

VI Astana Economic Forum

Astana, Kazakhstan, 22 May 2013

Speech by Mr Frédéric PIERRET

UNWTO Executive Director

*

*

*

Dear Mr Bektibayev, Deputy chairman of the Tourism industry committee,

Dear Ms Assel Karaulova, President of the Kazakhstan press club,

Dear panellists,

Ladies and Gentlemen,

On the occasion of the Astana Economic Forum, I wish to extend my warm congratulations to the organizers and the Government of Kazakhstan for hosting this very important event which symbolizes the amazing economic vitality of the wonderful country of Kazakhstan. This forum became one of the most significant meetings dealing with economy at the global level and I would like to thank the organizers for having invited UNWTO at this occasion.

This is the second time I have the pleasure of coming to Astana but, like the first time, four years ago, I am highly impressed by the dynamic economic development, the

richness of its tourism and cultural resources; and above all, the warmth of its people is sublime!

The Astana Economic Forum has proven to be a major venue to share advanced concepts and experiences in economic development and to cooperate among different countries and cultures. It well demonstrates the power and the importance of dialogue as a mean of uniting peoples and cultures, building bridges of peace and understanding and creating opportunities of cooperation.

It is no simple matter to discuss infrastructure and investment in the field of tourism because the sector is so diverse, with organizational models that vary from country to country, and with so many activities that are linked to tourism.

My remarks, therefore, are not meant to be universal or exhaustive; at most, I will attempt to draw lessons from observations on how tourism investments and infrastructures are managed in several major tourism destinations.

But, before doing that, let's try to set the framework.

2012 has been a very special year for the tourism industry: for the first time in the history of mankind, more than one billion tourists (more precisely one billion and thirty five millions) have crossed a border in a single year.

There were 25 million of them in 1950 and 435 million in 1990. In other words, the number of international tourist arrivals has grown by a factor of 40 in 60 years and has more than doubled in 20 years.

One might say that it is the most normal thing for international tourism to be growing because, after all, the world population is growing as well.

But what is more remarkable is that this activity is growing faster—much faster—than the world population: in 1950, international tourist arrivals were equivalent to 1% of the world population: humanity was not moving around or hardly so; people were beginning to go to places when this ratio hit 6% in 1980, reaching 13% in 2010. What's more, if we take our median projections, international arrivals are set to reach the equivalent of 18% of the world population in 2020 and 22% in 2030. A major development is thus materializing before our eyes: humanity has begun to move and this movement is accelerating!

Nevertheless, these figures—as impressive as they are—represent but a small part of the "tourism" phenomenon. Indeed, they refer only to international tourism. This means that if we add domestic tourism, the number of tourism arrivals in 2012 came to a total of about 6 billion, equivalent to 83% of the world population. At this rate, the total number of tourist arrivals will equal the world population in 2018 or 2019; in other words, on average, the entire world population will be engaging in a tourism stay each year!

There are obviously many factors behind this phenomenon, among which the overall rise in living standards, the reduction in transport costs and increased leisure time in the main tourist-generating countries play a decisive role.

Beyond the impressive scale of this movement, what is striking is the constancy of its development. Indeed, if we look at just international tourism—and even though it is more sensitive to crises than domestic tourism—we see that over the past thirty years, the number of arrivals has declined just four times:

- in 1991 (-0.4% due to the First Gulf War),
- in 2001 (-0.6%, in the wake of the September 11 attacks),
- in 2003 (-1.3% basically owing to the SARS epidemic)
- and in 2009 (-3.9% due to the financial crisis).

Above all, we can see in these four cases that growth came back by the following year to more than offset the losses during the crisis year, and returned to the long-term growth trend-line. Furthermore, in cases of economic crisis, the sector suffers a much milder recession than any other economic sector. For example, in 2009, while the value of international trade in services shrank by 10%, the decline in international tourism receipts was limited to 5.6%, or almost fifty per cent less.

Thus, if we imagine a company that operates in the tourism sector and that is sufficiently globalized to operate in all five continents (hotels, tour operating, etc.) it would be reasonable to think that it would be almost assured of higher business volume each year, and if an exceptional

decline in activity should come during one year, such decline would be less than half of that in other economic sectors and the activity would recover the following year to a level higher than that of the pre-crisis year!

This acceleration of humanity's propensity to travel obviously has considerable consequences.

If we consider the fact that tourism already generates a market of 1,2 trillion of US\$, that is the third economic sector at the global level, it employs 1 job out of 11 and represents 30% of the value of the total international trade of services, we can imagine how important is to assess the need for infrastructure and investment in this sector, because the tourism economy is mainly ruled by his supply side.

I do think indeed that we can assert that a priori, every area can become a tourism destination. No territory is cursed and, conversely, none is unavoidably committed to become a tourism destination.

Who could have been able to imagine that, for example, a piece of desert in Nevada, burned by the sun and without any available source of energy would become one of the most famous destinations in the world and would attract 36 million of tourists in Las Vegas ?

Who could have been able to imagine that a strip of desert along the Persic Gulf would become Dubai, a destination which hosts 7, 5 million of visitors every year?

Who could have been able to imagine that some dozen of hectares of corn fields located 40km far from Paris 30 years ago would become today the most visited tourism site of Europe with Euro Disney hosting 16 million of visitors?

Conversely, what to say about these thousands of kilometers of paradise beaches in Africa, in Asia or in the Pacific which attracted absolutely nobody, or almost? What to say again about the fabulous potential ski sites in the Pamir Mountains or in the Andes mountains which are so far only marvellous snow deserts?

These big tourism success as well as the absence of development of these marvellous sites ignored by the tour operators catalogues have obviously a key explanation: investment or lack of investment, infrastructure or lack of infrastructure.

As you know, investment in the tourism sector requires a rather important set of prerequisites.

As we can see it amongst the requests for technical support that we receive in this area, in too many cases, it should be recalled that the active search for investors, notably through the holding of investment forums, must be preceded by a series of prerequisites such as, among others:

- an attractive legislative and taxation framework;
- an analysis of the comparative advantages in the region;
- incentive measures: monetary policy, tax policy, provisions for the repatriation of capital and profits;

- land rights and a compatible and secure system of ownership rights;
- long-term town planning regulations;
- geographic identification of projects;
- evaluation of transport services and infrastructure;
- identification and analysis of the market by type of investment, particularly of the different types of accommodation;
- feasibility studies by sub-sector of investment;
- definitions of structures for the reception of new investments (direct foreign investments, joint ventures, trade agreements, etc...)

The recurring interest in this subject we can feel from our members states naturally corresponds to situations that are specific and relatively different from country to country. Nevertheless, its recurrent nature alerts us to the fact that Governments are becoming increasingly interested in establishing contacts and maintaining close relations with a panel of diversified investors.

It also reflects the fact that many countries possess both under-exploited tourism assets on the one hand, and the political will to develop them on the other, but such a "virtuous combination" of these two elements suffers from the lack or the weakness of national investors.

By the way, one of the main characteristics of the tourism sector is the very big size of its value chain, that is the big number of the concerned industries: transportation (by air, by rail, by road, by boat), accommodation (from international hotel chains to the smallest individual B&B), catering, the immense set of different activities provided to tourists (culture, sport, entertainment, discovery, leisure,

shopping, religion, MICE...) and finally, distribution, that is the job of travel agents and tour operators. Each of them require investment and infrastructure and the solidity of this chain depends of the weakest link. In other words, we can see almost every day that, in a lot of cases, the problem of a destination is only the weak coordination and consistency between:

- on one hand, the necessary infrastructure for each link of the chain
- on the other hand, the private and the public investment.

To summarize on this point, I'd say that without airport or train station or main roads, no hotels. Without hotel, no ski lift. Without ski lift, no ski, no snow resort and no tourist. And without distribution and promotion, nothing!

And conversely, no beach no hotel; no hotel no seashore resort; no seashore resort, no airport, no train station; and no airport no airline companies !

As a conclusion, I'd say that a sustainable strategy to develop tourism infrastructure is very demanding in terms of coordination, specially between the public authorities and the private entrepreneurs, and a deficient coordination leads too frequently to over/under sized infrastructure; in other terms, a good infrastructure strategy depends mainly on the level of coordination of the different actors.

And this is a question of good governance.

But this is another story.

I thank you for your kind attention.