the least bit inaccurate, too sweeping or ill-suited, have the effect of penalizing the destinations concerned more than necessary.

The fourth consideration derives from the previous two: industry and government have to learn how to act in an uncertain world. Crisis management and media use during difficult periods are things that are being learned. Our recent TOURCOM conferences on tourism and communication have been aimed at this objective. The WTO must further reinforce its effort to assist its members that are faced with such situations, as we have done for Egypt following the attacks in Taba and then those in Sharm el-Sheikh. 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 with each other. 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. Let us prepare as much as we can to deal with the tragic consequences that would result from a mutation of the avian flu virus—a possibility considered by certain experts—making it transmissible to humans and making people carriers of the disease. The pandemic that could follow would undoubtedly prompt many States to shut their borders, which would represent an unprecedented blow to our industry.

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2. Development and the fight against poverty

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 inequalities 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 United Nations 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 September 11 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 763 million in 2004. This increase in physical flows is equivalent to an average annual growth of 6.5 percent over this very long period.

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, that is, nearly twice as fast as arrivals and a growth rate that far outstrips that of the world economy as a whole. International tourism receipts reached 622 billion dollars in 2004, 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 revenues. Its share of direct foreign investment flows, though still limited, has increased spectacularly between 1990 and 2003.

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There is, however, one major question that has arisen: will the unprecedented rise in crude oil prices stop, or worse, reverse the growth of the sector? Will it do what successive acts of terrorism, macroeconomic shocks, weather disturbances and health disasters have not been able to achieve? It is a legitimate question to ask in mid-2005, when energy demand is increasing in North America and Asia, with Iraq seemingly unable to fully exploit its resources and with Hurricane Katrina hampering production and refining capacity in the Gulf of Mexico.

There is consensus among experts in that in contrast to the oil shocks of 1974 and 1979-1980, this time the world economy has entered a phase of sustained high prices of petroleum and gas resources. This will inevitably have a two-fold effect: on the one hand, a reduction of demand, including (depending on the elasticities observed) demand for travel and recreation, accompanied by arbitrage among the different types of consumption (for example inelastic transport expenses absorbing part of the disposable income previously dedicated to dining out or other leisure activities); on the other hand, on the supply side, increased production costs in transport, as well as in heating and air-conditioning in accommodations. Although fuel represents a smaller part than before in its cost structure, the air transport sector, where certain companies are already in a weakened condition, will continue to be the most seriously affected.

The redistribution effects resulting from the oil revenues of producer countries, which will depend to a large extent on how the petrodollars thus generated are recycled, is expected to have a dampening effect on tourism originating from the major generating countries that do not have energy resources, and conversely, intensify the spectacular uptrend already observed over the past few years in intraregional flows in a region such as the Middle East.

At the date of writing of this report, the price of crude has already breached the psychologically significant 70-dollars-per-barrel barrier. Nevertheless, even at this record high, it does not seem likely that this increase in prices will be sufficient to stop the growth of international tourist arrivals, which the WTO continues to estimate at over 5 per cent, or even as high as around 7 per cent for 2005. Admittedly, there is some uncertainty in the forecasts for world economic growth (3 per cent according to UNCTAD, above 4 per cent according the IMF); however, over the first seven months of the year, international air passenger traffic according to IATA has increased by 8.8 per cent compared to the same period the previous year.

A great deal will depend on what happens in Asia. The Asian Development Bank forecasts that the region's economy will grow at a still-strong 6.5 per cent in 2005. We should keep in mind that the bouts of turbulence of different natures that have affected the region since 1998 (the financial crisis, the Bali attacks, SARS, the tsunami) have dictated the ebb and flow of its economy, as well as its tourism activity. The new element lies in the considerably increased consumption of energy (and of many commodities) by the large emerging countries of the region, beginning with China and India. It is a striking development that in 2005, Indonesia, once a large oil exporter, has become a net importer. As the Managing Director of the International Monetary Fund, Mr. Rodrigo Rato has pointed out: *"The impact is mild at the moment but if high oil prices persist, Asian economic growth may be affected."* This would also apply to the growth of international tourism, to which this region contributes a larger part with each passing year, whether in terms of intraregional flows or long-haul departures.

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Up until now, however—which is not to say that the situation will not invert with a sustained increase in crude prices—tourism exchanges have primarily benefited the countries of the South, without ceasing to be profitable for consumers and enterprises of the North.

Over the past decade, the annual growth of tourist arrivals in developing countries (in the broad sense) has been higher than the world average. In 2004 they received some 300 million arrivals which generated 177 billion dollars in revenues. 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. 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.

Even the poorest economies benefit from them. Although still at a low level, the tourism receipts of the least developed countries have increased fivefold between 1990 and 2004, from 1 billion to 5 billion dollars. Tourism has become the second-biggest source of foreign exchange revenues for 46 of the 49 LDCs, whose main resource, the oil industry, being 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 current World Trade Organization negotiations.

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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However, 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, especially for young people, women and indigenous communities. With the development of microcredit, 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 their balance of payments, reducing their foreign debt and their dependence on a single export sector, in most cases a raw material with low value and fluctuating price.

Due to all these 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, where today we are gathered together for the first time for a General Assembly.

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 just been completed with highly satisfactory results. At the end of April 2005, eleven development assistance activities had 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 in 2003 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. ST-EP naturally constitutes a central theme for this General Assembly, as it meets for the first time on African soil, south of the Sahara.

This programme constitutes a novel approach based on the interaction between projects specifically aimed at the poor communities of LDCs and other countries or regions with very low per capita income levels, 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 Netherlands Development Organisation, SNV. Other public and private sector partners are expected to join this initiative shortly. Ethiopia, Cameroon, Mali, Zambia, and in all probability Cape Verde, Mozambique, Nigeria, Senegal, 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 in poor rural areas or island countries of Latin America (Dominican Republic, Haiti) and certain regions of Asia (Viet Nam, Laos, Cambodia...). 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.

We reported on the progress of our ST-EP initiative in September in New York, when the entire United Nations system gathered to evaluate the extent to which the Millennium Development Goals have been achieved. For this occasion, a group of high-level dignitaries gathered by the WTO prepared a declaration on the contribution our industry could make toward the achievement of these Goals. I presented this document to the Summit. In the same way, we will see to it that tourism, insofar as it contributes to the international trade of poor countries, makes its voice heard at the conclusion of the "development round" of the World Trade Organization in December in Hong Kong.

Ladies and Gentlemen,

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 common effort on the part of System to fight against world poverty, through sustainable development.

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I wish to add that it is a stronger Organization that will be training its efforts on the two objectives discussed above, security and development.

The WTO is now entering 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 is on the way to resolving the problem that it has grappled with for a long time regarding how it is to work with regional and local authorities, while respecting its intergovernmental nature. A proposed revision of Articles 6 and 7 of the Statutes, drawn up by a Working Group chaired by France, has been adopted by our Executive Council. It is submitted to you, with the support of the Secretary-General, at this session.

Another way in which the Organization has grown stronger is through an increase in the number of its Members. Over the past several months, we have had the pleasure of welcoming Belarus, the acceptance of whose candidature you entrusted to the Executive Council, the Bahamas, a former Member of the WTO, and Great Britain, a former member of IUOTO. I bid them welcome and I am equally delighted about the candidatures of Timor-Leste and Papua New Guinea, which I recommend you to approve. In the course of this session, the WTO will reach the record number of 150 members.

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 that have been favourable up until recently. It is proposed to you to close the 2002-2003 budgetary period posting an operating surplus of some 653,000 euros, and to allocate this amount for the reinforcement of our programme of activities. 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. Reflecting our increased activity, the level of expenditure was high, but an operating surplus was nevertheless achieved, and there was a nearly three-fold increase in voluntary contributions. Lastly, the situation bodes well for the year in progress in terms of contributions received and collection of arrears, as well as with regard to expenditures, which are on a lower trajectory.

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Mr. President,
Ladies and Gentlemen,

This session of the General Assembly will be an important one in the life of the Organization.

It will have to adopt the draft programme of work and budget for the period 2006-2007, as well as the White Paper and Agenda 2010, which will mark out and shape our medium-term future. It will take stock of the activities undertaken in favour of the tsunami-affected countries. It will review the actions taken to develop our ST-EP initiative, and hopefully ensure its permanence. It will have to discuss the implementation of the Global Code of Ethics for Tourism. It will tackle, as I have mentioned, the delicate issue of travel advisories. It will decide on the themes and host countries of the 2006 and 2007 editions of World Tourism Day. It will endeavour to give renewed impetus to the activity of our Affiliate Members and to the strategy of public-private partnership adopted in 1997 in Istanbul.

The General Assembly will elect the new members of the Executive Council and appoint, under the Council's recommendation, the Secretary-General for the period 2006-2009. I thank the members of our Council for having expressed to me their confidence, and for having given me their support for re-election by a large majority in the first round of voting.

Ladies and Gentlemen,

As we mark the 30th anniversary of the WTO's creation, I wish us all a successful General Assembly here in Dakar, the WTO's first as a new and prestigious specialized agency of the United Nations.

