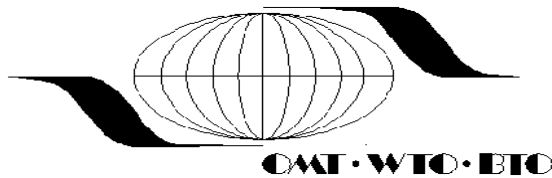


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WTO COMMISSION FOR SOUTH ASIA
WTO COMMISSION FOR EAST ASIA AND THE PACIFIC
Fourteenth Joint Meeting
Kyoto, Japan
18 February 1998

REPORT



Note by the Secretary-General

The Secretary-General submits to the two Commissions, a report on the fourteenth joint meeting of the WTO Commission for South Asia and the WTO Commission for East Asia and the Pacific.

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I. Brief Overview

Hosted by the Government of Japan, the fourteenth joint meeting of the WTO Commission for South Asia and the WTO Commission for East Asia and the Pacific, was held at the Kyoto International Conference Hall in Kyoto, Japan on 18 February 1998.

The WTO Tourism Week in Kyoto within which the joint meeting was held, is another manifestation of the close cooperation between WTO and the Government of Japan on one hand and, between WTO/Government of Japan and the Asia-Pacific countries on the other. The two Commissions placed on record their sincere appreciation for the Government of Japan with whose close cooperation WTO has been able to set up its Regional Support Office in Osaka which is also actively supported by the Asia-Pacific Tourism Exchange Centre (APTEC). They thanked, in particular, the Government of Kyoto Prefecture and its various public and private organizations and agencies which made excellent arrangements for the meeting and accorded overwhelming hospitality to all participants.

Among various topics covered, the joint meeting presented Members with the WTO study *Vision 2020* focusing on the Asian perspective and, a new publication, *Asia-Pacific Tourism in Figures*, the latter being released for the first time. The Commissions were apprised of the on-going preparations for the International Conference on Statistics and the Measurement of the Economic Importance of Tourism as well as the establishment of the WTO Tourism Satellite Account. The Commissions also heard with great interest the communications of the Chairman (Pakistan) and the Co-chairman (Thailand) in which the regional tourism situation was analyzed in detail and potential cooperation activities proposed. Towards the end of the meeting, a special presentation was made by the representative of ESCAP on its activities in the field of tourism.

II. Communication of the Chairman

After adopting the provisional agenda, H.E. Mr. Sheikh Rashid Ahmed, Minister for Culture, Sports, Tourism and Youth Affairs of Pakistan, delivered his communication as Chairman of the joint meeting of the two Commissions. Grateful to his fellow members for expressing their confidence in electing Pakistan as the Chairman of the WTO Commission for South Asia and presiding over this joint meeting, the Minister gave a brief overview of the tourism situation in 1997.

The increasing growth of international tourism is fast outstripping other categories of exports including crude oil, petroleum products, passenger cars, textiles and raw materials. Tourism is set to become the world's number one industry in the 21st century. However, 1997 witnessed a slow down in international tourist arrivals to this region due to the recent financial crisis in countries like Malaysia, Indonesia, Republic of Korea and Thailand. Yet, Africa, Middle East and the Caribbean emerged as fast growing regions. Bigger gains

went to countries like Egypt, France, Greece, Jordan, Morocco, South Africa, Spain, Sri Lanka and Turkey.

International tourism has taken to new heights. "As a contributor to the global economy, tourism has no equal", quoted the Minister from John Naisbitt's famous book "Global Paradox". Tourism employs one in every nine workers representing 10.6 per cent of global work force and producing 10.2 per cent of the world's gross national product. Tourism activities have managed to maintain a consistently high growth rate over such a long period of time that few other sectors (if any) can match.

Speaking about the tourism situation in South Asia, the Minister pointed out that due to a number of reasons, the region has not been able to realize its full potential in the tourism development and promotion. The rate of growth in tourism has been below the world average. According to WTO's revised forecast, South Asia's share of world tourist arrivals will go from 0.7 per cent in 1995 to 1.2 per cent by the Year 2020.

Continuing his communication, the Minister stated that it was through the endeavour of WTO and other organizations that tourism has sustained all the stresses and strains of global economies and has retained its growth particularly in the 80's and 90's when other industries had reflected adverse growth due to various crises in many parts of the world. WTO guided those member States where tourism was totally unknown by providing technical and policy advice. WTO's role in co-ordination, integration and dissemination helped sharing knowledge, experiences and expertise among the member States. The efforts particularly helped developing countries in developing the tourism industry on a scientific basis.

In order to further implement the general programme of work in the core areas, the Minister requested WTO to make strenuous efforts to explore new avenues for securing funds from international donor agencies.

The Minister also gave a vivid description of the excellent tourism resources that Pakistan possesses, saying that coming to the country would fulfil a traveller's dream of combining many destinations in a single visit. The visit could be a life time experience covering history, civilization, culture, religion as well as mountaineering and trekking. In order to materialize the full potential of tourism development in the country, one of the important tasks for the Government is to correct the general image of the country with the assistance of the international tourism community.

In his conclusion, the Minister stated that tourism is a crucial means of bridging geographical, cultural and political differences among nations as well as an instrument for fostering world peace and international integration.

III. Communication of the Co-chairman

In his capacity as Co-chairman of the two Commissions, Hon. Mr. Pradech Phayakvichien, Deputy Governor, Tourism Authority of Thailand, joined the Chairman in expressing his sincere appreciation to the Government of Japan, the prefecture and city of Kyoto and all other organizations including the WTO Regional Support Office in Osaka for hosting this meeting and for the excellent arrangements made for all the delegates. The Co-chairman congratulated the South Asian countries in achieving the fantastic growth in 1997 under a difficult economic environment with tourist arrivals up by 5.1 and a 6.5 per cent increase in receipts.

The Co-chairman praised the friendship and cooperation that the two regions of Asia and the Pacific have always enjoyed in the development and promotion of tourism. He said that a manifestation of this partnership is the holding of the joint commissions meetings year after year.

Mr. Pradech saw a great need for more inter-regional cooperation between the two regions. He mentioned that due to a variety of reasons, the tourism industry is much more advanced and matured in East Asia and the Pacific. The region has taken rapid strides in the field of human resource development, marketing and, in particular, in adding quality to the tourism products. With WTO acting as an intermediary or as a networking nucleus, East Asian countries will be able to share their experience and expertise with the South Asian neighbours.

The current financial crisis in some countries of the region had a positive angle. The products have become much cheaper as compared to destinations in other regions. With economic liberalization, there has been a significant increase in the outbound tourist traffic from South Asian countries. Indians, Pakistanis, Sri Lankans and others are travelling out of their countries in large numbers for holiday and recreation. Due to the lower exchange rate, South Asian tourists can take advantage of the current situation and travel more to the East Asian region and, perhaps, stay a little longer with that extra bit of cash.

However, the Co-chairman pointed out that a major barrier in the cooperation was the relatively low level of airline frequencies between the two regions. Though very close to each other, both South Asian and Southeast Asian capitals have more direct flights to Europe than between each other. This is a situation that needs to be rectified, perhaps by adopting a joint statement that calls on the two regions' aviation authorities to liberalize the bilateral agreements in ways that promote more flights to, from and between, the cities of the regions. The Co-chairman said that unless these hurdles were sorted out, the goal of promoting travel between the two regions would not materialize.

IV. WTO Forecasting Study: Vision 2020 - A Perspective for Asia and the Pacific

At the joint meeting of the two Commissions, Mr. Enzo Paci, WTO's Chief of Statistics and Market Research made a special presentation on the WTO forecasting study: *Tourism 2020 Vision*. He said that tourism forecasting is a dynamic process and needs to be revised regularly to accommodate changes in global economic conditions and the nature of international tourism. The revision was necessary specially in consideration of the short-time financial crisis facing the East Asia and Pacific region.

According to the new estimates, the number of international tourists world-wide will reach 1.6 billion by 2020. Receipts from international tourism excluding transport are projected to increase more than three-fold between 1995 and 2020 to reach US\$ 2 trillion. By then, more than US\$ 5 billion will be spent on travel abroad every day.

In terms of market share, East Asia and the Pacific will overtake the Americas by the Year 2010 and become the second most visited region in the world, improving its share to 27.3 per cent by 2020.

With the scale and variety of tourism development, East Asia and the Pacific is set for a promising growth prospect. The region is expected to receive 438 million international tourists by 2020 as compared with its current figure of 90 million in 1997. The growth rate will remain 2 percentage points above the world average.

The volume of international tourist arrivals in South Asia, though relatively low, is expected to amount to 19 million in 2020, almost five times higher than in 1995. The region's share of the world market will reach the 1 per cent level by the Year 2010 and will rise to 1.2 per cent by 2020. Between 1995 and 2020, an average annual growth rate of 6.1 per cent is forecast which is above the world average.

After analyzing the increasing trend of long haul tourism over the next 25 years with a subsequent decrease of intra-regional tourism world-wide, Mr. Paci detailed the key influences and determinants that would shape the future travel. These influences were related to economic, technological and political factors.

Speaking about the main destinations in 2020, Mr. Paci stated that the top ten will see a major change, with China becoming the leading destination and Hong Kong SAR also entering the top ten list. The fast growing destinations of Thailand, Singapore and Indonesia will also move rapidly into the top 20 list.

The main tourist generators by 2020 will be largely the major industrialised countries such as Germany, Japan, the United States, the United Kingdom and France. However, there will be two important entrants: China at position 4 with a forecast of 71 million outbound tourists, predominantly to closeby destinations, and the Russian Federation at the ninth position.

Mr. Paci concluded his presentation with a touch on the more immediate forecast of tourism in Asia in relation to its current financial crisis. The revised forecasts for the East Asia and the Pacific (EAP) indicates that there will be a strong growth in 1998 in terms of inbound tourism from long-haul markets. Europe to EAP will grow at 15 per cent and the Americas will grow at 12.5 per cent while the rates will slow down in 1999 and 2000. In terms of intra-regional

tourism in EAP, 1998 will face a zero growth rate with substantial improvements in 1999 and 2000. The loss of intra-regional arrivals will even exceed the forecast increase of long-haul inbound arrivals.

In order to cope with the current crisis and its impact on tourism in Asian countries, Mr. Paci indicated three major counter-measures. First, he felt that national tourism administrations should concentrate their marketing efforts on long-haul generating markets, in particular Europe and North America. This is to take advantage of the value-for-money factor. Marketing efforts should also be intensified on domestic tourists in order to compensate for the loss on the international front. For the time being, less attention is required for intra-regional marketing. Second, countries should not be tempted by the low price trap. "Buying" tourist demand creates the image of a cheap destination which is extremely difficult to change in the long run. Finally, the planned investments in long lead time infrastructure and facilities should not be abandoned due to the short-time crisis. The present downturn represents a two year blip. 2000-2010 will see the resumption of strong growth rates. Expansion of infrastructure and facilities will be needed to cater for this anticipated tourism growth.

V. Measurement of Economic Importance of Tourism and Establishment of WTO Tourism Satellite Account

The Joint Commissions were submitted with a report on the preparations of the proposed WTO international conference on statistics and the measurement of the economic importance of tourism to be held in 1999 as well as the development of the Tourism Satellite Account.

The forthcoming Conference, as the Report indicated, aims to measure the economics of the industry and to sustain the momentum gained from the Ottawa Conference on International Travel and Tourism Statistics held in 1991. The major objectives of the Conference are to:

- ◆ Update, refine and expand the basic definitions and classifications of tourism supply and demand included in the WTO/UN Recommendations on tourism statistics, assess their degree of adoption and implementation at the country level and, develop ways to further advance their implementation.
- ◆ Develop a credible economic statement of the size, significance and net contribution of tourism activity through the use of Tourism Satellite Accounts within the System of National Accounts to guide the policy making of governments and the private industry.
- ◆ Upgrade the capabilities of tourism institutions to meet their needs by strengthening partnership between governments and private tourism operators, enhancing capabilities of national tourism administrations and other government bodies, and developing and harmonizing new methodologies for the measurement of physical and financial tourism flows both internationally and domestically.

- ◆ Promote the knowledge of the economic, social, cultural and environmental links and impacts of tourism, both at the national and regional levels.

The Secretariat in its report elaborated the need for a satellite accounting system for tourism:

One important shortcoming in the tourism sector is the lack of a solid, comprehensive, and internationally uniform information base on the economic repercussions of tourism. Currently available statistical information is, on the whole, scanty and incomplete, for the most part focusing on simple calculations of international arrivals without any subsequent analysis of the impact of tourism activity on the economies of the different countries and, by extension, on the international economy.

This situation deprives both the authorities and tourism companies of information essential to making public policy or developing business strategies and at the same time contributes to a regrettable lack of social awareness of the importance of tourism as a factor promoting economic growth and as a source of employment.

Tourism has emerged as the single largest economic activity on a worldwide basis; the significance of tourism to the economic and social life of all nations is now undisputed. However, this economic importance is not properly reflected in the existing national accounting framework and thus, not adequately taken into account in government policy development.

The new System of National Accounts (SNA) adopted by the United Nations Statistical Commission in 1993 recommends the use of a new reporting concept called Satellite Accounts to expand the analytical capacity of national accounting for selected areas, in a flexible manner without overburdening or disrupting the central system. This reporting system allows for an identification of relevant pieces from the existing accounts and reconstruct them separately to measure the total economic and employment impact of consumer expenditures, capital investment, government revenues and expenditure, foreign trade and business expenditure from tourism.

The Draft Tourism Satellite Account (TSA) was fully supported by the Ottawa International Conference on Travel and Tourism Statistics jointly organized by WTO and the Government of Canada in June 1991. The International Conference recommended: (a) that the concept of a Satellite Accounting System be supported; and (b) that countries introduce the accounting systems into their analytic base for tourism data on an incremental basis as resources become available and the demand for this type of information is realized.

A first draft framework of a Tourism Satellite Account was prepared by WTO at the beginning of 1995 that represented a major advance in this area. The Organization is also promoting and directing a series of pilot projects in the implementation of satellite accounts for tourism which are intended to provide a frame of reference for future action.

Over the last two years, WTO has set up a programme of activities, meetings and open consultations to discuss its draft TSA proposal. WTO has now finalized Draft 3 Rev 1 of the TSA which will be submitted for discussion to the sixth meeting of the Steering Committee at WTO headquarters on 19 and 20 March 1998. The TSA will represent one of the major Agenda Items of the International Conference on Statistics and Measurement of the Economic Importance of Tourism planned for the beginning of 1999. The Government of India has proposed to organize, jointly with WTO, a Regional Seminar for all Asian countries, scheduled from 27 to 30 April 1998, focusing on tourism statistics and WTO's draft TSA.

The World Tourism Organization strongly recommends that the development of the TSA as a global conceptual framework represent a cooperative and convergent project among all interested parties and to avoid duplication and proliferation of incoherent systems. The Secretariat firmly believes that the 1999 Conference would serve as a landmark in the in-depth analysis and study of the economic impact of tourism on a global basis. The timing and international scope of the Conference would be strategically important in acting as a turning point for all nations to plan their tourism policies, strategies and activities for the next millennium.

VI. ESCAP Presentation

Mr. Ryuji Yamakawa, Chief, Tourism Unit of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), made a special presentation at the joint meeting.

In recognition of the important role of tourism in the socio-economic development of Asian and Pacific countries, Mr. Yamakawa said in his report, ESCAP has taken a series of activities in the field of tourism development and promotion over the years. Special efforts have been made in: regional and sub-regional cooperation, strengthening of national capabilities, policy advice on economic impact of tourism, environmental management of tourism development, creation of favourable climate for tourism investment, facilitation of travel, and integrated tourism planning.

In carrying out the tourism activities, the needs of countries in early stages of tourism development, in particular the least developed countries, economies in transition and the Pacific island countries, have been receiving special attention of the ESCAP Secretariat. ESCAP continuously received financial support from the Government of Japan. Other donor sources included the Governments of the Republic of Korea, China, Netherlands and Singapore, and UNDP. ESCAP also enjoyed valuable cooperation received from the various international and regional organizations such as WTO in the provision of technical inputs.

The representative of ESCAP then highlighted some of the on-going projects and activities that his organization was implementing. Amongst these activities, he detailed the eight projects within the framework of the Tourism Project for the Greater Mekong Subregion. He also mentioned the development and establishment of the Network of Asia-Pacific Education and Training Institutes in Tourism (APETIT) where ESCAP was functioning as coordinator.

In conclusion, he pointed out that in many countries in the Asian and Pacific region, there is a lack of coherent national tourism development policies and master plans including implementation programmes. Also, the need to develop required human resources to cope with the rapid growth in tourism has become imperative. The biggest constraints in tourism will be the seriously inadequate infrastructure development and, the challenges to the ecology of tourist destinations and their environmental management. He finally called upon governments, the private sector, tourism education and training institutes and international organizations to make collective efforts in tackling various problems and meeting the challenges.

VII. Next Joint Meeting

The Meeting decided that in accordance with the established practice of rotating the joint meeting in each Commission, the fifteenth joint meeting of the WTO Commission for South Asia and the WTO Commission for East Asia and the Pacific will be held in the first half of 1999 in the South Asian region. The date and place of the meeting will be decided in conjunction with the thirty-seventh meeting of the WTO Commission for South Asia.